gillprivatewealth

WEALTH PRESERVATION 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

Maree aged 63 was referred to us by her Accountant. She had just retired after getting a package from her employer of 30 years. She is divorced and has two adult children, Yvonne and Jessica who are both single. She owns her home, worth $750,000 and has $550,000 in super plus $85,000 in savings, funds that she received from her retirement package.

We spent time discussing her priorities and objectives in retirement and the following were noted:

1. She wanted $40,000 per annum in lifestyle expenses including holidays
2. She wanted a new car. After selling her present car, she expects to spend $15,000.
3. She had previously helped Yvonne with a deposit for her home and wanted to help Jessica. She wants to give Jessica $30,000 towards the deposit.
4. We did a risk tolerance exercise with Maree and she is willing to take a balanced approach in investing her funds. She is comfortable with at least 60% in growth assets and 40% in defensive assets
5. She would like to explore the option of getting part Centrelink Age Pension if she qualifies at age 66
6. She has a valid will that leaves her estate in equal shares to both daughters.

We put together a recommendation for her and prioritized her lifestyle expenses, deposit for Jessica's home and purchase of car as a short-term objective. The deposit for Jessica and Maree's car purchase reduced her savings to $40,000.

We recommended that she meets her lifestyle expenses with a combination of:

1. Account Based pension – recommended due to its tax effectiveness. We recommended the minimum drawdown of 4% initially. This will be adjusted upwards if there is a need for more funds to meet lifestyle expenses. A sum of $400,000 was used to start the pension.
2. Guaranteed Lifetime Annuity – provides a guaranteed monthly income plus it is an effective tool for asset test reduction for Centrelink Age pension. The annuity was set up within the superannuation environment and $150,000 was recommended.
3. Savings account – to make up for any shortfall of lifestyle expenses from the account based pension and lifetime annuity for the next 4 years before Maree qualifies for part age pension, Maree will withdraw funds from her savings account

Based on our projections, Maree will be able to have her lifestyle expenses of $40,000 per annum and will qualify for part age pension provided there is no further change to the asset test when she is 68 years old.

We will revisit Maree's position at our annual reviews as her circumstances may change. From experience, some of the more common changes are:

1. Spending less for holidays
2. Change in health
3. Downsizing family home

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.