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## ARE YOU PREPARED?

By Mark Teale, Retirement Strategies and Solutions

This article may appear a little morbid, but the reality of life is that in most cases we do not get to choose the timing of our passing.

In 1990, my dad passed away two weeks before his 62nd birthday, I was 34.

Dad passed away without a will, which meant my mum's financial position remained uncertain for a period of time which caused her an unnecessary degree of anxiety that could have been avoided.

A little over one year ago, my step-dad who at the time was residing in a nursing home, passed away – he was 94.

He was as sharp as a tack but unfortunately his body fell apart around him. He had lost most of his dignity and was embarrassed by his situation, he wanted to pass away and he hoped for it every night when he fell asleep.

The contrast between my dad and step-dad could not be starker.

Dad was not ready for his death which was quick and unexpected, my step-dad on the other hand was ready and waiting for the moment he would pass and his dignity, he believed, would be returned.

And very importantly my step-father had a will, as well as

powers of attorney and an advanced health directive. This certainly made my role as executor and attorney very easy and of more importance, provided my mum with financial certainty at a time of great stress.

So how do you prepare for your own passing?

In most cases, we do not have a choice as to when our time is up and from an emotional and even a physical perspective, I do not have the answer.

However, from a financial and estate planning perspective there are steps we should all take to prepare for our passing and to make life easy for those loved ones who are left to pick up the pieces;

### 1 A Legal Will

Everyone should ensure they have a legal and valid will. Dying without a will or an invalid will is known as dying intestate. In such cases the laws in each state will dictate how your estate is to be distributed. This could result in your estate being distributed in a way that would be contrary to your wishes.

### 2 Your Superannuation

This is an asset excluded from your will. Distribution of your superannuation will be in accordance with the trust

deed. To ensure these funds are distributed according to your wishes, ensure you have in place a non-lapsing binding death nomination so that the trustee distributes the funds as intended.

### 3 Enduring Powers of Attorney

This means appointing a person or organisation who will make decisions and sign papers on your behalf and will continue to do so even as your mental capacity diminishes.

### 4 Advance Health Directive

A document which outlines your wishes regarding medical treatment and how you would like your body to be dealt with in the event of your passing.

This list is by no means exhaustive, but it is a start and the bare minimum that a person needs to have in place in preparation of the inevitable.

**“...from a financial and estate planning perspective there are steps we should all take to prepare for our passing...”**

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# DETERMINING THE VALUE OF FINANCIAL ADVICE IN THE WAKE OF THE ROYAL COMMISSION

By Erryn Worth, National Communication and Marketing Manager

In the wake of the Royal Commission (RC), many clients want answers about what's going on in the industry. This is understandable as findings from the RC have highlighted many of the industry's shortcomings.

However, it would be amiss to buy into the narrative being played out that suggests all financial advisers lack the competency to provide their clients with life-changing advice. In fact, for most financial advisers, the RC is a welcome disruption to help change some of the negative culture within the industry.

## The intangible value of advice

8.7 million Australians have unmet financial advice needs and 2.5 million of this segment will seek out financial advice in the next two years<sup>1</sup> (see infographic). But what is it they're looking for exactly and how can financial advisers step in to help?

According to the Value of Advice Report (2017) by SunSuper, financial stress is considerably affecting people's lives, with health and family relationships being impacted the most (see infographic). This is where advisers can step in to help give you peace of mind. Financial advisers spend time getting to know you and your financial goals and are often one of the closest professional relationships you'll have. Armed with this level of personal insight, advisers are able to have a real and demonstrable impact on the quality of your life.

In an IOOF survey<sup>2</sup> of 521 advised and non-advised participants, advised participants reported an overall increase in peace of mind by as much as 21% once they had received advice.

## The importance of professional financial advice

While the industry is going through a hard time at the moment, it's important not to underestimate the importance of professional financial advice and the role it can play in transforming lives.

As Andrew Inwood of market research consultancy, CoreData, states, there are two things he can be certain of:

- 1 If you have a close relationship with your financial adviser, you will be richer than someone who doesn't have a close relationship with their financial adviser.
- 2 If you have a close relationship with your financial adviser, you will be more confident about the future than someone who doesn't.

<sup>1</sup> SunSuper. 2017. Value of Advice Report. Available at: <https://sunsuper.i-events.info/pub/pubType/EO/pubID/zzzz59cc2ead08b46896/interface.html>

<sup>2</sup> IOOF. 2015. The true value of advice. Available at: <https://www.ioof.com.au/financial-advice/understanding-financial-advice/how-financial-advice-can-help>



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### THE REAL VALUE OF FINANCIAL ADVICE

Is financial advice only about the numbers?

Does your financial adviser provide you with added value that is sometimes overlooked?

In this infographic, we break down some of the intangible value that financial advisers provide that help you reach your financial goals

1

Australians are looking for professional financial advice now more than ever<sup>1</sup>.

**8.7 MILLION**

have unmet financial advice needs

**2 MILLION**

don't know where to turn to for affordable advice that they can trust.

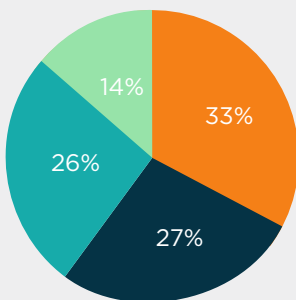
2

In fact, 59% of Australians list Full Financial Freedom and Independence as their number one aspiration for the future<sup>2</sup>.

4

However, financial stress is still a huge issue for Aussies, and it impacts our lives in a number of ways<sup>3</sup>.

WHAT AREAS OF OUR LIVES DOES FINANCIAL STRESS IMPACT?



Health



Relationship at home



Productivity at work



Attendance at work

4

Financial Advisers help to alleviate some of this stress and help their clients reach their financial goals through<sup>4</sup>:



Knowing what's important to you



Protecting your family for the future



Making the most out of super



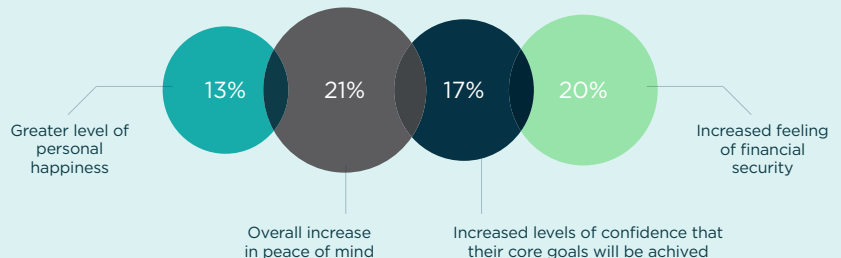
Protecting your assets



Helping you plan for retirement

5

According to a 2015 IOOF report<sup>5</sup>, clients who receive ongoing financial planning advice experience:



<sup>1</sup> SunSuper. 2017. Value of Advice Report. Available at: <https://sunsuper.i-events.info/pub/pubType/EO/pubID/zzzz59cc2ead08b46896/interface.html>

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> IOOF. 2015. The true value of advice.

Available at: <https://www.ioof.com.au/financial-advice/understanding-financial-advice/how-financial-advice-can-help>

<sup>5</sup> Ibid.



## RELATIONSHIP BREAKDOWNS – SPLITTING SUPER

By Peter Kelly, Superannuation, SMFS and Retirement Planning Specialist

While not a particularly happy topic, the breakdown of a relationship between partners is a reality in the modern world. An estimated one in three Australian marriages will end in divorce.

With super balances becoming more sizable, it is only appropriate that we look at what happens to our super if our relationship breaks down.

Since December 2002, super forms part of those assets that are divisible amongst partners on relationship breakdown.

The current laws apply to married and de-facto couples and extend to same-sex relationships.

Generally, splitting super can be dealt with in one of two ways:

### 1 By a superannuation agreement

Whereby the partners decide how super benefits of each will be dealt with on the breakdown of a relationship. A superannuation agreement can be made before, during, or after the breakdown of the relationship.

### 2 By court order

The Family Court will consider the super savings held by each partner and will make an order as to how they are to be split. This is often relied upon where the parties cannot agree on the split.

There are a number of ways in which the basis of a split is determined.

The split may be expressed as:

- base amount
- percentage of a person's super interest

- by application of a formula
- by actuarial valuation

The actuarial valuation is used for defined benefit super schemes.

Once the basis of the split has been determined, either the super interest affected will have a flagging order attached to it or the benefit will be split. Flagging may be used to 'freeze' a member's benefit before a physical split can occur.

With more and more super funds being 'defined contribution' schemes, where a member's account balance can be readily identified, the benefit may be split by either creating a new account in the same super fund for the spouse to receive split super benefits, or the 'receiving' spouse may simply request their share of their former partners super to be transferred (rolled over) to their own super account with their current super fund.

Most superannuation benefits are 'preserved'. This means they cannot be 'cashed' until such time as a 'condition of release' is met. In some cases, a person may have benefits that are both preserved and unpreserved. The preservation components of a super benefit are split proportionally. That is, if a member's benefit comprised of 60% preserved and 40% unpreserved benefits, and a portion of their benefit was to be split with their spouse, the receiving spouse would receive their share of the same preservation components.

Likewise, with the tax components. Split super benefits are split in proportion to the taxable and tax-free components held by the original spouse.

Dealing with super benefits on relationship breakdown can be complex. It is important for both parties to seek appropriate legal and financial advice.

### YOUR PRIVACY

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located adjacent.

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