

The real value of advice from IFFP



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FREE financial information sessions for you

Come and listen to the best financial and superannuation industry experts and ask them about the issues that interest you. See page 4 for more details on these free sessions for IFFP News subscribers.

Seeking the right financial advice is never an easy task, but it is particularly difficult in the current economic climate. With so many planning groups and experts flooding an already over-saturated market, weighing up the value of their services and making the best decision is complicated.

Rice Warner Actuaries recently released an independent report into the costs and value of IFFP versus commission-based planners. The report aimed to compare the IFFP fee structure of fee-for-service against commission-based remuneration offered by many other financial planners, and to assess the level of value they provide.

The findings revealed that the estimated cost of advice from a commission-remunerated adviser was between two and 13 times higher than that charged by an IFFP planner. The report also revealed that fee-for-service financial advice from IFFP delivered up to six times better net value than commission-based advice.

The report modelled five commonly sought examples of financial advice and compared the two fee structures on cost and value.

The scenarios included advice on:

- ◆ Insurance strategy
- ◆ Co-Contribution
- ◆ Salary Sacrifice
- ◆ Transition to Retirement (TTR)
- ◆ Retirement Planning

In each case, fee-for-service financial advice proved to cost less and provide higher net value than advice from commission-based planners. In one scenario, commission-based advice cost up to 13 times more than similar advice from a fee-for-service planner.

...financial advice costs less when clients pay using the IFFP fee-for-service model.

This demonstrates not only that financial advice costs less when clients pay using the IFFP fee-for-service model, but that the products recommended often cost less with any commissions returned to the client resulting in greater net value.

A summary of the Rice Warner Report and the case studies can be found at iffp.com.au/value If you wish to speak to someone regarding fee-for-service financial advice, please call IFFP on 1300 138 848.



When the financial crisis gets personal

Unfortunately, the effects of the global financial crisis are not shared evenly. Among the hardest hit are people who are made redundant as companies struggle to remain viable. This can place a great strain on individuals, their families and their finances. But, good planning can reduce both the emotional and financial pain that often comes with redundancy.

Take control

Dealing with the key considerations below can help those who experience redundancy take back control of their lives.

Redundancy payment: Genuine redundancy payments are given special tax treatment, including a tax-free amount related to years of service. Your lump sum payment may represent your last pay packet for a while, so draw up a budget. This will help you identify areas where you can economise until you find a new job. An IFFP financial planner can help you work out the best use for any lump sum you receive.

Mortgage: If you have a home loan, talk to your bank immediately. You may be able to adjust payments while you are out of the workforce.

Superannuation and insurance: Depending on your fund, you may need to rollover your superannuation benefit. You may also need to replace any insurance cover you had with your employer or your superannuation fund. We can advise you on these matters, but, first make sure you contact your industry super fund to check your insurance details.

Editorial

Once again the spotlight is falling on the activities of some financial advisers, and we are seeing further cases where high levels of commission have tainted the advice given to clients. Our first article summarises some research on where to find the best value advice.

On an unhappier note, redundancies are on the rise as the Global Financial Crisis continues, so we provide some thoughts on how to handle this difficult time.

Victoria's devastating bushfires have once again highlighted the high proportion of people who are uninsured or underinsured. Tragically, many families will be finding out that not only homes, but lives, too, were not adequately insured. We urge everyone to review their personal insurance, to make sure families are protected from the financial consequences of death or serious illness.

We also hope to see you at one of our information sessions.

David Haynes
General Manager



It is possible to come out of the experience with a new job and the chance of a new career.

New job or new career: Redundancy is usually an unwanted challenge, but many people then take the opportunity to make the move to a completely new career. This may involve a period of re-training, for which government assistance may be available. It is possible to come out of the redundancy experience with a new job and the chance of a new career.

Centrelink: You may be eligible for income support from Centrelink. Waiting periods and income and asset tests apply. Go to centrelink.gov.au for details.

Other support: Some companies offer outplacement assistance to former employees. Apart from helping you update your CV, find a new job or transition to a new career, outplacement companies can also provide support in dealing with the emotional consequences of redundancy. If outplacement services are available, make the most of them.

The emotional side

People with many years of service and a desire for a new career may be quite happy to receive a large redundancy payment. For others however, the emotional consequences of redundancy can be serious, varying from feelings of helplessness to deep depression. If you have family members or friends who have been made redundant, encourage them to get help if they need it. Your family doctor is a good starting point. You can also visit beyondblue.org.au or superfriend.com.au for further support.

You can find further information on dealing with redundancy at our website iffp.com.au or call us on 1300 138 848 to make an appointment with an IFFP financial planner.



Valuing life, wealth and health

Victoria's devastating bushfires have once again highlighted the high proportion of people who are uninsured or underinsured. Tragically, many families will be finding out that not only homes, but lives, too, were not adequately insured.

The most basic foundation stone of an effective financial plan is life insurance. Although a long life and good health can never really be valued, it is possible to calculate the financial cost of premature death or prolonged illness. Sadly, most people don't fully insure themselves against these costs.

Identifying the risks

Insurance is an effective means of protecting ourselves and our families from the financial consequences of death, temporary or permanent disability, and major illness.

In the case of death and permanent disability, comprehensive cover will allow for repayment of debt, the replacement of income, and provide for a partner's or couple's comfortable retirement.

Temporary disability insurance—often referred to as income protection insurance—will usually replace up to 75% of personal exertion income. Trauma insurance can provide additional protection against the financial consequences of defined major illness such as cancer, heart attack or stroke.

Another advantage of industry superannuation

Superannuation offers an attractive way of taking out life and disability insurance. While individuals can claim a tax deduction

for income protection premiums with retail insurance providers, the premiums often cost more.

Most industry super funds negotiate group rates and pass these savings onto their members, so premiums are usually lower. However, in this situation your industry super fund rather than you claims the tax deduction. An additional benefit is that premiums are paid from accumulated superannuation, so there is less strain on the family cash flow.

Some funds may also offer automatic acceptance for at least a basic level of cover, without the need to provide a medical history. This may be extremely valuable to people with chronic health problems.

The right cover

We urge everyone to review their personal insurance, to make sure families are protected from the financial consequences of death or serious illness.

It can be difficult to work out exactly how much insurance you need, and to achieve the right balance between cover and price. First check your cover and the benefits your industry fund offers you.

An IFFP financial planner can then help design an insurance strategy that's right for you and your family. Call 1300 138 848 to make an appointment.





Free financial information sessions for our readers

When it comes to asking questions about the current state of the economy, investment outlook or budget changes it's hard to know who to speak to. Seeking expert advice to understand how to weather tough financial times is something many Australians would find valuable. Usually it's not available without paying exorbitant costs.

Industry Fund Financial Planning (IFFP) will be running a series of no-cost, no-obligation information sessions to all IFFP News subscribers, their family and friends.

The purpose of these sessions is to provide you with an opportunity to hear from a range of financial and superannuation industry experts. The speakers will help you to gain a better understanding of what you can do to succeed in the current financial environment.

The two-hour sessions will cover a range of topics including:

- ◆ Recent changes to superannuation
- ◆ The federal budget for 2009
- ◆ The Global Financial Crisis and how Australia will be affected in 2009/2010

When the speakers have concluded, you will be able to ask questions and discuss the topics with them face to face. IFFP News subscribers and their guests are welcome at the sessions and light refreshments will be provided.

If you would like more information or would like to register for these information sessions (along with any guests if you wish) call **1300 737 156** (8.00am – 4.30pm EST) or email seminars@mail.ifs.net.au Please provide your name(s), address and contact details along with the name of the information evening you wish to attend.

The RSVP date for each session will be Thursday, 28 May. If you wish to attend an information evening in another state other than New South Wales or Victoria, we would like to hear from you. Please use the contact details provided and express your interest in attending.

NSW Sydney – Thursday 11 June

VENUE Parramatta Leagues Club
13–15 O'Connell Street
Parramatta NSW 2150

TIME 7.00pm (sharp) – 8.30pm
(tea, coffee & biscuits provided)

NSW Sydney – Wednesday 17 June

VENUE Sutherland District Trade Union Club
57 Manchester Road
Gymea NSW 2227

TIME 7.00pm (sharp) – 8.30pm
(tea, coffee & biscuits provided)

VIC Melbourne – Thursday 18 June

VENUE Darebin Arts & Entertainment Centre
Cnr Bell Street & St Georges Road
Preston VIC 3072

TIME 6.30pm (sharp) – 8.00pm
(tea, coffee & biscuits provided)

VIC Melbourne – Monday 22 June

VENUE Box Hill Town Hall
1022 Whitehorse Road
Box Hill VIC 3128

TIME 6.30pm (sharp) – 8.00pm
(tea, coffee & biscuits provided)

Other States – To be confirmed

For Hobart, ACT, Brisbane, Adelaide and Perth, please call **1300 737 156** and pre-register via the same details at left. Venues, dates and times to be confirmed later.

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