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CREATING A NEST EGG

Naomi Rosenthal, , financial planner, Tudor Investassure

Naomi Rosenthal is passionate about helping people make the most of their finances and does this best by turning technical complexities into easy to understand outcomes.

Finalist of the Financial Standard Social Media Influence Scholarship, also known as the FS Smileys, Rosenthal is a financial planner at Tudor Investassure, a boutique firm with a 42 year history.

Rosenthal purchased Tudor Investassure from her father and since then she has focused mainly on assisting female professionals and business owners to make the most of their money and achieve financial freedom and a peace of mind.

To her, the key to success is to take a professional, attentive and caring approach to get to know her clients, to explain solutions simply and clearly and to implement and manage plans.

Rosenthal also has a passion for education and that's why she cohosts 'Eagle Money', a weekly radio show on Eagle Waves Radio.

In 2010 Katie was a single 34 year old that had worked almost all her life but struggled to control her impulse spending and wanted to learn how to spend money more wisely. Thanks to Rosenthal's holistic advice, today she has no debts, she has entered a regular savings program, has a risk protection package in place, an investment portfolio and a regular contribution to her super. In short, "she is building her nest egg," Rosenthal says.

Assessing the problem

Katie sought advice under her father's recommendation, who is also Rosenthal's client. When she arrived at Rosenthal's office, she had nothing to show for all her years of hard work and her high income, she had a personal loan, a credit card debt and no particular reason for it.

Being on her own, and aware of the limited family support that she had, she wanted to make sure that she would be ok if anything happened to her. "She didn't have much growing up and so it would be nice to have a nest egg she can use for any purpose," Rosenthal explains.

"She felt that as a single gal, she should at least have some money in the bank." Having money represents security for Katie and after many years of living without cares, with no money in the bank and debts at hand she wanted to start changing her ways and having something for her future.

At the same time, Katie enjoys work challenges and she knew she wouldn't be hanging around her current employer for too long. With job changes over the years and a number of super funds, she also wanted to have all her super in one place and start saving a little more for her retirement.

"Katie felt that although she had no particular savings goals in mind, the idea of having $150,000 in savings would give her a sense of security and financial freedom," Rosenthal says.

However, at that time, Katie struggled to save and had just a bit of cash in the bank, some credit card and personal debt and her super account.

Seeking solutions

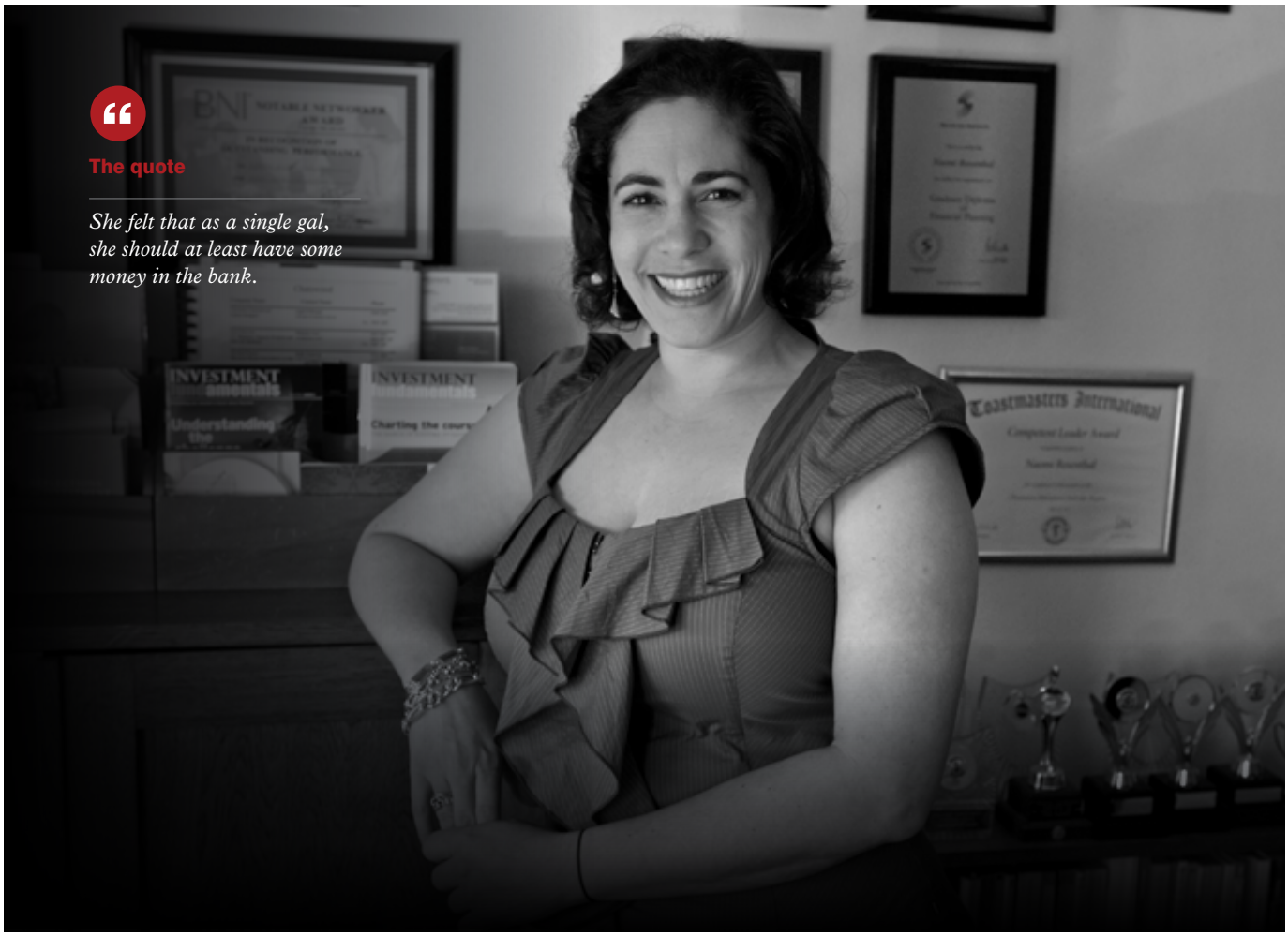
Rosenthal quickly educated her on the difference in interest rates and the future savings she could achieve, and she was able to almost immediately extinguish her debts and start again with a regular savings program.

Now, she also has a risk protection package in place that provides her with the peace of mind that funds will be available if anything happens to her, a savings plan and an investment portfolio that keeps building and provides her with a sense of security that she is creating her nest egg.

Katie's small contribution to super provides some tax savings, pays for insured benefits and builds her wealth for retirement. At the same time, she has established a savings account which provides her with rainy day funds and holiday money.

Rosenthal also helped her to fix a salary sacrifice that would go directly to her superannuation account.

"It took time for her to adjust to not spending all her money every paycheck, but she is now more comfortable with putting money aside for her future and to feel secure," Rosenthal explains.



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Building towards the objective

After three years of receiving comprehensive advice, Katie has now increased her super by $30,000 and has an investment portfolio valued at $20,000. While this is well short of her initial $150,000 dream, at the outset Katie felt the savings goal to reach her target was too onerous and she has realised that an incrementally stepped savings program will see her reach this target sooner.

Rosenthal says that Katie can now take regular holidays and not pay for them on credit. The adviser remembers how advice was useful to Katie when she broke her arm while holidaying in Thailand in June 2012.

"Her dad told us about it, I rang Katie up and informed her that she could claim on her Income Protection policy under the Specified Injury Benefit," Rosenthal remembers. The client received an $8,600 claim payment that was used to cover the expense of the holiday that was ruined by the accident and out of pocket medical expenses not covered by the travel insurance because of an excess.

"While Katie knew about the insurance, she wasn't aware of this benefit," Rosenthal explains. At the time, Katie said: "This is very useful insurance as it could cover out of pocket medical expenses, especially in Australia. My travel insurance had an excess attached so I was not covered for 100% of the cost or the ongoing physiotherapy needed when I was back in Australia."

Fee structure

Rosenthal charges upfront fees on contributions to investment and superannuation portfolios. She explains that it took her four months from the initial consultation to implement and complete the plan. The program established is a steady savings regime that continues year on year.

She received an upfront fee of 4.4%, about $1,850. Her client also pays commission of 0.6% and a 0.5% ongoing adviser service fee for rollover on the superannuation and investment accounts.

Rosenthal estimates that an ongoing investment fee generates around $350 per annum, while an ongoing fee on superannuation generates $850 per annum.

The ongoing commission accounts for around $500 per annum in super and $85 in investment.

However, recent regulatory changes will require the business model to change. Rosenthal will remove commission on investments and upfront contribution fees on regular contribution plans.

"With changes to our business and the industry regulations, we will be reviewing this client's fee structure shortly and realigning to our new fee model," Rosenthal says.

"In this particular case, client will save significantly on ongoing fees under our new model and benefit from improved services."

Ongoing advice

Katie is still Rosenthal's client and she holds regular reviews to ensure that she stays on track and builds further towards her goals. The adviser often reassesses her situation and provides ongoing advice.

"We provide budgeting and savings advice to ensure Katie doesn't end up back in unnecessary debt and we continue to encourage implementation of the advice as recommended and manageable increases for her regular savings," Rosenthal says.

The adviser also encourages Katie to follow good savings habits and she helps her to maintain awareness of what she spends her money on.

Rosenthal believes that if Katie had not sought financial advice "she would likely still be figuring out where her money goes every paycheck." "What am I spending it on? Why is there no cash in the bank? How come I still have a debt yet I am earning a good wage?" are some of the questions that Katie would be asking herself.

The quote

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Table 1. Current situation:

Financial goals	
1.	Establish a medium term investment and regular investment plan
2.	Establish a regular savings plan
3.	Establish a personal risk insurance portfolio
4.	Review super funds and investments

Needs and objectives	
1.	Extinguish all debt
2.	Create a rainy day buffer and holiday fund
3.	create a regular investment plan to reach her savings goal
4.	put personal insurance cover in place
5.	consolidate superannuation and establish salary sacrifice
6.	Medium term – review contributions to savings plans and incrementally increase

Annual Income	
Income Details	
Employment Income	
PAYG Salary (before tax)	96,000
SG Contributions	8,640
Salary Sacrifice (super)	(1,200)
Total	103,440

Table 2

Annual Expenses		
Your Total Cost of Living		**Combined Annual Expenses**
Annually:		$60,000
Insurance:	**Client 1**	**Client 2**
Income / Salary Continuance:	6,000	
Trauma / Crisis:	220,500	
Home & contents:		
Car:		
Health:		
Other:		
Superannuation and other investments	**Client 1**	**Client 2**
Salary sacrifice:	1,200	
Gearing arrangement:		
Savings plan:	5,400	

Table 3

Assets & Liabilities						
Assets & Liability Summary (Totals Only)						
Assets	**Current Values**	**Liabilities**	**Owner**			
	$	$	C1	C2	Joint	Other*
Motor Vehicle	25,000		☐	☐	☐	☐
Cash at Call	8,000		☐	☐	☐	☐
Superannuation – Client 1	95,000		☐	☐	☐	☐
Managed Investments	20,000		☐	☐	☐	☐
Life & TPD Insurance – Client 1	320,000		☐	☐	☐	☐
Credit Card			☐	☐	☐	☐
Personal Loan			☐	☐	☐	☐
Other: Home contents	20,000		☐	☐	☐	☐