



**ASIC**

Australian Securities & Investments Commission

## REGULATORY GUIDE 90

# Example Statement of Advice: Scaled advice for a new client

December 2017

### **About this guide**

This guide is for Australian financial services (AFS) licensees, authorised representatives and advisers who give personal advice to retail clients.

It explains how and why we have developed an example Statement of Advice (SOA) for scaled advice (i.e. personal advice that is limited in scope) on personal insurance for a new retail client.

The example SOA was developed in consultation with stakeholders, and we acknowledge their valuable contribution throughout the process.

### About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

**Consultation papers:** seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

**Regulatory guides:** give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

**Information sheets:** provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

**Reports:** describe ASIC compliance or relief activity or the results of a research project.

### Document history

This guide was issued in December 2017 and is based on legislation and regulations as at the date of issue.

Previous versions:

- Superseded Regulatory Guide 90, issued August 2013
- Superseded guide *Example Statement of Advice (SOA) for a limited financial advice scenario for a new client*, issued August 2005, rebadged as a regulatory guide 5 July 2007

### Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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## A Overview

### Key points

The focus of this guide is the example Statement of Advice (SOA) in Appendix 2.

The example SOA is based on a hypothetical limited financial advice scenario for personal insurance. It illustrates how an adviser can produce a compliant SOA that is concise, is structured in a way that is easy to follow and is written in simple, plain language.

The example SOA has been developed in line with our increasing use of behavioural research to understand regulatory problems. Our aim is to provide guidance to help make SOAs more effective and easier for retail clients to read and understand, as well as to assist advisers to make better use of SOAs.

It is not designed to illustrate what we would consider to be the best advice in this scenario.

### Scope of this guide

RG 90.1 The focus of this guide is the example SOA in Appendix 2. This example SOA is based on a hypothetical financial advice scenario described in Appendix 1. The example SOA provides an example of scaled advice (i.e. personal advice that is limited in scope) about personal insurance—including life and total and permanent disability (TPD) cover, income protection insurance and trauma insurance—for a new client.

Note: In this guide, we have used the term ‘client’ to refer to a ‘retail client’.

RG 90.2 This guide briefly sets out the aims of the example SOA, highlights the various sections of the example SOA, and explains what these sections contain and why.

RG 90.3 The example SOA illustrates how an adviser can produce a compliant SOA that is clear, concise and effective. It is structured in a way that is easy to follow and written in simple, plain language.

RG 90.4 The example SOA has been developed in line with our increasing use of behavioural research to understand regulatory problems and, in some cases, design and refine solutions for them.

RG 90.5 We designed the example SOA based on what we think is good disclosure practice (not best disclosure practice) for an SOA dealing with such a financial advice scenario.

- RG 90.6 While the example SOA has been prepared for a personal insurance advice scenario, we have tried to create an example that can be adapted to other financial advice scenarios. We therefore encourage advisers to use the example SOA as a model for other SOAs.
- RG 90.7 We suggest that advisers consider the style, content and layout of the example SOA in light of the particular SOA they are producing. We recognise that the style, content, layout and length of an SOA will vary depending on various matters, including the scope and complexity of the advice. The example SOA is not intended to be used as a template, so it is unlikely that an adviser could use it without modification.
- RG 90.8 You may reproduce all or any part of the example SOA, in hard copy and/or in electronic format, without asking for permission from ASIC.
- RG 90.9 For further example SOAs, see the appendix to [Regulatory Guide 244](#) *Giving information, general advice and scaled advice* (RG 244). The examples in RG 244 are designed to illustrate the differences between giving factual information, general advice and scaled advice.
- RG 90.10 Our general approach to compliance with the SOA requirements is set out in Section D of [Regulatory Guide 175](#) *Licensing: Financial product advisers—Conduct and disclosure* (RG 175).
- RG 90.11 [Regulatory Guide 221](#) *Facilitating digital financial services disclosures* (RG 221) explains our approach to facilitating digital disclosure. We encourage advisers to explore more innovative forms of disclosure and, where advisers are concerned that there are remaining regulatory barriers, we are open to granting individual relief to facilitate the use of these kinds of disclosure where they are consistent with our Good Disclosure Principles set out in Section C of [Regulatory Guide 168](#) *Disclosure: Product Disclosure Statements (and other disclosure obligations)* (RG 168).
- RG 90.12 We have also provided—in the appendix to [Report 413](#) *Review of retail life insurance advice* (REP 413)—a checklist of matters that advisers should consider when giving life insurance advice. This checklist includes guidance about how to communicate the advice in an SOA.
- RG 90.13 We will continue to assess SOAs against the existing law and our current guidance. The example SOA is an illustrative aid. As stated above, we encourage advisers to consider it as a model when preparing their own SOAs. However, we do not intend to assess any SOAs against the example SOA in a compliance review.

## Aims of the example SOA

- RG 90.14 The purpose of an SOA is to communicate to the client important and relevant information about the advice being provided to enable the client to make an informed decision about whether to act on the advice.
- RG 90.15 Section B of this guide sets out the legislative requirements that apply to SOAs, and what we think should be included in an SOA to enable a client to make an informed decision about whether to act on the advice.
- RG 90.16 The example SOA and this guide are underpinned by our current guidance on SOA requirements, including the requirement for clear, concise and effective disclosure. The design of the example SOA has also been based on insights from behavioural research into how people find and understand the information in SOAs. The language, structure, content and length of the example SOA are designed to make it a relatively simple and effective communication tool.
- RG 90.17 We have developed the example SOA as a communication tool that sets out and explains the advice. It has not been designed for use as:
- (a) a compliance tool;
  - (b) a mechanism to protect the providing entity against liability;
 

Note: A 'providing entity' is the person to whom the obligations in Pt 7.7 of the *Corporations Act 2001* (Corporations Act) apply. This is the Australian financial services (AFS) licensee or authorised representative that provides the financial product advice.
  - (c) a complete record of all information that you would expect to find in the client file (i.e. the information kept about the advice provided to the client); or
  - (d) a place to include additional information not required by law (e.g. educational material, which may be attached or provided separately).
- RG 90.18 The example SOA also provides an example of scaled advice. It demonstrates how an adviser can clearly communicate the scope of such advice. For more guidance about giving scaled advice, see [RG 244](#).
- RG 90.19 We developed the example SOA on the basis that the adviser in our financial advice scenario is maintaining information on a client file, and that this file shows that the adviser has met the best interests duty and related obligations in Div 2 of Pt 7.7A of the Corporations Act.
- Note: See RG 90.37–RG 90.39 for a description of the record-keeping obligations that apply when giving personal advice to clients.
- RG 90.20 Clients and their advisers will discuss a broad range of matters over the course of their relationship. While these matters may provide context and

background for the advice, not all this information should be in the SOA. Information can be communicated to the client in other ways: see RG 90.43.

## Design and structure of the example SOA

RG 90.21 Section C of this guide explains in detail the design and structure of the example SOA. We describe what each section of the example SOA contains and explain why this information has been included. Table 1 summarises the sections included in the example SOA.

**Table 1: Key sections of the example SOA**

Section	Purpose
<b>Front cover</b>	The front cover sets out basic information—such as the name of the adviser and their contact details—that the clients need to know before they read the contents of the SOA. It explains what the SOA is about, and why clients should read it.
<b>Table of contents</b>	The table of contents helps clients navigate the document. We consider a table of contents to be particularly useful if an SOA is more than 10 pages long.
<b>Summary of my insurance recommendations and commissions</b>	This section provides an overview of the adviser's recommended insurance products and commissions. It refers clients to key sections of the SOA for more information about these topics.  Note: The SOA should also disclose any fees or costs associated with the advice and, if these apply, this should be reflected in the heading to this section.
<b>What you want</b>	This section outlines the adviser's understanding of the clients' insurance preferences and needs.
<b>What you should know about my advice</b>	This section sets out the limits on the advice (i.e. the scope) and other key information the clients need to know about the advice.
<b>About you: Brad and Zara</b>	This section summarises details from the clients' personal and financial profile, which the adviser has gathered to understand their needs and what is required to meet those needs.
<b>My advice</b>	This section sets out the adviser's recommendations for meeting the clients' needs, as identified in the 'What you want' section.
<b>Reasons for my recommendations</b>	This section explains why the advice is in the clients' best interests and is appropriate in light of their financial circumstances and objectives.
<b>Consequences of my advice</b>	This section sets out the financial consequences and risks of the advice.
<b>How to follow my advice</b>	This section outlines the steps the clients need to take if they wish to follow the advice.
<b>My commissions</b>	This section sets out any commissions the adviser and their AFS licensee would receive if the clients decide to act on the advice.  Note: If there are any fees or costs associated with the advice, this should be made clear in the heading to this section.

Section	Purpose
<b>Authority to proceed</b>	It is generally industry practice to include some kind of document giving the adviser an 'authority' to proceed with the advice. We have included this authority, together with a checklist of important things the clients should make sure they have done before acting on the advice.

- RG 90.22 The last part of Section C of this guide sets out what is not included in the example SOA and why. The types of information we have not included are:
- (a) disclaimers and warnings;
  - (b) financial product information;
  - (c) financial services provided; and
  - (d) additional information not material to the advice or the basis of the advice.

## Financial advice scenario

- RG 90.23 We have designed the example SOA based on a hypothetical and limited financial advice scenario for personal insurance (i.e. one that does not require a full financial plan).
- RG 90.24 The advice scenario deals with Brad and Zara—a married couple with two young children—who have asked a financial planner, Sally Chong, to advise them on personal insurance cover in the event of death or disability, taking into account their current income and assets. This scenario is set out in more detail in Appendix 1.
- RG 90.25 The advice we developed is one of a number of possible outcomes. While we have tried to ensure that the financial advice scenario is as realistic as possible, we recognise that there might be disagreement with some aspects of the scenario. The example SOA in Appendix 2 is not designed to illustrate what we would consider to be the best advice in this scenario.



## B Aims of the example SOA

### Key points

The example SOA, together with this guidance, is intended to help advisers produce a relatively simple and effective SOA that complies with the SOA requirements in Pt 7.7 of the Corporations Act.

This section sets out the relevant legislative requirements, and provides a brief overview of how the best interests duty affects the content of SOAs: see RG 90.29–RG 90.31.

In preparing an SOA, we consider that the presentation requirements (i.e. structure, layout and language) are as important as the content requirements. This is why we have used insights from behavioural research to improve the way our example SOA communicates information to clients.

It is particularly important to ensure that SOAs are not too long or complicated because this detracts from client understanding. Although an adviser is likely to consider and discuss a broad range of matters with the client, not all this information needs to be in the SOA: see RG 90.40–RG 90.43.

## Legislative requirements

RG 90.26 We consider that the example SOA will help advisers comply with the SOA requirements in Pt 7.7 of the Corporations Act.

RG 90.27 Under s947B, 947C and 947D, an SOA must contain:

- (a) a statement setting out the advice (see s947B(2)(a) and 947C(2)(a));
- (b) information about the basis on which the advice is or was given (see s947B(2)(b) and 947C(2)(b));
- (c) a statement setting out the name and contact details of the providing entity and, where relevant, the authorising AFS licensee (see s947B(2)(c) and 947C(2)(c)–(d));
- (d) information about remuneration, commissions and other benefits capable of influencing the providing entity in providing the advice (see s947B(2)(d) and 947C(2)(e));
- (e) information about any other interests, associations or relationships that might be expected to be or have been capable of influencing the providing entity in providing the advice (see s947B(2)(e) and 947C(2)(f));
- (f) where the personal advice is based on incomplete or inaccurate information, a statement setting out the warning required by s961H (see s947B(2)(f) and 947C(2)(g)); and

- (g) where the personal advice recommends the replacement of one financial product with another financial product (also known as ‘switching advice’), the additional information required by s947D.

Note: Under s947B(2)(g) and 947C(2)(h), an SOA must also contain any other statements or information required by the Corporations Regulations 2001 (Corporations Regulations). Currently, there are no requirements other than those specified above.

RG 90.28 These requirements are subject to two general limitations, as set out in Table 2.

**Table 2: General limitations on the SOA requirements**

Limitation	Description
Level of detail	The level of detail for each matter is generally what a person as a retail client would reasonably require to make a decision about whether to act on the advice: see s947B(3) and 947C(3).
Clear, concise and effective	The statements and information in an SOA must be worded and presented in a clear, concise and effective manner: see s947B(6) and 947C(6).  Note: For guidance on clear, concise and effective disclosure, see RG 175.203–RG 175.207 in <a href="#">RG 175</a> .

RG 90.29 Part 7.7A of the Corporations Act contains a series of obligations that financial advisers must meet in providing advice. These are designed to reduce conflicts of interest and ensure the adviser gives priority to their clients’ interests and provides advice of sufficient quality.

RG 90.30 Under Div 2 of Pt 7.7A, financial advisers must comply with a best interests duty when providing personal advice to clients. This duty requires advisers to act in the best interests of their clients and to place the interests of their clients ahead of their own: see s961B(1) and 961J(1).

RG 90.31 An adviser is deemed to have satisfied the best interests duty in s961B(1) if they can prove they have taken the steps set out in s961B(2)—referred to in [RG 175](#) as the ‘safe harbour’. One way for an adviser to demonstrate they have satisfied the best interests duty is to ensure that the client file reflects that the adviser has taken these ‘safe harbour’ steps. However, this is not the only way an adviser may demonstrate they have acted in the best interests of a client.

Note: See Section E of [RG 175](#) for more guidance on our expectations for complying with the best interests duty and related obligations.

## Purpose of an SOA

RG 90.32 The purpose of an SOA is to communicate to the client important and relevant information about the advice so they can make an informed decision about whether to act on the advice. The example SOA and this guide are

underpinned by our current guidance on the SOA requirements, including the requirement for clear, concise and effective disclosure. The design of the example SOA has also been influenced by behavioural insights and primary research on how people find and use information in SOAs.

Note: See Section D of [RG 175](#) and the Good Disclosure Principles in Section C of [RG 168](#).

RG 90.33 As outlined in RG 175, we consider that an SOA should clearly, concisely and effectively summarise, for the benefit of the client:

- (a) the advice;
- (b) the reasoning that led to the advice, including:
  - (i) the subject matter of the advice sought by the client;
  - (ii) the scope of the advice;
  - (iii) a concise summary of the client's relevant circumstances, as ascertained after making the inquiries required by s961B;
  - (iv) a generic description of the range of financial products, classes of financial product or strategies considered and investigated for the purposes of s961B;
  - (v) an explanation of why the advice and recommendations were considered appropriate, including in light of the alternative options considered, and the advantages and disadvantages (including risks) for the client if they follow the advice; and
  - (vi) an explanation of how the adviser has acted in the client's best interests. We consider that it is good practice to set out the basis on which a reasonable adviser would believe that the advice is likely to leave the client in a better position if the client follows the advice.

Note: For further guidance on preparing and providing an SOA, see Section D of [RG 175](#).

RG 90.34 Consistent with this purpose, we have developed the example SOA as a communication tool that sets out and explains the advice. It has not been designed for use as:

- (a) a compliance tool;
- (b) a mechanism to protect the providing entity against liability;
- (c) a complete record of all the information that you would expect to find in the client file (i.e. the information kept about the advice provided to the client); or
- (d) a place to include additional information not required by law (e.g. educational material, which may be attached or provided separately).

Note 1: For more detail about the design of the SOA, see Section C of this guide. For guidance on preparing and providing suitable personal advice, see Section B of [RG 175](#) and Sections D–F of [RG 244](#). For guidance on including additional information in an SOA, and the clear, concise and effective disclosure requirement, see RG 175.203–RG 175.207 of RG 175.

- RG 90.35 We have developed the example SOA on the basis that the adviser in our financial advice scenario is maintaining information on a client file. This client file should show the steps that the adviser has taken to satisfy the best interests duty and related obligations in Div 2 of Pt 7.7A.
- RG 90.36 We have not included in the example SOA all of the information that we would usually expect to find in the client file. For instance, the example SOA does not include information about the alternative financial products or strategies that were considered but rejected by the adviser in providing the advice. However, we would expect this information to be clearly set out in the client file.

### Record-keeping obligations

- RG 90.37 An AFS licensee must ensure that records of advice are kept for a period of at least seven years after the day the personal advice is provided to the client. [Class Order \[CO 14/923\]](#) *Record-keeping obligations for Australian financial services licensees when giving personal advice* modifies Div 3 of Pt 7.6 of the Corporations Act, as it applies to all AFS licensees, to insert a new section—s912G—which sets out the record-keeping requirements for licensees when the licensee or its representatives (including advisers) give personal advice to clients.
- RG 90.38 Section 912G(2)(c) requires that, when an AFS licensee or its representative provides personal advice to clients, the licensee must ensure that records are kept of the advice given. This includes an obligation to keep copies of SOAs.
- Note: We have provided guidance on the record-keeping obligations in Section D of [RG 175](#).
- RG 90.39 The information we require to be kept, under the record-keeping obligations, will help to demonstrate that the adviser has satisfied the best interests duty and related obligations.

### Other communications with a client

- RG 90.40 It is important to remember that an SOA forms only one part of the advice process. In developing the example SOA, we considered what information could be excluded, based on both the disclosure requirements and the purpose of the SOA in the context of the whole adviser–client relationship.
- RG 90.41 The SOA is intended to communicate to the client specific information at a particular point in time. Over the course of their relationship, an adviser and client will generally consider and discuss a broad range of matters that help provide the background to (and eventual basis for) the advice that is provided.

- RG 90.42 Some of these matters include:
- (a) the client's personal circumstances (including their risk tolerance), financial situation, and goals and objectives;
  - (b) financial concepts, including the concept of risk and return and what this means for asset allocation when investing;
  - (c) the financial services that the providing entity is authorised to provide (including the cost of those services and any limitations that apply to those services);
  - (d) information about financial strategies and financial products; and
  - (e) the advice itself (including its cost, the advantages and disadvantages, and the alternative financial products and strategies that were considered by the adviser).

RG 90.43 While these matters may provide context and background for the advice, not all this information needs to be in the SOA. Information about these matters could be provided to the client in:

- (a) other documents, including the Financial Services Guide (FSG), Product Disclosure Statements (PDSs), promotional literature and educational material;
- (b) verbal communications, such as face-to-face meetings and telephone conversations; and
- (c) other written communications, such as emails and letters.

Note: For more information about what has not been included in the example SOA, see RG 90.83–RG 90.93.

## C Design and structure of the example SOA

### Key points

This section explains in detail the design and structure of the example SOA, and describes what each section contains and why.

The example SOA has been designed to make it as easy as possible for clients to understand and navigate.

The design also takes into account any technical constraints that an adviser may face in adapting the example SOA to different personal advice scenarios. It has been created in a basic word-processing package, using simple design and layout techniques that should be available to all advisers.

In keeping with the requirement for clear, concise and effective disclosure, the example SOA does not contain any information that does not need to be in an SOA. For example, the body of the example SOA does not contain standard disclaimers or warnings, financial product information, advertising material or educational information.

### Design and layout

- RG 90.44 We have used simple design and layout techniques in the example SOA (e.g. headings, tables and bullet points) to help highlight key information and make the document easier to read and navigate.
- RG 90.45 We have deliberately used language that is simple and easy to understand. Our aim was to develop a communication tool that can be understood by anyone seeking personal insurance advice, regardless of their previous level of understanding about insurance products.
- RG 90.46 We have used the following strategies to make the SOA easier to read and understand:
- (a) where possible, technical words and phrases have been replaced with more commonly understood terms;
  - (b) where legal or technical terms have been used, their meaning and implications are explained in simple, plain language;
  - (c) acronyms and abbreviations have only been used where necessary and are defined at the first point of usage;
  - (d) short, simple sentences have been used, with no complex sentence structures;

- (e) where possible, tables and bullet points have been used to break up the text and present information in a clear, accessible way, and to make it easier for clients to find and compare information; and
- (f) different types of information have been identified and separated into two ‘voices’, using a different style to represent each voice:
  - (i) the first ‘voice’ (in normal text) is the voice of the adviser and sets out key information, facts and recommendations; and
  - (ii) the second ‘voice’ (in italics with an arrow bullet) provides further explanation or expands on the implications of what the first voice has said.

RG 90.47 In addition, some repetition has been employed throughout the example SOA, based on the knowledge that many people do not read these types of documents from cover to cover. Some people may only skim the document and/or engage with specific sections. For these people, the table of contents allows them to find the information they want and only read that information. Some repetition has been necessary to make each section make sense by itself.

RG 90.48 The example SOA has been designed in accordance with the principles of the Web Content Accessibility Guidelines (WCAG) 2.0, which apply to all material published on Australian Government websites. This ensures that the document can be accessed and understood by people with disabilities, including those using assistive technologies such as screen readers.

RG 90.49 We note that SOAs are challenging documents for clients. We would expect the adviser to talk through the SOA with the client as part of the advice process.

RG 90.50 In our view, the structure of the example SOA reflects the process of giving advice, including a discussion of:

- (a) the clients’ goals and objectives;
- (b) what the advice does and does not cover (i.e. its scope);
- (c) the clients’ personal circumstances and financial situation;
- (d) the advice;

Note: The example SOA does not include detailed information about the alternative financial products or strategies that were considered but do not form part of the final recommendations given by the adviser. However, we would expect this information to be recorded on the client file in accordance with the record-keeping obligations: see RG 90.37–RG 90.39.

- (e) why the advice is in the clients’ best interests and appropriate;
- (f) the financial consequences and risks of the advice, including the consequences of replacing one financial product with another;
- (g) what the clients should do to follow the advice; and

- (h) the commissions associated with the advice—these have also been summarised in the ‘Summary of my insurance recommendations and commissions’ section in order to strengthen the remuneration disclosure.

RG 90.51 The design of the example SOA also takes into account any technical constraints that an adviser may face in adapting the SOA to different personal advice scenarios. The example SOA has been formatted in a common word-processing package that should be available to all advisers.

## Key sections of the example SOA

### Front cover

RG 90.52 The front cover sets out the basic information that the clients need to know before they read the contents of their SOA. This includes:

- (a) the fact that the document is called a Statement of Advice;
- (b) the name of the adviser and their contact details;
- (c) the name of the authorising AFS licensee and its contact details; and
- (d) a description of what the document is about.

RG 90.53 We have also provided a list of attached PDSs for the financial products that have been recommended.

### Table of contents

RG 90.54 The table of contents helps clients to navigate the document.

### Summary of my insurance recommendations and commissions

RG 90.55 This section provides a short summary of the adviser’s individual insurance recommendations for Brad and Zara and the associated commissions. It refers the clients to key parts of the SOA for more details about these topics.

RG 90.56 The summary of the commissions has been included in this section to illustrate how an adviser can provide prominent, upfront disclosure of commissions: see also RG 90.76–RG 90.80.

Note: The SOA should also disclose any fees or costs associated with the advice and, if these apply, this should be reflected in the heading to this section.

RG 000.57 In addition, we have included a heading for ‘Conflicts of interest’, under which any other interests, associations or relationships that might be expected to be or have been capable of influencing the advice should be disclosed.



## What you want

- RG 90.58 This section summarises the adviser’s understanding of the clients’ needs and preferences. It broadly outlines the clients’ combined goals and objectives, as described by Brad and Zara, including their priorities and attitudes to risk.

## What you should know about my advice

- RG 90.59 This section outlines the scope of the advice and other key information the clients need to know about the advice.
- RG 90.60 It highlights limits on the advice and reminds the clients that the adviser can provide them with further advice, if they want it, at an additional cost. This gives the clients enough information to make them aware of other matters they might need to consider in the future. We have deliberately drafted this information so it is not a disclaimer or warning.
- RG 90.61 We have also included an expiry date for the advice, which is 30 days after the SOA is issued, to highlight that the advice has a time limit and that the clients should not act on the advice after a certain date. It is important for the clients to know that the advice is only appropriate for them at this point in time, based on their current personal circumstances and financial situation, and other factors such as the financial products currently on the AFS licensee’s approved product list.

## About you: Brad and Zara

- RG 90.62 This section summarises details from the clients’ personal and financial profile that are relevant to the advice being provided and the basis for the advice.
- RG 90.63 While the client file would contain more detailed information about the clients’ personal circumstances and financial situation, we did not consider it necessary to include all of this information in the example SOA. We recognise that the level of relevant personal and financial information included in an SOA may vary depending on the scope and complexity of the advice being sought and the circumstances of the particular client.
- RG 90.64 The information in the ‘About you’ section of the example SOA has been organised under separate headings, as set out in Table 3.

**Table 3: Headings used in the ‘About you’ section of the example SOA**

Heading	Explanation
Personal details	This section summarises the clients’ relevant circumstances.

Heading	Explanation
What you own and what you owe	This section sets out the clients' existing assets and liabilities.
What you earn each year	This section outlines the clients' individual and combined earnings after tax and benefits.
What you spend each year	This section calculates the clients' combined total annual expenses.
Your current personal insurance	This section summarises the clients' existing personal insurance products.

## My advice

RG 90.65 This section sets out the adviser's recommendations for meeting the clients' needs, as set out in the 'What you want' section. The information has been organised under the separate headings listed in Table 4.

**Table 4: Headings used in the 'My advice' section of the example SOA**

Heading	Explanation
Insurance needs: Brad	This section calculates the total cover required to meet Brad's objectives and explains how it will meet those objectives.
Insurance needs: Zara	This section calculates the total cover required to meet Zara's objectives and explains how it will meet those objectives.

## Reasons for my recommendations

RG 90.66 This section summarises why the recommendations are considered appropriate for the clients, and the basis on which it would be reasonable to conclude that they will be better off if they follow the advice.

RG 90.67 We have limited the information to key points that we think the clients need to know about the recommendations to understand why the advice is in their best interests and appropriate in light of their relevant circumstances.

RG 90.68 We have not included a detailed analysis of each of the recommended insurance products because this would be in the relevant PDSs. We consider that the example SOA provides sufficient information for the clients to understand why the type and amount of insurance cover has been recommended.

RG 90.69 In providing personal advice, advisers must comply with the best interests duty and related obligations. This means that, among other things, advisers must conduct a reasonable investigation into the financial products that might achieve the objectives and meet the needs of the client that would reasonably be considered relevant to the advice on that subject matter.

- RG 90.70 However, the SOA does not need to set out all the details of this investigation. We have assumed that the adviser has recorded sufficient information on the client files to demonstrate that the advice is in the clients' best interests and is appropriate.
- RG 90.71 We have provided detailed guidance on the best interests duty and related obligations in Section E of [RG 175](#).
- RG 90.72 However, we recognise that the level of information provided in an SOA may vary depending on the advice being sought and the circumstances of the particular client.

### Consequences of my advice

- RG 90.73 We have limited the information in this section to the relevant information that the clients need to know in order to:
- (a) understand the financial consequences and risks of the advice; and
  - (b) decide whether to follow the advice.
- RG 90.74 This section of the example SOA has been organised under the broad headings listed in Table 5.

**Table 5: Key headings used in the 'Consequences of my advice' section of the example SOA**

Heading	Explanation
Consequences of replacing products	<p>This section addresses the disclosure obligation in s947D of the Corporations Act. Section 947D applies where personal advice is, or includes, a recommendation to replace one financial product with another.</p> <p>We have included a table under the heading 'Comparison of replacement and existing insurance products: Brad', which sets out the immediate consequences of following the advice, including a comparison between the sums insured and the total annual premiums for each policy. If there are costs associated with cancelling an existing insurance policy and obtaining a new policy, these should be included here.</p>
Additional consequences and risks you should understand	<p>This section explains the financial consequences and risks of following the advice in detail, including the estimated impact of the recommendations on the clients' cash flow and retirement savings. The purpose of this information is to ensure that clients have all the information they need to make a decision. We have tailored the information to the particular clients and the recommendations made.</p> <p>We have deliberately not included generic information about risk (e.g. generic references to inflation risk).</p>

### How to follow my advice

- RG 90.75 This section outlines the steps that the clients need to take if they wish to follow the advice.

## My commissions

RG 90.76 While the provisions on conflicted and other banned remuneration in Divs 4 and 5 of Pt 7.7A of the Corporations Act prohibit many benefits that an adviser can receive, some commissions are excluded from the conflicted and other banned remuneration provisions and are still permitted. For advice on life insurance, commissions are permitted if requirements imposed by ASIC setting out maximum levels of upfront and ongoing commissions are met: see the *Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017*.

RG 90.77 If an adviser and their AFS licensee do receive allowable commissions, they will need to provide details of this in the SOA: see s947B(2)(d) and 947C(2)(e).

Note: For further guidance on complying with the conflicted and other banned remuneration provisions, see [Regulatory Guide 246](#) *Conflicted and other banned remuneration* (RG 246).

RG 90.78 In the example SOA, we have sought to strengthen remuneration disclosure by including a summary of the commissions associated with the advice in the ‘Summary of my insurance recommendations and commissions’ section. This disclosure is in addition to a full breakdown of commissions, within the body of the SOA, which appears before the authority to proceed. This is intended to draw the clients’ attention to the information and give them an opportunity to review the commissions before signing the document.

RG 90.79 In addition to information about commissions, the SOA should clearly disclose:

- (a) any fees payable for the advice and for preparing the SOA; and
- (b) any product costs the clients will pay if they purchase the recommended financial products.

RG 90.80 If the above apply, this should be made clear in the heading.

## Authority to proceed

RG 90.81 It is generally industry practice to include some kind of document giving the adviser an ‘authority’ to proceed according to the advice. We have included an ‘Authority to proceed’, together with a checklist of important things the clients should make sure they have done before they act on the advice.

RG 90.82 This section also includes information about the AFS licensee’s continuing review service and the cooling-off period that applies if the clients apply for the recommended products and then change their minds.

Note: It is important that clients know about their cooling-off rights. Because the example SOA refers the clients to the PDS for each financial product, rather than providing detailed information in the SOA, we have assumed that the adviser has

explained to the clients the importance of their cooling-off rights and has shown them where that information can be found in the PDS.

## What is not included in the example SOA

### Disclaimers and warnings

RG 90.83 Consistent with its purpose as a communication tool (and not a mechanism to protect against liability), we have not included in the example SOA any disclaimers designed to protect advisers from liability for the advice.

Note: Standard disclaimers and warnings should be distinguished from information that clients need to know in order to evaluate the consequences and risks of the advice.

RG 90.84 We have excluded this information because it is not designed to help the clients understand (and decide whether to rely on) personal advice. We think it would be more appropriate to include this type of information in other documents (e.g. documents that establish the legal relationship between the adviser and the clients, such as the FSG or the letter of engagement).

RG 90.85 However, where personal advice is, or may be, based on incomplete or inaccurate information, a warning must be given to the client. If the SOA is the means by which the advice is provided, or the SOA is given to the client at the same time as the advice is provided, the warning may be given by including it in the SOA: see s961H.

### Financial product information

RG 90.86 We have not included detailed information about the recommended financial products in the example SOA because this information would be in the PDS for each product. We have assumed, however, that the adviser has drawn the clients' attention to the relevant information in each PDS.

RG 90.87 The PDS is the point-of-sale document that sets out the significant features of a financial product, including its risks, benefits and cost. Its broad objectives are to help clients compare and make informed choices about financial products.

Note: For further guidance about complying with the PDS requirements, see [RG 168](#).

### Financial services provided

RG 90.88 We have not included information about any of the other financial services provided by the adviser because this information would be available in the FSG. We have assumed, however, that the adviser has drawn the clients' attention to the relevant information in the FSG.

RG 90.89 Under the Corporations Act, the FSG must include (among other things) information about the kinds of financial services that the adviser is authorised to provide: see s942B(2)(c) and 942C(2)(d).

Note: For further information and guidance about what must be included in an FSG, see Section C of [RG 175](#)—in particular, RG 175.108–RG 175.124.

### **Additional information**

RG 90.90 We consider that an SOA should be confined to explaining the advice and the basis for the advice. This means that we have not included any information in the example SOA that does not satisfy this purpose.

RG 90.91 In this context, we consider that it might be more appropriate for additional information that is not material to the advice, or to the basis for the advice, to be given to, and discussed with, clients through some other means (e.g. in other documents such as promotional material, or in face-to-face meetings). In developing the example SOA, we have assumed that the adviser has told the clients that additional information can be provided on request.

RG 90.92 While we recognise that the SOA may have some educational value, its primary purpose is to disclose to the client key information about the advice. We do not consider that it is necessary to provide information in an SOA to educate a client about financial products.

RG 90.93 We have therefore not included additional educational information in the body of the example SOA. Instead, we have included a reference to some (hypothetical) attached educational material and provided a link to ASIC's [MoneySmart website](http://www.moneysmart.gov.au) (www.moneysmart.gov.au). Educational material may also be provided separately.

## Key terms

Term	Meaning in this document
advice	Personal advice given to clients
adviser	<p>A natural person providing personal advice to clients on behalf of an AFS licensee who is either:</p> <ul style="list-style-type: none"> <li>• an authorised representative of a licensee; or</li> <li>• an employee representative of a licensee</li> </ul> <p>Note: This is the person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply: see the definition of 'advice provider' in the 'key terms' in <a href="#">RG 175</a>.</p>
AFS licence	<p>An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services</p> <p>Note: This is a definition contained in s761A.</p>
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act
approved product list	A list of financial products, determined by the AFS licensee, and considered suitable for the licensee's representatives to recommend to clients
ASIC	Australian Securities and Investments Commission
authorised representative	<p>A person authorised by an AFS licensee, in accordance with s916A or 916B of the Corporations Act, to provide a financial service or services on behalf of the licensee</p> <p>Note: This is a definition contained in s761A.</p>
best interests duty	The duty to act in the best interests of the client when giving personal advice to a client as set out in s961B(1) of the Corporations Act
best interests duty and related obligations	The obligations in Div 2 of Pt 7.7A of the Corporations Act
client	Retail client
client's relevant circumstances	The objectives, financial situation and needs of a client that would reasonably be considered relevant to the subject matter of advice sought by the client

Term	Meaning in this document
conflicted remuneration	<p>A benefit given to an AFS licensee, or a representative of a licensee, who provides financial product advice to clients that, because of the nature of the benefit or the circumstances in which it is given, could reasonably be expected to influence:</p> <ul style="list-style-type: none"> <li>• the choice of financial product recommended to clients by the licensee or its representative; or</li> <li>• the financial product advice given to clients by the licensee or its representative.</li> </ul> <p>In addition, the benefit must not be excluded from being conflicted remuneration by the Corporations Act or Corporations Regulations</p>
conflicted and other banned remuneration provisions	<p>The provisions on conflicted remuneration and other banned remuneration in Divs 4 and 5 of Pt 7.7A of the Corporations Act and in Div 4 of Pt 7.7A of the Corporations Regulations</p>
Corporations Act	<p><i>Corporations Act 2001</i>, including regulations made for the purposes of that Act</p>
Corporations Regulations	<p>Corporations Regulations 2001</p>
example SOA	<p>The example SOA set out in Appendix 2 to this guide</p>
factual information	<p>Objectively ascertainable information whose truth or accuracy cannot reasonably be questioned</p>
financial adviser	<p>See 'adviser'</p>
financial product	<p>A facility through which, or through the acquisition of which, a person does one or more of the following:</p> <ul style="list-style-type: none"> <li>• makes a financial investment (see s763B);</li> <li>• manages financial risk (see s763C);</li> <li>• makes non-cash payments (see s763D)</li> </ul> <p>Note: This is a definition contained in s763A of the Corporations Act: see also s763B–765A.</p>
financial product advice	<p>A recommendation or a statement of opinion, or a report of either of these things, that:</p> <ul style="list-style-type: none"> <li>• is intended to influence a person or persons in making a decision about a particular financial product or class of financial product, or an interest in a particular financial product or class of financial product; or</li> <li>• could reasonably be regarded as being intended to have such an influence.</li> </ul> <p>This does not include anything in an exempt document or statement</p> <p>Note: This is a definition contained in s766B of the Corporations Act.</p>



Term	Meaning in this document
financial service	Has the meaning given in Div 4 of Pt 7.1 of the Corporations Act
FSG	A Financial Services Guide—a document required by s941A or 941B to be given in accordance with Div 2 of Pt 7.7 of the Corporations Act  Note: This is a definition contained in s761A.
general advice	Financial product advice that is not personal advice  Note: This is a definition contained in s766B(4) of the Corporations Act.
PDS	A Product Disclosure Statement—a document that must be given to a client for the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act  Note: See s761A for the exact definition.
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: <ul style="list-style-type: none"> <li>the person giving the advice has considered one or more of the client's objectives, financial situation and needs; or</li> <li>a reasonable person might expect the person giving the advice to have considered one or more of these matters</li> </ul> Note: This is a definition contained in s766B(3) of the Corporations Act.
providing entity	A person to whom the obligations in Pt 7.7 of the Corporations Act apply. This is the AFS licensee or an authorised representative that provides the financial product advice
Pt 7.7A (for example)	A part of the Corporations Act (in this example number 7.7A)
representative of an AFS licensee	Means: <ul style="list-style-type: none"> <li>an authorised representative of the licensee;</li> <li>an employee or director of the licensee;</li> <li>an employee or director of a related body corporate of the licensee; or</li> <li>any other person acting on behalf of the licensee</li> </ul> Note: This is a definition contained in s910A of the Corporations Act.
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations
RG 175 (for example)	An ASIC regulatory guide (in this example numbered 175)
s961 (for example)	A section of the Corporations Act (in this example numbered 961), unless otherwise specified

Term	Meaning in this document
scaled advice	Personal advice that is limited in scope
SOA	A Statement of Advice—a document that must be given to a client for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7 of the Corporations Act
	Note: See s761A for the exact definition.

## Related information

### Headnotes

advice provider, adviser, best interests duty, best interests duty and related obligations, communications with a client, example SOA, factual information, financial advice scenario, financial product, financial product advice, Financial Services Guide, FSG, general advice, goals and objectives, life insurance, life insurance advice, PDS, personal advice, personal insurance, Product Disclosure Statement, retail client, scaled advice, scope of the advice, SOA, Statement of Advice, subject matter of advice sought by the client

### Regulatory guides

[RG 168](#) *Disclosure: Product Disclosure Statements (and other disclosure obligations)*

[RG 175](#) *Licensing: Financial product advisers—Conduct and disclosure*

[RG 221](#) *Facilitating digital financial services disclosures*

[RG 244](#) *Giving information, general advice and scaled advice*

[RG 246](#) *Conflicted and other banned remuneration*

### Reports

[REP 413](#) *Review of retail life insurance advice*

### Information sheets

[INFO 182](#) *Super switching advice: Complying with your obligations*

### Legislation

Corporations Act, Pts 7.6 and 7.7, Divs 2, 4 and 5 of Pt 7.7A, s942B, 942C, 947B, 947C, 947D, 961B, 961H, 961J

Corporations Regulations

*Corporations Amendment (Future of Financial Advice) Act 2012*

*Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017*

Corporations Amendment (Life Insurance Remuneration Arrangements) Regulations 2017

## Appendix 1: Financial advice scenario for example SOA

- RG 90.94 We based our example SOA on a hypothetical and limited financial advice scenario developed in consultation with stakeholders.
- RG 90.95 Table 6 and Table 7 describe the advice scenario, while the example SOA is set out in Appendix 2.
- RG 90.96 The scenario deals with Brad and Zara Black—a married couple with two young children who have asked a financial planner, Sally Chong, to advise them on personal insurance cover in the event of death or disability, taking into account their current income and assets. Sally is an authorised representative of AFS licensee Planforit Pty Ltd.

**Table 6: Financial advice scenario**

Relevant area	Description
Personal circumstances	<p>Brad is 43 and Zara is 41. They are married with two children aged 10 and 7. Both children are at public schools and it is not expected that they will go to private schools in the future. Brad and Zara are both in excellent health and have standard private hospital cover.</p> <p>Brad's job pays \$85,000 a year before tax. Zara works part time, earning \$16,000 a year before tax. They receive a Family Tax Benefit from the Government of \$1,896.</p>
Assets	<p>Brad and Zara have no significant savings (they currently have \$5,000 in a joint-access savings account). Brad and Zara jointly own a house valued at \$550,000, with a \$440,000 mortgage. They also own other assets valued at \$10,000. Brad has \$100,000 in a superannuation fund. Zara has \$30,000 in a superannuation fund.</p>
Debts/expenses	<p>Most of the money that Brad and Zara earn goes towards paying the mortgage and covering living expenses, with about \$12,000 of annual estimated surplus cash flow.</p>
Insurance	<p>Brad currently holds life and total and permanent disability (TPD) insurance through his superannuation fund, with cover to the amount of \$200,000, and income protection insurance through Mantra Financial Services Pty Ltd, with cover to the amount of \$5,350 per month. Zara holds life and TPD insurance through her superannuation fund, with cover to the amount of \$200,000.</p>
Reason for seeking advice	<p>Brad and Zara are seeking a review of their personal insurance needs to ensure that their family has adequate financial support in the event of death, disability or illness.</p> <p>Brad and Zara both recognise the value of having comprehensive insurance cover, especially while they have young children.</p> <p>Where possible, they would prefer any insurance premiums to be funded using their superannuation benefits because they are focused on using their personal cash flow surplus to reduce their mortgage. However, because of the value that they place on insurance, they are willing to spend up to \$5,000 of their personal cash flow per year on insurance premiums.</p> <p>Brad and Zara's personal insurance needs are set out in more detail in Table 7.</p>

**Table 7: Brad and Zara's personal insurance needs**

Type of cover	Cover required for Brad	Cover required for Zara
Death	<p>To ensure that:</p> <ul style="list-style-type: none"> <li>the mortgage on their home (\$440,000) is cleared in full;</li> <li>\$10,000 will be available to assist with funeral expenses; and</li> <li>his family can financially maintain their current lifestyle</li> </ul>	<p>To ensure that:</p> <ul style="list-style-type: none"> <li>the mortgage on their home can be cleared in full;</li> <li>\$10,000 will be available to assist with funeral expenses; and</li> <li>her family can financially maintain their current lifestyle</li> </ul>
TPD	<p>To ensure that:</p> <ul style="list-style-type: none"> <li>the mortgage on their home can be cleared in full;</li> <li>\$100,000 will be available to assist with any related medical expenses; and</li> <li>their family can financially maintain their current lifestyle</li> </ul>	<p>To ensure that:</p> <ul style="list-style-type: none"> <li>the mortgage on their home can be cleared in full;</li> <li>\$100,000 will be available to assist with any related medical expenses; and</li> <li>their family can financially maintain their current lifestyle</li> </ul>
Trauma	<p>To ensure that:</p> <ul style="list-style-type: none"> <li>\$100,000 will be available to assist with any related medical expenses; and</li> <li>\$50,000 will be available to cover two years' worth of mortgage payments</li> </ul> <p>Note: Zara's income is not required to be replaced if she takes time away from work to support Brad.</p>	<p>To ensure that:</p> <ul style="list-style-type: none"> <li>\$100,000 will be available to assist with any related medical expenses;</li> <li>Brad's income is replaced for one year so he has the option to take some time away from work to support Zara and the children; and</li> <li>\$50,000 will be available to cover two years' worth of mortgage payments</li> </ul>
Inability to work due to illness or injury	To ensure that as much of Brad's salary as possible is replaced	Replacement of Zara's income is not a high priority

## Appendix 2: Example SOA

- RG 90.97 This example SOA is based on the financial advice scenario set out in Appendix 1.
- RG 90.98 The scaled advice we developed is one of a number of possible outcomes. The purpose of this example SOA is to illustrate clear, concise and effective disclosure, and not to illustrate what we would consider to be the best advice in this scenario.

# PLANFORIT Financial Planning

## Statement of Advice

**Prepared by Sally Chong**

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**31 March 2017**

Authorised representative no.: 45678

Planforit Pty Ltd website: [www.planforit.com.au](http://www.planforit.com.au)

### What this document is about

This document records my financial advice to you, Brad and Zara.

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

This advice does not cover all aspects of your financial situation. This advice is about your personal insurance needs and includes a review of your existing arrangements and recommendations for changes.

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

### Attachments

Attached are three Product Disclosure Statements (PDSs) explaining my recommended insurance policies for you:

- OZ Insurance PDS Number 5 dated 22 March 2014
- MNO Insurance PDS Number 4 dated 15 October 2013
- Mantra Insurance PDS Number 4 dated 1 July 2014.

Each PDS discloses information about the financial products that I am recommending to you.

Also attached is educational material containing factual information about life insurance and estate planning. To find out more about life insurance, visit ASIC's [MoneySmart website](http://www.moneysmart.gov.au) ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)).

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## Summary of my insurance recommendations and commissions

Brad, I recommend that you replace your life and total and permanent disability (TPD) insurance, retain your income protection insurance and take out trauma insurance. Zara, I recommend that you increase the amount of cover under your life and TPD insurance and take out trauma insurance.

The tables below provide a summary of the products I recommend for you. For further information, see:

- ‘My advice’ on pages 9–13 for more details about these recommendations
- ‘Reasons for my recommendations’ on pages 14–16 for explanations of the product features.

### Recommended product overview: Brad

Cover and product	Insurer/owner	Amount of cover	Premium paid from	Key features of new policy	First year premium
Life and TPD cover (replace life and TPD cover held through First Corporate Superannuation Fund)	MNO/super and Brad	\$1,110,000 (life) \$510,000 (TPD)	\$1,840 (super) \$200 (cash)	<ul style="list-style-type: none"> <li>➤ Terminal illness advancement</li> <li>➤ Disability definition: ‘Unlikely’</li> <li>➤ Occupation definition: ‘Own occupation’ (via Superlink)</li> <li>➤ Stepped premium</li> </ul>	\$2,040
Income protection (retain)	Mantra/Brad	\$5,350 per month plus \$642 super contributions	Cash	<ul style="list-style-type: none"> <li>➤ 90-day waiting period</li> <li>➤ Benefit to age 65</li> <li>➤ Level premium</li> <li>➤ Agreed value</li> <li>➤ Super contribution option</li> </ul>	\$1,200
Trauma (establish)	MNO/Brad	\$150,000	Cash	<ul style="list-style-type: none"> <li>➤ Stepped premium</li> </ul>	\$900
<b>Total</b>					<b>\$4,140</b>

## Recommended product overview: Zara

Cover and product	Insurer/owner	Amount of cover	Premium paid from	Key features of new policy	First year premium
Life and TPD cover (increase)	OZ Industry Superannuation Fund/super	\$840,000	Super	➤ <i>Stepped premium</i>	\$650
Trauma (establish)	MNO	\$235,000	Cash	➤ <i>Stepped premium</i>	\$1,300
<b>Total</b>					<b>\$1,950</b>

It is important that you understand the consequences and risks of my advice. For an explanation of these consequences, see 'Consequences of my advice' on pages 17–20.

### Payments to me and Planforit

If you buy the financial products I recommend, Planforit and I will receive regular payments from the insurers who sell these products. These payments are called commissions.

These commission payments from the insurers to me and Planforit are made up of:

- 60% of the amount you pay in premiums to the insurers in the first year
- 20% of the amount you pay in premiums in the following years.

These commissions are split between me and Planforit. I get 90% and Planforit gets 10%.

Planforit and I will also receive commissions of 20% of your premium for Brad's existing income protection policy. We will not receive commissions for Zara's existing life and TPD policies.

### Total commissions

Detail	Planforit	Me	Total
First year	\$278	\$2,506	\$2,784
Following years	\$109 per year	\$979 per year	\$1,088 per year

This table outlines all the payments Planforit and I will receive through commissions paid from your premiums if you follow the advice set out in this Statement of Advice. For full details, see 'My commissions' on page 22.

I do not charge you a fee for my advice in this Statement of Advice.

### Conflicts of interest

Aside from the commissions we receive from insurers, Planforit and I do not have any other relationships that may create a conflict of interest or potentially influence our advice to you.

# What you want

I met you both on 15 March 2017 for the first time. We had a discussion about your insurance preferences and needs. This section outlines my understanding of your needs.

## What you both want

What we discussed	Explanation
At that meeting, you said you were worried about whether or not you had enough personal insurance.	<ul style="list-style-type: none"> <li>➤ <i>You both recognise the value of having comprehensive personal insurance cover, especially while you have young children.</i></li> <li>➤ <i>You want to ensure that if either of you dies or suffers a total and permanent disability, your mortgage can be cleared, your family can maintain their current lifestyle, and funds will be available to help with any funeral costs or medical costs.</i></li> <li>➤ <i>You also want to ensure that if either of you suffers a severe illness or injury, funds will be available to cover 2 years' worth of mortgage payments, help with medical costs, and replace Brad's salary for a year if he needs to help care for Zara.</i></li> <li>➤ <i>Finally, if Brad is unable to work due to illness and injury, you want to ensure that as much of his salary as possible is replaced.</i></li> <li>➤ <i>You expect that as your debts decrease and your children become less dependent on you, the level of insurance cover required will reduce.</i></li> </ul>
We discussed the availability of trauma insurance cover for children.	<ul style="list-style-type: none"> <li>➤ <i>You were not interested in obtaining advice on child insurance. This is because you have flexibility with your working arrangements, access to your cash reserves, and both your parents live nearby to help if one of your children becomes ill.</i></li> </ul>
Because of the value you place on insurance, you confirmed that you are willing to spend up to \$5,000 per year of your surplus cash on personal insurance premiums (\$3,800 more than you currently spend), rather than directing these funds to your mortgage.	<ul style="list-style-type: none"> <li>➤ <i>We agreed that I would provide you with a full review of your personal insurance needs, to ensure that your family has adequate financial support in the event of death, disability or illness.</i></li> </ul>
You told me that, where possible, you would like all available surplus cash to be used to reduce your mortgage.	<ul style="list-style-type: none"> <li>➤ <i>You agreed that it is important to balance your need for appropriate personal insurance cover with your goal to reduce your mortgage debt as quickly as possible. You would prefer any personal insurance premiums to be funded using your superannuation benefits.</i></li> </ul>

# What you should know about my advice

## What my advice covers

As agreed, I am providing a full review of your personal insurance needs to ensure your family has adequate financial support in the event of death, disability or illness. Specifically, my advice:

- aims to ensure you are fully protected in the event of premature death, disablement, serious illness or injury as detailed in the 'What you want' section above
- recommends appropriate types of insurance and insurance products
- recommends how to pay for the insurance premiums
- recommends superannuation contribution strategies to offset the effect of insurance premiums on your retirement benefits
- informs you of the impact of these arrangements on your cash flow and your superannuation benefits
- recommends that you make appropriate death benefit nominations so your superannuation assets and insurance cover are passed on in accordance with your wishes and needs.

## What my advice does not cover

My advice is limited to the above, and does not cover:

- strategies about repayment of your home loan
- any other aspect of your financial affairs (including child insurance)
- the suitability of your existing superannuation arrangements
- whether you will have enough superannuation for your retirement
  - *I can give advice about these if you want it, for an additional cost*
- taxation advice
  - *I am not a tax adviser. However, I am registered with the Tax Practitioners Board and I am limited to only providing tax advice that is directly related to the matters that my advice covers.*

## My advice is limited

My advice expires on 30 April 2017. You should not rely on my advice after that time, if you haven't acted on it by then.

I am able to recommend products from the Planforit approved product list (APL) and products that are not on the APL. If I recommend a product that is not on the Planforit APL, I must seek approval from Planforit.

The Planforit APL is put together by a Planforit research team and is regularly reviewed. Ask me for a copy of the list, if you are interested. When I prepared your advice, I looked only at products on that list and at your existing products. I did not look at other products available on the market.

## About you: Brad and Zara

### Personal details

Brad	Zara
43 years old	41 years old
Employed as an IT project manager earning \$85,000 per year plus 9.5% superannuation guarantee contributions (paid by your employer); currently has 3 months' sick leave available	Employed part time at a primary school as a teacher's aide earning \$16,000 per year plus 9.5% superannuation guarantee contributions (14 hours per week)
Excellent health	Excellent health
Non-smoker	Non-smoker
No family history of hereditary diseases or early death	Family history of cancer
Standard private hospital cover	Standard private hospital cover
Has a current will (last updated 2015)	Has a current will (last updated 2015)
Has a current power of attorney (last updated 2015)	Has a current power of attorney (last updated 2015)

You have two children: Lola (10) and Noah (7). They are currently at public primary schools, and not expected to go to private schools. You are not planning to have any other children at this stage.

### What you own and what you owe

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

## What you earn each year

Details	Amount
Brad's annual net income (after tax)	\$63,903
Zara's annual net income (after tax)	\$16,000
Payment from Centrelink (Family Tax Benefit)	\$1,896
<b>Total annual income (after tax)</b>	<b>\$81,799</b>

## What you spend each year

Details	Amount
Mortgage repayments (principal and interest, 4% interest rate)	\$25,000
Living expenses	\$45,000
<b>Total annual expenses</b>	<b>\$70,000</b>
<b>Estimated annual surplus cash</b>	<b>\$11,799</b>

Your \$45,000 living expenses includes \$1,200 for income protection insurance (see the following table).

You are happy living in your current house and have no immediate plans to move or renovate. You have no major expenditure planned.

## Your current personal insurance

Cover and product	Insurer	Owner	Amount of cover	Annual premium
Income protection (Brad): Mantra Income Protection cover – 90-day waiting period until age 65, agreed value, level premium, super contribution option	Mantra Financial Services Pty Ltd (Mantra)	Brad	\$5,350 per month plus \$642 super	\$1,200 paid from cash
Life and total and permanent disability (TPD) (Brad): First Term Life and TPD	First Corporate Superannuation Fund (provided by ABC Insurance)	Super	\$200,000	\$615 paid from super
Life and TPD (Zara): OZ Life and TPD	OZ Industry Superannuation Fund (provided by XYZ Insurance)	Super	\$200,000	\$280 paid from super
<b>Total annual premium</b>				<b>\$2,095</b>

## My advice

This is my advice as at 31 March 2017. My advice should be reviewed annually to ensure that your goals of comprehensive insurance cover and debt reduction are balanced, while taking into account any impacts on your superannuation.

### Insurance needs: Brad

#### Life insurance

Financial need	Amount of cover	Explanation
Clear mortgage	\$440,000	➤ In the event of your death, your mortgage can be cleared.
Funeral costs	\$10,000	➤ In the event of your death, \$10,000 will be available to help with funeral costs.
Replacement of income	\$760,000	➤ In the event of your death, your family will receive \$760,000 to replace approximately 50% of your salary to age 65, to help them to maintain their current way of life (based on inflation at 3% per year and investment returns of 5% per year).
Subtotal	\$1,210,000	➤ This is the subtotal of all life insurance required to meet Brad's needs.
<b>Total</b>	<b>\$1,110,000</b>	➤ The total is the subtotal minus total superannuation (\$100,000). This is because it is assumed that your superannuation benefit will be available if/when you die.

#### Total and permanent disability (TPD) insurance

Financial need	Amount of cover	Explanation
Clear mortgage	\$440,000	➤ If you become totally and permanently disabled, your mortgage can be cleared.
Medical costs	\$100,000	➤ If you become totally and permanently disabled, you will receive \$100,000 to cover medical costs.
Replacement of income	N/A	➤ If you become totally and permanently disabled, your income protection policy will replace 75% of your salary and cover employer superannuation guarantee contributions. Additionally, your household expenses will be reduced as a result of the mortgage being cleared.
Subtotal	\$540,000	➤ This is the subtotal of all TPD insurance required to meet Brad's needs.

Financial need	Amount of cover	Explanation
<b>Total</b>	<b>\$510,000</b>	<ul style="list-style-type: none"> <li>➤ The total is the subtotal minus existing superannuation (\$100,000) and including tax (\$70,000).</li> <li>➤ If you become totally and permanently disabled, your superannuation benefit is assumed to be available.</li> <li>➤ Based on your current position, if you make a TPD claim, you would have to pay approximately \$70,000 in tax on your superannuation (insurance claim and current superannuation benefit). Because of this, I have increased the required amount to cover this liability.</li> </ul>

## Trauma insurance

Financial need	Amount of cover	Explanation
Reduce mortgage	\$50,000	➤ If you suffer a severe illness or injury (i.e. trauma), you will receive \$50,000 to cover 2 years' worth of mortgage repayments.
Medical costs	\$100,000	➤ If you suffer a severe illness or injury (i.e. trauma), you will receive \$100,000 to cover medical costs.
<b>Total</b>	<b>\$150,000</b>	➤ This is the total of all trauma insurance required to meet Brad's needs.

## Income protection insurance

Financial need	Explanation
You obtain coverage for 75% of your salary (\$5,312.50 per month) plus an additional amount to cover employer superannuation guarantee contributions.	➤ This is the maximum percentage of your salary you are generally able to insure.
Noting that you have \$25,000 in a mortgage offset account, a 90-day waiting period and a benefit period to age 65 is appropriate.	<ul style="list-style-type: none"> <li>➤ You have access to 3 months' sick leave and therefore do not need the money immediately.</li> <li>➤ You have indicated that you expect to work until you are 65 years of age.</li> <li>➤ Please note that these policies make payments monthly in arrears, including the first payment, so it is important to retain access to cash via your savings and mortgage offset accounts.</li> </ul>

- Note that premiums paid on income protection insurance are generally tax deductible. However, it should also be noted that payments received under income protection insurance are generally assessable as taxable income.



## Superannuation contribution strategy

Recommendation	Explanation
You do not make additional contributions to superannuation to offset the impact of the insurance premiums at this time.	<ul style="list-style-type: none"> <li>➤ <i>One of your stated goals is to reduce your mortgage. Making additional contributions to superannuation would adversely impact that goal.</i></li> <li>➤ <i>Your current employer contributions substantially exceed the recommended insurance premiums that will be deducted from your superannuation.</i></li> </ul>

## Insurance needs: Zara

### Life insurance

Financial need	Amount of cover	Explanation
Clear mortgage	\$440,000	➤ <i>In the event of your death, your mortgage can be cleared.</i>
Funeral costs	\$10,000	➤ <i>In the event of your death, \$10,000 will be available to help with funeral costs.</i>
Income supplement	\$240,000	➤ <i>In the event of your death, your family will receive an amount of \$240,000 to generate an income stream of about \$30,000 per year. This will help them to maintain their current lifestyle until the children are less dependent (in about 9 years, when Noah is 16). The income stream has been calculated based on inflation at 3% per year and investment returns of 5% per year.</i>
Subtotal	\$690,000	➤ <i>This is the subtotal of all life insurance required to meet Zara's needs.</i>
<b>Total</b>	<b>\$660,000</b>	➤ <i>The total is the subtotal minus existing superannuation (\$30,000). This is because it is assumed that your superannuation benefit will be available if/when you die.</i>

## Total and permanent disability (TPD) insurance

Financial need	Amount of cover	Explanation
Clear mortgage	\$440,000	➤ If you become totally and permanently disabled, your mortgage can be cleared.
Medical costs	\$100,000	➤ If you become totally and permanently disabled, you will receive \$100,000 to cover medical costs.
Income supplement	\$240,000	➤ If you become totally and permanently disabled, you will receive \$240,000 to generate an income stream of about \$30,000 per year. This will help your family to maintain their current lifestyle until the children are less dependent (in about 9 years, when Noah is 16). The income stream has been calculated based on inflation at 3% per year and investment returns of 5% per year.
Subtotal	\$780,000	➤ This is the subtotal of all TPD insurance required to meet Zara's needs.
<b>Total</b>	<b>\$840,000</b>	<ul style="list-style-type: none"> <li>➤ The total is the subtotal minus existing superannuation (\$30,000) and including tax (\$90,000).</li> <li>➤ In the event of your death, or if you become totally and permanently disabled, your superannuation benefit is assumed to be available.</li> <li>➤ Based on your current position, if you make a TPD claim, you would have to pay approximately \$90,000 in tax on your superannuation (insurance claim and current superannuation benefit). Because of this, I have increased the required amount to cover this liability.</li> </ul>

## Trauma insurance

Financial need	Amount of cover	Explanation
Reduce mortgage	\$50,000	➤ If you suffer a severe illness or injury (i.e. trauma), you will receive \$50,000 to cover 2 years' worth of mortgage repayments.
Medical costs	\$100,000	➤ If you suffer a severe illness or injury (i.e. trauma), you will receive \$100,000 to cover medical costs.
Replacement of income	\$85,000	➤ If you suffer a severe illness or injury (i.e. trauma), \$85,000 will allow Brad the flexibility to take one year away from work to support the family.
<b>Total</b>	<b>\$235,000</b>	➤ This is the total of all trauma insurance required to meet Zara's needs.

## Income protection insurance

Financial need	Explanation
You are not eligible for income protection insurance.	<ul style="list-style-type: none"> <li>➤ <i>This is because you are employed for only 14 hours per week.</i></li> <li>➤ <i>There are other 'home maker' products, similar to income protection insurance, which pay an agreed monthly benefit if you become significantly disabled. However, taking into account the other types of insurance recommended, I do not recommend these products to you because covering your income is not a high priority.</i></li> </ul>

## Superannuation contribution strategy

Recommendation	Explanation
You make a non-concessional contribution of \$1,000 to your superannuation this financial year.	<ul style="list-style-type: none"> <li>➤ <i>This will enable you to receive a co-contribution amount.</i></li> <li>➤ <i>A non-concessional contribution is an 'after-tax' contribution. If you earn less than \$51,021 per year (before tax) and make after-tax superannuation contributions, you are eligible to receive matching contributions from the Government. This is called the Government co-contribution. If you earn less than \$36,021, the maximum co-contribution is \$500 based on \$0.50 from the Government for every \$1 you contribute.</i></li> <li>➤ <i>This recommendation will have a small impact on your goal to reduce your mortgage. However, it is a small contribution which, when matched with the co-contribution, will benefit your superannuation balance because it will help to offset the impact of the premiums.</i></li> </ul>

## Reasons for my recommendations

Brad and Zara, I have recommended that you obtain higher levels of life and TPD cover and that you obtain trauma cover. The amounts I have recommended take into account your salary, your cover under your existing superannuation, your current assets including savings, investments and superannuation balances, and the cost of hiring help to replace the work carried out by Zara. Ensuring that you have the right types and levels of insurance is important for you both because of the roles you play in the family. Brad, your family relies on your salary to meet the majority of expenses. Zara, you have significant carer responsibilities.

My advice will leave you in a better position because in the event of death, accident or illness your family will have adequate protection that you can afford. Your insurance will be funded through a combination of your surplus cash flow and superannuation, not only to ensure that you meet your goal of reducing your mortgage, but also to account for the impact of premiums on your superannuation balances. As a result of my advice, Zara's superannuation balance will also benefit from a Government co-contribution.

### How my advice is appropriate

Recommendation	Why it is appropriate
You both obtain higher levels of life and TPD cover; you both obtain trauma cover.	<ul style="list-style-type: none"> <li>➤ <i>Brad, your recommended level of life cover will provide Zara with a lump sum in the event of your death.</i></li> <li>➤ <i>The amount of life cover (if invested) will generate enough to replace 50% of what you currently earn, to age 65.</i></li> <li>➤ <i>This will give some financial protection to Zara and the children because there will be no mortgage to pay.</i></li> <li>➤ <i>Your recommended level of TPD cover takes into consideration that if you become totally and permanently disabled, your income protection policy will provide you with \$5,350 per month, which would be sufficient because you will have no mortgage to pay.</i></li> <li>➤ <i>Funds will also be provided to cover additional expenses, such as medical or recovery costs.</i></li> <li>➤ <i>If you suffer a severe illness or injury (i.e. trauma), your recommended trauma cover will provide funds to meet medical expenses and also to cover 2 years' worth of mortgage repayments.</i></li> <li>➤ <i>Zara, your recommended level of life cover is higher than the amount identified to meet your needs, because OZ Industry Superannuation Fund requires the levels of life and TPD cover to match. Your life cover will therefore be \$180,000 (that is, \$840,000 minus \$660,000) above your identified need.</i></li> <li>➤ <i>Your recommended level of TPD cover will provide supplementary income for about 9 years until your children are less dependent. This takes into account your inability to obtain income protection cover given your current working hours.</i></li> <li>➤ <i>Funds will also be provided to cover additional expenses, such as medical or recovery costs.</i></li> <li>➤ <i>If you suffer a severe illness or injury (i.e. trauma), the recommended trauma policy will provide funds to meet medical expenses and also to cover 2 years' worth of mortgage payments.</i></li> <li>➤ <i>It will also provide funds to replace Brad's income for 12 months so he can take time off work to support you.</i></li> </ul>

Recommendation	Why it is appropriate
<p>Brad, you replace your First Corporate Superannuation Fund Term Life and TPD cover and you both obtain trauma cover through MNO insurance.</p>	<ul style="list-style-type: none"> <li>➤ <i>Brad, I first considered increasing your existing First Corporate Superannuation Fund Term Life and TPD policy up to the recommended levels. The initial annual premium would have been \$1,920, which is \$120 per year cheaper than the MNO recommended policy.</i></li> <li>➤ <i>However, the First Corporate Superannuation Fund TPD policy would only pay if your disability left you unable to work in any occupation for which you are reasonably qualified given your education, training or experience. This is called an 'any occupation' definition or condition. Given you currently work in a specialised occupation, it is beneficial that you obtain TPD cover which would pay if you are unable to work in your own occupation. This is called an 'own occupation' definition or condition.</i></li> <li>➤ <i>Researching your existing products and the products available on Planforit's approved product list, I found that MNO Insurance ranked well in relation to cost and quality of cover with respect to life, trauma and TPD.</i></li> <li>➤ <i>This is primarily due to MNO Insurance's favourable classification of your occupation for the purposes of the TPD cover.</i></li> <li>➤ <i>The MNO policy will make a TPD benefit payment when, in the opinion of medical specialists, you are unlikely to ever work again due to injury or illness.</i></li> <li>➤ <i>In addition, the MNO Life policy contains 'terminal illness advancement', which means if you are diagnosed with a terminal illness you may be eligible to receive the benefit payment before your death.</i></li> <li>➤ <i>Brad and Zara, MNO Trauma Insurance also offers advantageous terms. For example, it will make partial payments for certain conditions such as benign tumours, where other providers of trauma cover will not, without an additional cost. This is important for you, Zara, given your family history.</i></li> <li>➤ <i>The superior terms and conditions provided by MNO should provide broader coverage and more certainty if you make a claim, and therefore I consider the higher premium is justified.</i></li> <li>➤ <i>MNO Insurance allows policy holders to link policies to reduce costs. By linking the trauma cover to the life and TPD cover, you pay only one policy fee.</i></li> <li>➤ <i>In my experience, MNO Insurance is efficient during the claims process.</i></li> </ul>
<p>You both hold life and TPD insurance within superannuation. Brad, your TPD cover is recommended to be held under a 'Superlink' arrangement.</p>	<ul style="list-style-type: none"> <li>➤ <i>Brad and Zara, paying for life and TPD cover from your superannuation fund will have less impact on your cash flow. It will, however, affect your superannuation fund balance. Please see the 'Consequences of my advice' section for more details.</i></li> <li>➤ <i>Brad, a 'Superlink' arrangement means your TPD cover will be owned inside and outside of superannuation. This means a portion of the premium will be funded from your superannuation and the balance from your personal cash flow. A 'Superlink' arrangement will enable access to more comprehensive cover and improved terms and conditions, which are not accessible for policies held solely within superannuation.</i></li> </ul>
<p>Your life, trauma and TPD cover be arranged with a stepped premium.</p>	<ul style="list-style-type: none"> <li>➤ <i>A stepped premium means that the premium you pay to maintain your cover increases each year with your age.</i></li> <li>➤ <i>A stepped premium is more affordable in the short term and appropriate because you aim to reduce the sum insured when your mortgage balance has reduced and your children are less dependent on you.</i></li> </ul>

Recommendation	Why it is appropriate
<p>Brad, you retain your existing income protection policy without changes and, Zara, you retain your insurance through your existing OZ Industry Superannuation Fund.</p>	<ul style="list-style-type: none"> <li>➤ <i>Brad, I reviewed your Mantra Income Protection cover to ensure that it was appropriate given your personal circumstances. When this policy commenced 7 years ago, it was structured on a 'level' premium basis, so the premium has remained level over the life of the policy.</i></li> <li>➤ <i>When compared with a similar policy with a 'stepped' premium, funded through superannuation, the initial annual premium was \$1,100 per year, which is slightly cheaper than your current policy.</i></li> <li>➤ <i>However, when projected over the longer term, your current level premium will be significantly more cost effective. This is important given that you plan to retain your income protection policy until much closer to retirement.</i></li> <li>➤ <i>Because your current income protection policy is an agreed value policy, you may be able to claim up to the full \$5,350 per month. As most income protection policies will only insure up to 75% of your income, your current income protection policy will pay \$37.50 per month above the maximum amount that a new policy is likely to pay. Therefore, this policy meets your goal of ensuring that as much of your salary as possible is replaced.</i></li> <li>➤ <i>In addition, because the policy contains the superannuation contribution option, \$642 per month will be contributed to your superannuation. This will ensure your superannuation balance continues to grow while you are unable to work.</i></li> <li>➤ <i>Zara, I reviewed your insurance through the OZ Industry Superannuation Fund to ensure it was appropriate for your personal circumstances. Its terms and conditions compared well to other products available, and the cost of the cover also compared well.</i></li> <li>➤ <i>By retaining your insurance cover within your existing superannuation fund, the payment of the insurance premiums is a straightforward process because the premium is simply deducted from your account balance.</i></li> <li>➤ <i>Also, by retaining your insurance cover within your existing superannuation fund, which you have held since 2005, you will not restart the 3-year period in relation to innocent non-disclosure (which is explained in the 'Consequences of my advice' section)</i></li> <li>➤ <i>To offset the impact of premiums on your superannuation balance, I recommend that you make a \$1,000 non-concessional contribution to your superannuation this financial year. This will not only offset the effect of premiums on your superannuation, but it will enable you to receive a co-contribution amount of \$500.</i></li> </ul>
<p>Brad and Zara, you nominate each other as the beneficiary on your superannuation and life insurance.</p>	<ul style="list-style-type: none"> <li>➤ <i>Because your life insurance is held in superannuation, it is important to ensure that you nominate a beneficiary to formally record with the fund the person who you wish to receive your benefits in the event of your death.</i></li> </ul>

# Consequences of my advice

## Consequences of replacing products

Brad, the tables below compare the relevant costs and features of your current First Corporate Superannuation Fund Term Life and TPD cover with the recommended MNO Insurance Term Life and TPD cover. I have also included relevant cost information if you modify your insurance in the First Corporate Superannuation Fund and increase the level of life and TPD cover to match my recommendations.

### Comparison of replacement and existing insurance products: Brad

Details	Current cover	Modified cover based on current products	Recommended cover
Insurer	First Corporate Superannuation Fund	First Corporate Superannuation Fund	MNO Insurance
Term life insurance	\$200,000	\$1,110,000	\$1,110,000
TPD insurance	\$200,000	\$510,000	\$510,000
Premium	\$615 per year	\$1,920 per year	\$2,040 per year

### Comparison of features and definitions of replacement and existing insurance products

Insurance type	First Corporate Superannuation Fund Term Life and TPD cover	MNO Insurance Term Life and TPD cover
Term life insurance: Terminal illness advancement	➤ No	➤ Yes
TPD insurance: Disability definition	➤ 'Unable' to work	➤ 'Unlikely' to work
TPD insurance: Occupation definition	➤ 'Any occupation'	➤ 'Own occupation' – via Superlink

## Additional consequences and risks you should understand

Recommendation	Consequences and risks
<p>You both obtain higher levels of life and TPD cover; you both obtain trauma cover.</p>	<ul style="list-style-type: none"> <li>➤ <i>Your overall combined premiums will increase from \$2,095 per year to \$6,090 per year.</i></li> <li>➤ <i>You will need to fund an additional \$2,400 per year (on top of the \$1,200 you are already paying for Brad's income protection) from your surplus cash.</i></li> <li>➤ <i>Before the insurance company agrees to insure you for the level of cover you need, they will require you to complete a personal statement answering questions relating to your health and lifestyle. Zara, your family history of cancer, for example, will be disclosed in your personal statement. You may also be asked to complete a medical examination. This is called underwriting and you should be aware that as a result of this process your application for new or increased cover may be accepted, or it may be offered, but with special terms, including a higher premium or with exclusions, or it may be declined.</i></li> <li>➤ <i>The insurance premiums you will pay as outlined in this Statement of Advice are indications only and are subject to change depending on your responses to the personal statement relating to your health and lifestyle.</i></li> <li>➤ <i>Any new policy you buy may provide the insurer with the right to refuse a claim if you have not met your obligation to give them all relevant information at the time you apply. This applies even when you have made an honest mistake ('innocent non-disclosure'). The insurer's right to refuse a claim in this situation lasts for 3 years.</i></li> <li>➤ <i>As your existing life and TPD policies have been in force for more than 3 years, your current insurer cannot refuse a claim due to innocent non-disclosure.</i></li> <li>➤ <i>Brad, if you change your insurer, the 3-year period starts over again.</i></li> <li>➤ <i>Zara, if you increase your existing life and TPD cover, the 3-year period relates only to the increased amount.</i></li> <li>➤ <i>No payments will be made under the recommended trauma policies in relation to certain illnesses if they occur within 3 months of the policy start date.</i></li> <li>➤ <i>Zara, your life and TPD insurance held within your OZ Industry Superannuation Fund is offered as units of cover with the amount of insurance attached to each unit determined by your age. Currently, you have 2 units of cover, which, given your current age, equates to \$200,000 in life and TPD insurance. Oz Industry's unitised structure is designed to gradually reduce the amount insured on an annual basis until age 50. After age 50, the amount insured will decrease more rapidly. As such, it is important to review your insurance needs regularly, especially at age 50.</i></li> <li>➤ <i>The new or increased amount on your recommended respective life cover policies will have exclusions for death due to suicide for the first 13 months. Brad, this exclusion applies to the recommended life cover. Zara, this exclusion only applies to the increase in your life cover.</i></li> </ul>



Recommendation	Consequences and risks
<p>You both hold life and TPD insurance within superannuation.</p>	<ul style="list-style-type: none"> <li>➤ <i>If you accept the recommendations, your retirement savings will decrease due to the increase in insurance premiums to be funded using your superannuation.</i></li> <li>➤ <i>Brad, an additional \$1,225 per year of insurance premiums (on top of the current \$615) will be deducted from your superannuation. Based on the expected level of annual superannuation guarantee contributions (\$8,075) and the amount of premiums (\$1,840), the premiums represent 23% of contributions.</i></li> <li>➤ <i>Zara, an additional \$370 per year of insurance premiums (on top of the current \$280) will be deducted from your superannuation. Based on the expected level of annual superannuation guarantee contributions (\$1,520) and the amount of premiums (\$650), the premiums represent 43% of contributions.</i></li> <li>➤ <i>Brad and Zara, because the insurance premiums will be funded from your superannuation, I estimate (based on modelling) that in 9 years' time:</i> <ul style="list-style-type: none"> <li>– <i>Brad's superannuation will be \$17,730 lower</i></li> <li>– <i>Zara's superannuation will be \$5,300 lower.</i></li> </ul> <i>This excludes any additional contributions above annual superannuation guarantee contributions and assumes 5% investment returns and an annual premium increase of 7% per year.</i> </li> <li>➤ <i>Brad, I considered whether you should make additional contributions to superannuation to offset the impact of the premiums. However, given that you want to reduce your mortgage, I do not recommend this action at present.</i></li> <li>➤ <i>Additionally, the recommended levels of cover rely on using your existing superannuation balances to meet your financial needs if one of you dies or becomes totally and permanently disabled.</i></li> <li>➤ <i>If you make a TPD claim, the proceeds paid to you as a lump sum from your TPD insurance (held within superannuation) and from your superannuation benefit may be partially or fully taxable up to 22%. A calculation has been done based on your current tax liability in the event of a TPD claim, and this amount is included in the recommended TPD cover.</i></li> <li>➤ <i>Brad, if you make a successful claim under an 'own occupation' definition, this tax will not apply – which may mean you are over-insured. A TPD policy provided on an 'own occupation' basis is one that pays if your disability leaves you unable to work in your own occupation.</i></li> <li>➤ <i>Zara, given that your TPD policy is provided on an 'any occupation' basis, your policy would only pay if your disability left you unable to work in any occupation for which you are reasonably qualified given your education, training or experience.</i></li> <li>➤ <i>If you suffer a TPD event, a delay of 3 months will apply before your claim is assessed. This is called a qualifying period and will impact the timing of you receiving a TPD benefit payment. This is also a condition of your existing products.</i></li> </ul>
<p>You link your insurance policies where possible.</p>	<ul style="list-style-type: none"> <li>➤ <i>By bundling your life cover with TPD cover, you reduce your amount of life cover when a TPD benefit is paid. This is also a condition of your existing product.</i></li> </ul>

Recommendation	Consequences and risks
<p>Brad, you make a partial rollover (payment) from your First Corporate Superannuation Fund to MNO Super Life to fund the superannuation component of the recommended MNO Insurance Term Life and TPD cover.</p>	<ul style="list-style-type: none"> <li>➤ <i>This should be done as an enduring rollover, meaning that the rollover will occur each year when your policy is renewed.</i></li> <li>➤ <i>Please note that your First Corporate Superannuation Fund allows members one partial rollover each year without incurring an exit fee (subsequent rollovers are \$40). As your First Corporate Superannuation Fund is a unitised fund, there are not expected to be any buy/sell costs or capital gains tax relating to units that will be sold to fund the insurance premium.</i></li> </ul>
<p>Zara, you make a \$1,000 non-concessional contribution to your superannuation using funds held in your joint ABC Bank account.</p>	<ul style="list-style-type: none"> <li>➤ <i>The investment management fees on your OZ Industry Superannuation Fund will increase by \$5 per year (being \$1,000 x 0.5% per year for the 'Balanced' investment option).</i></li> <li>➤ <i>Your joint ABC Bank account will be reduced by \$1,000. If you require access to cash, you can access funds from your mortgage offset account.</i></li> <li>➤ <i>There are no fees and costs associated with withdrawing \$1,000 cash from ABC Bank.</i></li> <li>➤ <i>There are eligibility criteria and limits to the amount of non-concessional contributions you are permitted to make and co-contributions you are eligible to receive.</i></li> <li>➤ <i>If your income for this financial year exceeds \$36,021, you will not be eligible for the full co-contribution payment.</i></li> <li>➤ <i>If your income exceeds \$51,021, you will not be eligible for a co-contribution payment at all.</i></li> </ul>
<p>Brad and Zara, you nominate each other as the beneficiary on your superannuation and life insurance.</p>	<ul style="list-style-type: none"> <li>➤ <i>Superannuation is not a personal asset and therefore does not automatically form part of your estate. The superannuation fund trustees will use their discretion on how, and to whom, they pay death benefits, which may include insurance proceeds. Therefore, it is important to nominate each other as beneficiaries.</i></li> </ul>

➤ *The attached PDSs provide more information about the products that I have recommended in this Statement of Advice.*

# How to follow my advice

## Steps you should take to follow my advice: Brad

Step	Description
1	Apply for \$1,110,000 life cover and \$510,000 TPD cover through MNO Insurance, using a 'Superlink' ownership structure. <ul style="list-style-type: none"> <li>➤ A 'Superlink' ownership structure means that the TPD cover ownership will be split between you and your superannuation fund.</li> </ul>
2	Roll over \$1,840 from your First Corporate Superannuation Fund to MNO Super Life to fund the superannuation premium component of your MNO Insurance Term Life and TPD cover.
3	Apply for \$150,000 of trauma cover through MNO Insurance. Link the MNO Insurance Trauma cover in your personal name to the MNO Insurance Term Life and TPD cover held in superannuation.
4	Cancel your existing First Corporate Superannuation Fund Term Life and TPD cover once the MNO insurance is approved. <ul style="list-style-type: none"> <li>➤ <b>WARNING:</b> Do not cancel your existing insurance until your new insurance is in place.</li> </ul>
5	Maintain your existing Mantra Income Protection cover.
6	Nominate Zara as your beneficiary on your First Corporate Superannuation Fund.
7	Nominate Zara as your beneficiary on your MNO Life Insurance policy plan. <ul style="list-style-type: none"> <li>➤ If circumstances change, review your death benefit nominations to ensure they remain appropriate.</li> </ul>

## Steps you should take to follow my advice: Zara

Step	Description
1	Increase your existing OZ Industry Superannuation Fund Life and TPD cover by \$640,000, bringing it to a total of \$840,000.
2	Apply for \$235,000 of trauma cover through MNO Insurance.
3	Make a non-concessional contribution of \$1,000 to your OZ Industry Superannuation Fund using personal cash reserves.
4	Nominate Brad as your beneficiary on your OZ Industry Superannuation Fund. <ul style="list-style-type: none"> <li>➤ If circumstances change, review your death benefit nominations to ensure they remain appropriate.</li> </ul>

I will assist you with the completion of the required paperwork to implement my recommendations as well as the application process.

## My commissions

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

### Commission for Brad's Mantra Income Protection policy: Annual premium \$1,200

Time period	Planforit	Me
Each year	\$24	\$216

### Commission for Brad's MNO Insurance Term Life and TPD policy: Annual premium \$2,040

Time period	Planforit	Me
First year	\$122	\$1,102
Following years	\$41	\$367

### Commission for Brad's MNO Insurance Trauma policy: Annual premium \$900

Time period	Planforit	Me
First year	\$54	\$486
Following years	\$18	\$162

### Commission for Zara's MNO Insurance Trauma policy: Annual premium \$1,300

Time period	Planforit	Me
First year	\$78	\$702
Following years	\$26	\$234

### Total all commissions

Time period	Planforit	Me	Total
First year	\$278	\$2,506	\$2,784
Following years	\$109 per year	\$979 per year	\$1,088 per year

These figures comprise 60% of the premiums in the first year and 20% in the following years. Of this, 90% goes to me and 10% goes to Planforit. There is no fee for my advice.

## Authority to proceed

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

- given you my Financial Services Guide (FSG)
- given you a Product Disclosure Statement (PDS) for each financial product that I have recommended
- talked to you about your personal circumstances, insurance needs and financial goals in a way you understand, and answered your questions
- discussed any commissions I will receive.

If I haven't done all of these things, do not sign the authority to proceed.

Before you sign this authority, please also make sure that you have:

- read all the documents I have given you
- checked that your personal information in this document is accurate
- asked me questions about anything that you want clarified.

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

 Signed.....Zara Black

Date: ..... / ..... / 20 .....

 Signed.....Brad Black

Date: ..... / ..... / 20 .....

## Continuing review service

I recommend that your needs and products be reviewed at least once a year to accommodate changes to your personal goals or circumstances, such as births, marital status, employment, debt levels, and tax implications of insurance.

- *To confirm that you wish to participate in an ongoing review service, please let me know and I can provide details of services and costs.*

## Cooling-off period

If you apply for a life insurance product recommended in this Statement of Advice, and then change your mind, you are entitled to cancel the product within a 14-day cooling-off period.

- *Refer to the Product Disclosure Statements for further information.*