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SCORING A GOAL FOR THE FUTURE

Jenny Brown, director, JBS Financial Strategists

JBS Financial Strategists director Jenny Brown has had the most eventful year of her professional career. In 2013, the Melbourne-based adviser won the Association of Financial Advisers (AFA) Adviser of the Year Award and was named FS Smileys Scholar of the Year for her strategy in social media.

But rather than talking about her success, she prefers to let the conversation flow around two of her favourite topics: footy and self-managed super fund (SMSF) advice. A devoted supporter of Melbourne's St Kilda Football Club, Brown has 21 years' experience in financial planning and specialised in SMSF advice in 2000.

With more than 900 Twitter followers and over 2,000 connections on LinkedIn, Brown is one of Australia's more prominent advisers in social media and has made online communication a pillar of her work.

"JBS Financial Strategists is not all about Jenny Brown, we are a team and a great one at that," Brown says. She explains that the team works hard and has a high level of knowledge and education.

"But we also love to have fun and enjoy a game on our office foosball table or have some nerf gun wars," which consist of giant fluorescent plastic guns equipped with equally big and colourful foam bullets.

In August 2012, Brown met Jeremy, a senior manager at one of the big four banks, and his wife Caitlin. The couple are in their mid-thirties, have two young children and wanted holistic advice. They were particularly concerned about securing their kids' future in case something unexpected happened to them.

JBS Financial Strategists director Jenny Brown met Jeremy, 37, through an existing client. "Through various conversations it was established that we were both keen football fans," Brown recalls. He is a supporter of Essendon and she is a St Kilda fan, so it did not take long for them to arrange to attend a match with their respective couples. During the match, aside from cheering for their teams, they got talking about insurance.

Jeremy is a senior manager at a major bank and wanted to ensure that his financial affairs are in order and looked after properly. He had already seen a planner from the bank that employed him, but wanted another opinion.

"They were not happy with the simplistic type of advice they received from the bank adviser, together with the lack of follow up," Brown says.

They decided to set up an appointment and they met in August 2012. Brown explains that Jeremy and his wife Caitlin, 32, had a good level of assets, property and a portfolio of shares outside super.

However, they had as many as seven super funds between the two of them, they had set themselves up with investments to build their wealth for the future, but had no structure or goals for their investments nor did they understand what they could and couldn't do with these assets to set them up for their future retirement.

Jeremy was mostly concerned about insurance. He had a number of insurances provided to him through his employment, but he had never had an assessment to see if these levels or even these types of cover were appropriate for his needs.

Caitlin was in a similar situation; she had insurances through one of her superannuation providers but without any assessment of appropriateness.

When they sought Brown's advice, they were asset-rich, but cash flow-poor and they wanted to have choices for themselves and for their two small children - aged three and one- that they didn't have at that point.

Jeremy and Caitlin wanted to travel, to pay for a good school for their kids and "to have all that surplus cash flow to be able to tick all the boxes, including the retirement box."

Brown explains that Jeremy wants to retire "fairly early" and "wanted to be sure that he was fully financially under control in that regard."

Annual Income & Expenses

Tax Position	Client One	Client Two
Gross Salary	129,000	54,000
Super contributions	11,610	4,860
Rental Income	39,372	28,800
Less Interest Tax Deduction (based on 6% interest rate)	-43,200	-32,400
Estimated Taxable Income	**125,172**	**50,400**
Tax on Taxable Income	34,261	7,683
Medicare Levy	1,878	756
Estimated Income Tax Payable	**36,139**	**8,439**
Net Income (Salary, Rental less Tax)	132,233	74,361
Combined Net Income		**206,594**

Cash Flow	Combined	Details
Annual Net Income	$206,594	
Less Total Loan Repayments	-111,000	Home Loan: $2,800 p.m. Investment Loans: $6,450 p.m.
Less Other Living Expenses	-85,000	
Total Expenses	**-196,000**	
Net Disposable Income	**$10,594**	

The quote

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The advice process started by mapping the client's situation and asking what is really important to them in life, Brown says. "I am not talking only about savings and investments, I ask them to tell me about them: what do you want? Why did you come to see us? What is really important to you? I need to know these things."

Brown remembers Jeremy being "particularly happy with the fact that our advice and strategy discussions evolved as we understood their situation more.

"We took the time to investigate and gather all appropriate information that clearly the other adviser had not asked for and then discussed with Jeremy and Caitlin our thoughts and understanding of their situation and goals."

Outlining the strategy

Jeremy, Caitlin and Brown established that the couple needed advice on insurance, superannuation, debt structuring, cash flow and budgeting. They also ended up looking at estate planning because they did not have wills, even though they had two small children.

"While on face value it initially seemed a simple superannuation consolidation and insurance review to some, we investigated further and fleshed out their goals to provide superannuation advice to consolidate their superannuation into an SMSF," Brown notes.

Their superannuation at that stage was around $300,000 dollars, "which is the minimum amount that we look for establishing an SMSF."

One of the reasons to recommend setting up an SMSF was the fact that the couple wanted direct shares, "are very keen on property and wanted to establish a structure that was flexible and that they could purchase property through."

They also wanted to make sure that their insurance was structured correctly and through Brown's advice, that included innovative tax reduction strategies such as death benefit- pensions for the remaining spouse and their children. "He really wanted to make sure that everything was streamlined so in the event that something happened to him everything would be fine going forward."

Brown rolled over all the super funds with the exception of one. "In the bank he works for if your contributions go in the default super fund, then they pay for your life and TPD insurance up to $550,000 and that was important to them."

She left $5,000 in the default fund to secure the insurance arrangement and did something similar with Caitlin's situation. "In her company, they pay 14% superannuation and fund her life insurance premiums."

Securing insurance needs

Jeremy had $500,000 of life and TPD insurance through his employer, but an assessment of his needs showed he required $2 million of death and TPD cover. "We recommended he take out an additional policy to top up his total level of cover," Brown said.

Assets and Liabilities

Details of Assets	Asset Value	Liability Value	Notes / Ownership
Lifestyle	$1,275,000	$656,000	
Principal Residence	1,100,000	560,000 30,000	Ownership: Joint Loan not drawn – used for investment property expenses
Contents	100,000		Ownership: Joint
Vehicle	45,000	45,000	Ownership: Client Two P&I 6.99%
Vehicle	30,000	30,000	Ownership: Client One P&I 6.99%
Credit Cards		14,000	Ownership: Joint
Line of Credit		7,000	Ownership: Client One Interest free until Dec 2013
Investments	$1,810,000	$1,260,000	
Newtown Property (Sydney)	700,000	540,000	Ownership: Client Two Rental $2,400 /mth
Armadale Property	500,000	360,000	Ownership: Client One Rental $1,521 /mth
Mornington Property	550,000	360,000	Ownership: Client One Rental $1,760 /mth
Cash	10,000		
NAB Shares	10,000		Ownership: Client One
CCL Shares	40,000		Ownership: Client Two
Superannuation	$315,055		
AMP Flexi	6,562		Ownership: Client One
AMP	56,443		Ownership: Client One
HostPlus	600		Ownership: Client One
AXA	44,363		Ownership: Client One
MLC	143,900		Ownership: Client One
AMP	61,517		Ownership: Client Two
HostPlus	1,670		Ownership: Client Two
Totals:	**$3,400,055**	**$1,916,000**	

The clients' names in this case studay were changed to protect their identity.

The quote

They ended up looking at estate planning because they did not have wills, but yet they had two small children.

They also added a small amount of trauma and increased his income protection up to 75% of his gross income.

Caitlin had $300,000 of life and TPD insurance through her employer and again the assessment showed that she needed $1.1 million of death and TPD with a small amount of trauma. As she was on maternity leave, additional income protection was not required, but this will be reviewed once her maternity leave finishes.

The quote

On top of securing their insurance needs, Brown set up binding death benefit nominations for both of them.

Preparing for the hiccups

Jeremy and Caitlin were particularly concerned about preparing for unexpected events, especially because they have two young children to look after.

On top of securing their insurance needs, Brown set up binding death benefit nominations for both of them. She explains that it is not that uncommon for young clients to express concern about these issues, especially after a big event in their lives such as getting married or having children.

"What a lot of clients want is certainty that if there are hiccups, if something happens, they can call us and that we will have everything under control," Brown says.

The after match

After the initial set up of the SMSF, Jeremy and Caitlin engaged in ongoing services with JBS Financial Strategists. They talk with either Brown or the person in charge of portfolio management in her team every couple of months.

Jeremy has since resigned from the bank and he is in the midst of completing a full review of his situation, strategy and products with Brown, as he will lose his employer provided insurance cover.

The couple has also recently sold their Sydney property and used the proceeds of that to reduce significantly their non-tax deductible home loan to less than half of what it was when they first engaged with JBS, 18 months ago.

Their superannuation has also grown, they have implemented the insurance recommendations and sorted out their estate planning, establishing wills, binding death benefit nominations, powers of attorney and guardianship.

"We've discussed the benefits of correct ownership of assets as well as the structure and ownership of their insurance so that in the event of death or illness the tax will be minimised."

Remuneration model

JBS Financial Strategists charge a fee for service based on the level of service required as well as the complexity of the client's current situation and the strategy recommended.

The firm also uses the hybrid commission structure for insurance and take this into consideration when quoting a fee for a client.

Jeremy and Caitlin paid a fee for the preparation of the Statement of Advice (SOA) as well as a fee for the establishment of their recommended SMSF. They pay an ongoing monthly fixed fee that is reviewed in June each year and signed off on. They also pay a commission through the insurances based on a hybrid structure.

Building referrals

Jeremy and Caitlin have recommended Brown's services to three other clients at this point. "We anticipate we will receive further referrals," Brown says.

"We have built an ongoing relationship via social media also, where we often engage," she adds. FS