



## WEALTH ACCUMULATION CASE STUDY

### **Warning**

The case study below is an example of a client that we helped. For privacy purposes, we have amended minor details including names of the clients. It does not take into account your objectives, financial situation or needs. You need to consider your financial situation and needs before making any decisions based on this information.

The case study is illustrative only and is not an estimate of the investment returns you will receive or fees and costs you will incur

Kim Leong is 30 years old, is a Marketing Executive and earns \$90,000 per annum. He consistently gets a bonus of approximately \$15,000 per annum. He lives in an inner-city apartment which he bought a couple of years ago. He paid the deposit from savings and assistance from his parents. His financial situation:

1. His apartment is worth \$430,000. His outstanding loan is \$300,000.
2. He has superannuation of \$40,000 and has life and permanent disability insurance of \$500,000 held through superannuation.
3. He has an income protection insurance that protects 75% of his income and a trauma policy of \$100,000.
4. His expenses including mortgage repayments are \$55,000 per annum. He can save \$12,000 per annum based on base salary alone. He currently directs his savings and bonus towards an offset account linked to his mortgage. This account has \$65,000.

His objectives are:

1. To buy an investment property. He wants to buy a house and land package that will cost him \$450,000 for a 3-bedroom home. He may move in to this property in the future.
2. He wants to put his savings to good use and invest for the long term
3. He wants to save tax if possible

We did a risk tolerance exercise and Kim Leong was comfortable with investing 80% in growth assets and 20% in defensive assets. We discussed his budget and itemized expenses in detail. He was willing to cut back on some of the lifestyle expenses that we jointly identified as excessive. This will add another \$4000 per annum to his savings.

Our recommendations:

1. To salary sacrifice \$300 per month into superannuation. This will help him reduce tax and assist in paying towards the insurance cost in super. It will also assist in enhancing his super balance as a tool for long term investment.
2. To set aside \$45,000 as a 10% deposit towards the house and land package.
3. Use \$5,000 to start an investment via managed funds. To do a monthly contribution of \$250 from own funds and a further \$250 per month via a margin lending facility. This \$500 per month contribution will assist him to build an investment portfolio. The interest on the margin loan is a deductible expense. The initial investment of \$5000 and the ongoing investment of \$500 per month will ensure that the LVR is kept below 50%.
4. Ensure that premiums for income protection and trauma insurance are paid; in the event, he can't work due to an illness or accident

The recommendations above will ensure that all his objectives are met. We will revisit his objectives during review time and make minor adjustments if needed as his circumstances may change.

#### Contact Us

If you want to know more about wealth preservation and feel that we can assist, please call us at 1300 736 480 or email us at [peaceofmind@gillprivatewealth.com.au](mailto:peaceofmind@gillprivatewealth.com.au).