

# Organisation is Key for FINANCIAL SUCCESS

## CLIENT STORY

### Background

Alan and Shirley are a married couple with a blended family of mostly adult children. They owned a number of assets, some independently and some together. Shirley was not working and at 65, Alan had just retired, qualifying him to access his super. The couple had not undertaken any pre-retirement planning or seriously considered how they would manage financially in their retirement years. While everything was “going along ok” for them financially, once Alan was no longer receiving a salary and without a real understanding of the super laws and what their financial options might be, their basic question was, “Alan has just retired and we’re not sure we’re doing the right thing with our money. Are we set up properly?”

### Needs Assessment

From initial investigations, it was clear that Alan and Shirley had a diverse financial portfolio that was not in line with any particular strategy or plan. On the whole, their finances were not well structured, overly complicated for no significant benefit and included underperforming investments. Between them, jointly and independently, they held shares, a significant commercial property, managed funds, bank accounts, a small amount of super for Shirley and a quite substantial amount for Alan.

They had an approximate idea of the income they needed to realise their retirement needs, but were not at all sure that their current financial arrangements would reliably generate that amount or last for the rest of their days. They had no way to assess this given that they had no overall financial plan in place.

We recognised the need to review Alan and Shirley’s portfolio to simplify and organise it according to their needs. We also felt that the couple needed to be more exact about their expectations for retirement so we could consider the funding they required to achieve their desired retirement life style.

### Our Solution

Our first priority was to provide Alan and Shirley, as a newly retired couple, with advice for managing their finances to effectively fund their lifestyle in retirement. Our Financial Fact Finding exercise collected relevant personal information with the goal of helping all of us – Alan and Shirley included – gain a full and accurate understanding of their current financial position, goals for the future and funding needs.

Using our Risk Profiling Questionnaire, we sought Alan and Shirley’s direction regarding appropriate risk for investment strategies. Our process involved the use of clear, explanatory graphs and charts and scenario planning to help them understand important differences between asset classes and respective performance expectations.

We recommended and implemented a thorough review of the couple’s shares, their investment property income, managed funds, bank accounts and super accounts. In light of their financial goals and funding needs for the future,



we simplified and restructured their overall portfolio while taking into account relevant technical details such as timelines imposed by superannuation and other legislation.

Our access to comparative investment ratings for shares and managed funds enabled us to recommend alternative investments that were more cost-effective, that is, offered the same service for lower fees. Alan held shares that involved tax liabilities and had, in our view, poor prospects. We identified that it would be more tax effective to move them into Shirley's super. Other assets were also moved into Shirley's name to achieve tax efficiencies.

The couple asked about Shirley's commercial investment property. Our assessment was that it meant they were under-diversified or had 'too many eggs in one basket', for numerous reasons. While the property provided a good income stream, there were significant disadvantages to it in the long term. We identified risks that may expose the investment such as a downturn in the mining industry; the property's highly specialised features that only suit a small niche market of potential tenants; and the fact that it only accommodates a single tenant.

We reviewed the structure of the couple's bank accounts and established a more effective system for their use that supported cash flow and aligned with their longer term financial plans.

While estate planning was not on Alan and Shirley's agenda, we were able to help significantly in what can be a challenging area, particularly for blended families with adult children and grandchildren. While not qualified to help the couple write their wills, we guided discussion about what they wanted to achieve as their legacy to help them prepare for instructing their solicitor. Our discussion also covered the significance of and process for establishing enduring power of attorneys, creating advanced health directives and, potentially, appointing life guardians.

#### **Outcomes so Far**

Our advice led to a simplification and streamlining of Alan and Shirley's financial portfolio that is expected to deliver better returns than was likely from their previous collection of ad hoc holdings.

We helped Alan and Shirley understand the value and risks associated with the commercial property, which they had not fully considered previously. While they have chosen to hold onto the property for the present, they are much better equipped to evaluate its value as a long-term investment.

Their financial portfolio is now clearer, easier to manage and structured in a way that the couple understands. The restructure has benefited them in the short term through delivering significant tax savings. In the long term, it is expected to enable them to fund the retirement lifestyle they want.

The overall outcome for Alan and Shirley has been the sense that they can now simply get on with enjoying their retirement. They experience a welcome feeling of confidence, borne of a new understanding of their financial arrangements.

This is what Alan and Shirley had to say...

*We were thoroughly impressed by the results of Jeff's investment guidance for my elderly father [Alan], so we contacted EKO Financial for help with our own financial affairs. Shirley and I had bits and pieces everywhere, dividends, different shares and so on. Jeff first asked us about our goals and then suggested a way to streamline our affairs to help us achieve them. He has extensive knowledge, a strong background in accounting and explains things clearly.*

*We now feel confident about our financial situation, which we think is vitally important at our stage of life in our late 60s. Without Jeff we would have been in no man's land.*

*Jeff visits us at home and keeps in touch. In fact, we've had more contact with him in 18 months than we did with our previous financial adviser over 20 years! We will continue to recommend Jeff to our friends.*

**[Jeff Ebsworthy](#) is known for helping business owners, professionals and retirees to make smart money decisions so they can live the life they want...**

*This information is of a general nature only and has been provided without taking account of your objectives, financial situation or needs. Because of this, you should consider whether the information is appropriate in light of your particular objectives, financial situation and needs. Jeff Ebsworthy is a financial adviser with EKO Financial Pty Ltd ABN 66 116 276 361 AFSL 514038.*