



# finance wise

## SMSF STRATEGIES SPECIALIST SMSF ADVISER TRAINING

Module 15 – Product Class



# MODULE 15 OVERVIEW

❖ No Assessment for this Module!

# INTRODUCTION

- Your authority must extend to Product Class advice
- What is advice?

A **recommendation or a statement of opinion**, or a report of either of those things, constitutes financial product advice under s766B if:

- However ...

- (a) it is **intended to influence a person or persons** in making a decision about a particular financial product or class of financial products, or an interest in a particular financial product or class of financial products, or could **reasonably be regarded as being intended to have such an influence**; and
- (b) it is not exempted from the definition of 'financial product advice'.

# FACTUAL INFORMATION

## Tests:

- “Objectively ascertainable information whose truth or accuracy cannot be reasonably questioned”
- Doesn’t involve the expression of opinion or recommendation;

either of these), it is financial product advice. Communications that consist only of factual information (i.e. objectively ascertainable information whose truth or accuracy cannot be reasonably questioned) will generally not involve the expression of opinion or recommendation and will not, therefore, constitute financial product advice.

Source: ASIC Regulatory Guide: RG 36.23

Table 1: Examples of the distinction between factual information and financial advice

Example	
<b>Superannuation</b>	<p>A client asks a fund representative about salary sacrifice arrangements and superannuation. The representative informs the client what is generally understood by the term 'salary sacrifice arrangement'. This is likely to constitute the provision of factual information.</p> <p>If, however, the representative expresses a qualitative or comparative judgement about salary sacrifice arrangements (e.g. 'sacrificing salary into a superannuation fund is very tax effective' or 'sacrificing salary into a superannuation fund is more tax effective than negative gearing'), this would be likely to constitute the provision of financial product advice.</p>

Source: ASIC Regulatory Guide: RG 36.26

# RISK INSURANCE

- What is the purpose of Risk insurance?
- Why do accountants need to know?
- Investment strategy
- LRBA
- Switching
- Term Life
- Total and Permanent Disability
- Trauma
- Income Protection
- Business Expenses Insurance

# CALCULATE SUMS INSURED (EG TERM LIFE)

## **Liabilities**

- Funeral - \$20,000
- Mortgage / Debt
- Anything else?
- Education \$366k per child

## **Assets**

- Cash
- Super
- Life Insurance
- Sale of Assets

# INCOME PROTECTION

- Job Title
- Age
- Gender
- Sum insured
- Smoker
- Waiting period
- Benefit period
- Indemnity / Agreed Value



**finance wise**

# PREMIUM OPTIONS

## Stepped

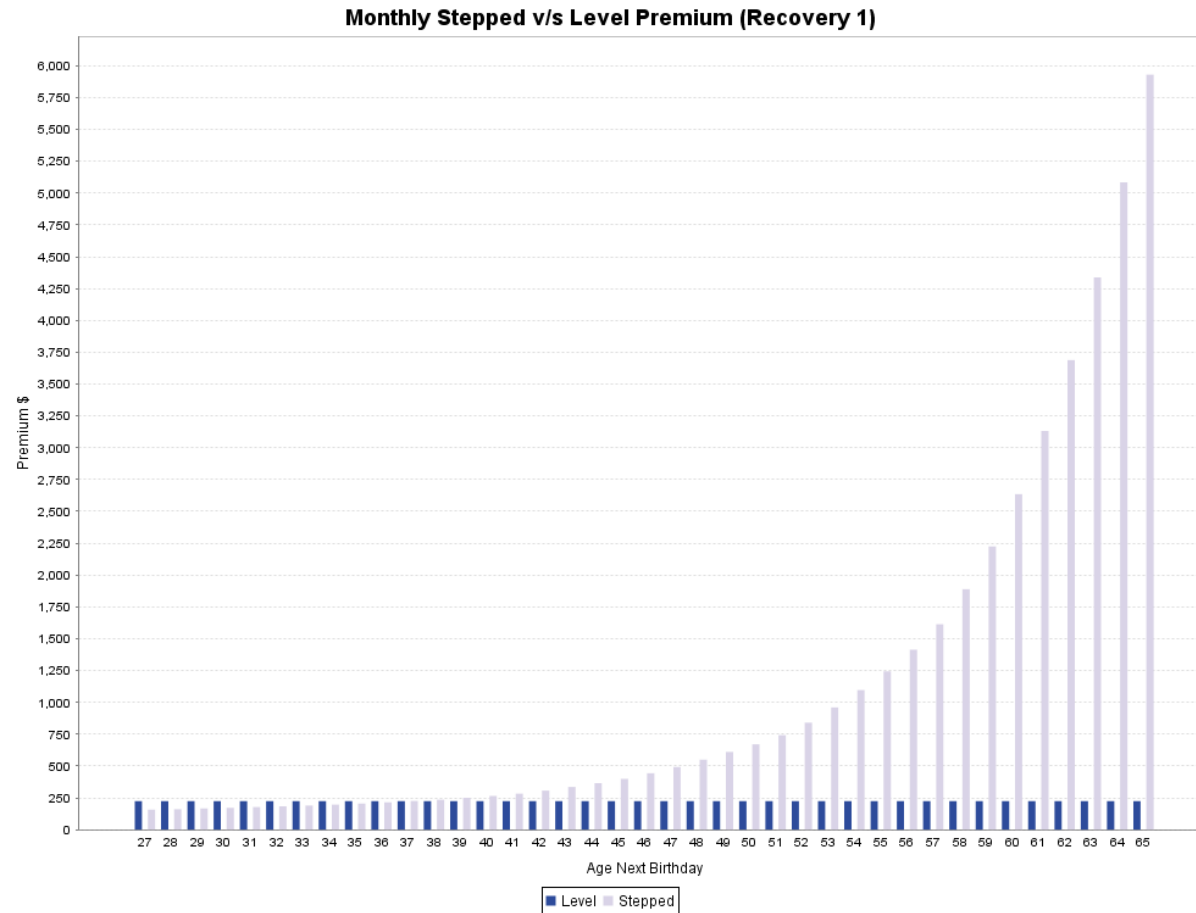
- Stepped premium varies each year according to age, sum insured and the policy fee

## Level

- Level premium remains the same from policy commencement, except when the policy fee is increased by indexation, the sum insured is altered or if level premium rates are subsequently revised. The level premium option generally expires at a specified age.



# EXAMPLE



**Finance wise**

# BASIC DEPOSIT PRODUCTS & MIS

- Separate Personal and Business Assets from SMSF
- Common Breach
- Warning: Do not inadvertently mention a bank
- Group Discussion: The solution??
  
- Managed Investment Schemes
- Citrus, Almonds, Ostriches, Tea Tree, Olives
- Significant tax right offs but will your client see their capital???



# GENERAL INSURANCE

## Domestic

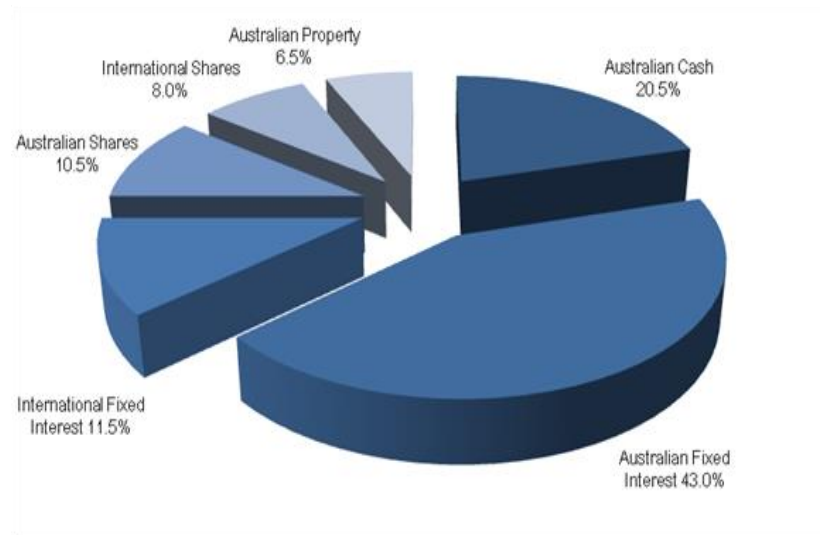
- Home
- Contents
- Motor Vehicle
- Travel

## Commercial

- Public Liability
- Business (inc Bus Continuance)
- Machinery
- Transit
- PI

# INVESTMENTS

## Defensive Risk Profile



- Common Breach
- Not allowed to recommend specific shares
- Avoid inadvertent breach
- After Exemption?

- Asset Classes

- Shares
- Property
- Fixed income
- Cash

# GROUP QUIZ

- Which form of risk insurance are generally tax deductible?
- Which form of premium is not structured to continually rise every year?
- Which element in the list below does not impact of the cost of risk insurance?
- Which item is not a risk when purchasing property inside an SMSF?
- Which of the following is not a defensive asset?