

Financial planning

[Finance](#)



Financial Planning and Strategies - Group Project Objective of the document

The report comprises financial advice for Gwen and Fred. You both are 26 and 25 years of age respectively, currently working and enjoy good health. You have sought my advice with an intention of protecting your financial future with an express view of secure financial situation during your retirement.

An analysis of your current financial situation is undertaken and based on the information you have provided, advice has been made to best negotiate your expressed financial goals. My contact details You can contact me on: (03) XX XX My email address is:Du. AU Postal address: XX Margaret Street, Brisbane SLD 4000 Synopsis of my advice My advice is I I I recommend I * You sell the two houses * Set up cash fund for funding for the expected deficit of over the period when your children are born. You systematically invest the yearly 50 percent of the surplus of over the in fixed deposit I * You invests the other 50 percent of your savings to the managed funds I Rationale behind my advice By following this advice you are going to give yourself best chance to maintain your rent life style and also improve it in the future. By selling the two houses you will be able to reduce your debt significantly. This will allow you to have significant cash- in-hand, which would provide you financial relief during the early and growing years of your children.

You would have bandwidth to include growth stocks in investment portfolio, thereby increasing opportunity to earn profits through stocks. Risk associated with my advice The investments I have advised are subject to market risk. The interest rates and inflation play a profound impact on the <https://assignbuster.com/financial-planning-essay-samples/>

value of your investment and debt decisions. This is a degree of risk for variance in the expected value. Areas my advice does not cover: My advice does not cover the impact of superannuation on your financial plan. Fees and Commission My fee for your financial plan is \$3000.

It is inclusive of SST. I request you to kindly pay this within seven business days upon receiving this financial plan. Methodology In order to make a decision to pursue my advice - * Ensure that you fully understand my advice * Put forward any queries you have Upon making decision to pursue my advice please fill the authority to proceed at the end of this document and return it to me. Segment 1: Vital Information The segment vital information about you, that I have used for my analyses and soliciting my advice.

My advice includes: * Your targets * Your personal and monetary information * Your risk profile and financial knowledge Your targets On Friday 01 October, Fred, Gwen and I met for the first time for managing their finances in order to secure a sound financial future for Fred and Gwen with a focus on financial security for retirement. You had \$17, 000 in your Business Account and \$11, 500 in your Net Saver Account. In addition to that you spoke about the following: You are not targeting a fixed time frame for retirement * Fred prefers not to be under financial liability and has affinity towards saving money. Gwen is interested in real estate investment as her father is a successful investor and she often seeks his advice on the matters of investments. * Gwen has interested in stock investment. * You want to live in your current house. * You want to maintain your current lifestyle during retirement and therefore would like to make investment to ensure this goal. * You are expecting to get married next years and planning to have two kids <https://assignbuster.com/financial-planning-essay-samples/>

in the next three - four years. * You want to have sufficient funds prior to marriage, honeymoon, annual holidays, a new car, and children education in private school. You do not want your financial goals are hinged on superannuation funds. Your personal information Fred | Gwen | Employed as plumber | Employed as physiotherapist and after having kids would only like to work part-time | You own two-third of the house at Bombay Street | You own one third of the house at Bombay Street and full house at Ding Street | No adverse medical history | No adverse medical history | You plan to get married in a year. You plan to have two kids in the near future. You even considered sending them to Private school.

Segment 2: Strategy Options for you The following segment outlines three potential strategy scenario options for you. Each strategy scenario has its inherent advantages and pitfall, and requires varying degree of financial discipline to reap financial rewards. Analyses and explanation of the inherent characteristics of each scenario is provided. Strategy 1 * Sell House at Ding Street by 2017 * Repay the loan for Bombay Street House * Invest cash in fixed deposit * Reducing the net expenses By the end of year 2017, your annual net expenses are expected to increase by 50 percent I. E from \$131 K to \$201 K.

The house at Ding Street is expected to have market value of \$KICK. The approximate cost of the house would be \$501 K. (For more details please refer to 'House' Tab of Worksheet. If the house at Ding Street is sold, this would result in a capital gain of \$ASK. It would reduce your liability as follow:

1. Mortgage repayment for Ding House is discontinued which allows you to supplement the expected increase in expenses when your children are born.

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Please refer to Appendix for the figures. 2. In addition to that your expenses on housing repairs, rates, gas and water falls by almost 40 percent. . You are expected to have fund horntail for a period of seven years during the early years of children. By following this strategy, you are expected to have savings of \$ASK, which could offset the financial shortfall during the seven year period. Strategy 2 * Sell both houses - Bombay Street by 201 5 and Ding Street by 2016 percent of cash in stocks * Invest 50 percent of cash in Term Deposit * No compromise in the current living standard * Invest 50 By following this strategy you are going to give yourself best chance to maintain your current life style and also improve it in the future.

By selling the house you will be able to reduce your debt significantly. Additional and progressively increased cash in hand opportunity exists by undertaking this strategy. You would have bandwidth to include growth stocks in investment portfolio, thereby increasing opportunity to earn profits through stocks. I advise you to invest 50 percent in ASSESS index fund and 50 percent in Term Deposit. This would furnish you the opportunity to achieve net worth of KICK today.

Segment 2: My advice to you The following segment illustrates in detail about my advice and the reasons why it is beneficial for you. In addition to that I have outlined any potential disadvantages of my advice. I have provided Scenario analysis for how replacing one option with another would result, and other vital areas my advice might not be applicable. Given your investment needs, I recommend investment in the following financial products. Please carefully read the Product Disclosure for each of these products.

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Financial Product Type | Financial Product | Product Agent | Amount invested
| Managed Fund | ANZA Online Investment Account | Australia and
Newsstand Bank | \$20, 0000 | Fixed Deposit | Saver | National Australia Bank
| \$20, 000 | I recommend you to sell the two houses the house as it will
significantly increase your net wealth. In case you decide to keep both
houses, I recommend that you will go conservative on entertainment
spending, given the financial goals you have for children requires observing
financial discipline.

Reason my advice is pivotal for you Financial Discipline | If you are following
Strategy 1 - You are strongly advised to observe financial discipline to
control your expenses. Especially when Gwen takes maternity leave and
children are born, you need to have strong cash base to fund children
expenses for the initial few years. | Paying off your loan | If you are following
Strategy 1 - From 2021, you are advised to shift from interest only mortgage
moment to principal plus interest payment. By paying an extra \$6, 382
towards principal would result in paying off the loan in 25 years I. . In 2046. |
Investing surplus in managed funds | If you are following Strategy 2 -
Investment of fifty percent of cash in Managed funds would allow you to reap
benefits of strong growth opportunity stock market provides | Term Deposit
in savings account in Bank | Irrespective of either of the two strategies you
choose, a high interest savings account gives you high interest rates and
liquidity to withdraw funds. | Potential shortcomings in my advice Financial
Discipline | The financial discipline would naturally alter your standard of
living in the medium term.

I Paying off your loan I You are currently on interest only mortgage repayment. You will be charged for changing your repayment plan. Contact your bank about the charges. I Investing surplus in managed funds I Though, online managed fund provides reasonable liquidity, yet in order to reap full benefits of stock market, you must stay invested for long periods, which directly affects liquidity. I Depositing \$40, 000 in savings account in Bank I The account requires periodic deposits for you to get maximum interest rate.

I What you should not do From my finding based on your current financial situation I recommend you should not be doing the following: * Invest into real estate Why my recommendation have being so: * From my analysis of your case scenario, I have found that with the two property both you two have (Bombay and Ding property) have given you two a significant financial burden which as a result caused an insignificant amount of net saving per year. Therefore, if real estate investment for a third property would further worsen your financial situation.

Segment 3: Other pertinent information for you The following segment illustrates:) Information about my advice fees and the commission I stand to obtain 2) Fee and charges of the financial products you choose to invest in 3) Frequently asked questions and specific questions you might have about my recommendations My advice fees My fee for preparing this Statement of Advice for you is \$1, 200 dollars. This fee is inclusive of SST. Kindly make the payment within fifteen working days upon receiving this Statement of Advice.

My commission If you invest in the recommended managed funds and term deposits, the issuer of these financial products will pay me the following commissions: Commission paid by the product issuer - Managed fund products

Product	Amount to be invested	Upfront commission paid to issuer	My share of upfront commission	Ongoing commission paid to ANZA	My share of the ongoing commission
ANZA Online Investment Account	\$1000	Nil	Not applicable	Nil	Nil
Bank Saver Account	\$1000	Nil	Not applicable	Nil	Nil

Other questions you might have Am I restricted to an approved product list? Yes. Financial advisers (including me) can only recommend products on Cut's approved product list. This effectively means that I can only choose products to recommend from the select approved product of IQ-JET. The select list is created and managed by the IQ-JET research team and is reviewed on a regular basis.

Should you require a copy of the list to review then please advise. Is IQ-JET associated with any recommended products? No. Do I guarantee the managed funds I have recommended? No. By law, the managed funds I have recommended must be 'appropriate' for you. However, I do not guarantee that those managed funds are the best for you or that they will perform in a particular way. Can you change your mind? Yes. You get a 'cooling off period' for 14 days. It effectively means that even after you have paid the money for the products I recommended, in case you change your mind for the

products I recommended, you might be able to get your money back. You can exercise this right within 14 days of buying the product.

The PDP for each product has more information about this. Does my advice have a time limit? Yes. My advice expires on 30 October 2011. You should not rely on my advice after that time if you haven't acted on it by then. Will my plan be reviewed in the future? Yes. The plan can be reviewed on a yearly basis. I recommend you to meet me once a year at least to monitor and review your financial situation or in the event of any changes to your financial circumstances that would likely to affect this financial plan Is your personal information protected? Yes. Information about you will not be given to anyone without your written permission unless the law says we must.