

## **Case Study – Pre Retirement Planning**

### **Current Situation**

- ❖ James Brown, 60 years of age
- ❖ Salary \$92,141 plus Super
- ❖ Superannuation account balance \$675,147
  - Employer Contribution of 14%
  - Salary Sacrifice \$18,200 p.a.
- ❖ Managed Funds and Shares \$308,046, Margin Loan of \$107,486
- ❖ Home in semi rural outer suburb, Value \$270,000, Debt \$180,000

### **Values – What’s important about money to James?**

- ❖ “Financial security” is very important to him
- ❖ He also values being in a position of having “no financial worries”
- ❖ It is important that he can support his children financially should they ever need it
- ❖ To James, a comfortable life means “if I want to do it, I can”

### **Goals – That require money and planning to achieve.**

1. To meet his current living expenses of \$31,500 p.a. after tax
2. To retire at age 65 with a comparable standard of living and the financial ability to travel overseas annually to visit his children
3. To have financial structures that will optimise his final years in the workforce
4. To be able to move closer to the CBD at retirement
5. Replace his car at a cost of \$25,000 when he retires
6. To have fast access to \$10,000 as an emergency buffer

## Complexities

James has reached 60 years of age and feels a need to have a greater degree of certainty about his financial future. He has had some significant personal setbacks that had negative financial consequences. Despite holding an executive role his skills are not in the area of finance. It is important to him to be able to move back to the CBD as it offers a lifestyle that he enjoys. As his adult children are likely to reside in the UK for some time, being able to visit them is integral to a fulfilling life.

## Strategy

- Transfer his Super to an Account Based Pension
- Commence Account Based Pension payments equal to the maximum of 10% p.a. of the account balance
- Maximise salary sacrifice contributions, ensuring that the remaining income meets James' living and lifestyle expenses
- The Allocated Pension payment is applied to the home loan as an annual lump sum.
- Top up Account Based Pension each year with capital accumulated in Super
- Once home loan is eliminated (3 years from commencement of strategy), all surplus income is contributed to Super utilising existing contribution cap strategies
- Review regularly

## Outcomes

- ✓ Additional Net saving in Super and Allocated Pension \$84,500
  - Earnings on Account Based Pension are tax free, saving \$7,425 in Yr 1 and beyond...
  - Increased salary sacrifice saves \$3,774 income tax in Year 1
- ✓ Saved \$67,000 in interest compared to the loan term (11 years to run)
- ✓ Debt free in 3 years, can move back to CBD
- ✓ Contributing excess Account Based Pension payments back to Super in yrs 4 and 5 increases the amount of his Super that is paid tax free to a non dependent in the event of death.
- ✓ Financial Goals in retirement will be exceeded

If you need to start your retirement planning or want to accelerate your debt reduction phone us on 03 6234 2233 or email us at [contactus@falconeradvisers.com.au](mailto:contactus@falconeradvisers.com.au)