

Pre-retirement planning



Finalists

Timothy Carrigg CFP®
HFM & Partners (Vic)
Licensee: AXA Financial Planning

Philip Mason-Cox CFP®
Hayes Knight Financial Planning (Qld)
Licensee: Magnitude

Winner

Charles Badenach CFP®
Shadforth Financial Group (Tas)
Licensee: Shadforth Financial Group

Charles Badenach is a CERTIFIED FINANCIAL PLANNER® professional with the Shadforth Financial Group in Hobart, Tasmania. Badenach has been in the financial planning industry for over nine years and prior to that worked as a commercial lawyer. Badenach specialises in providing advice to retirees, busy professionals and charitable foundations.

Badenach said receiving the award was fantastic and would add to his professional credibility. “Hopefully it will help the FPA spread the word about the value of advice.

I think it is important that we as members of the profession actually distribute the good news stories, showing how we can help clients, because I think there has been a misconception among the general public about what we do,” he said.

Badenach chose this particular client situation as a case study because “it was a very clear example of adding value and it was a bit left of centre, so there were a whole lot of issues she wasn’t aware of that we were able to point out to her. She is the happiest lady in the world now.”

Case study

Planning for retirement is a difficult time in anyone’s life, having to figure out how you will pay for retirement often raises more questions than answers, and this is made far more complicated when divorce raises its head.

Rose* (51) and her husband Luke* (53) recently split. They lived apart and had two dependent children, 16 and 18, with the youngest suffering from a disability and requiring ongoing care. Rose had full custody of the children, which was unlikely to change.

Understanding a family trust

Rose was in good health and worked part-time supporting her two children. She had a complex family trust in place, which she did not understand. Coming up to retirement, Rose decided she needed to get her finances in order, which was proving difficult as she had little interest in financial affairs and did not understand the inner workings of her family trust.

To get her retirement in order, to not only protect herself but also her children, Rose contacted Badenach.

Planning to protect

Rose was in a delicate position; she was the primary carer of her children and needed to dedicate time to understand and get her finances in order, while at the same time Luke had initiated formal legal proceedings.

Rose wanted Badenach’s help to reinforce her financial position through maximising Centrelink entitlements, reducing Rose’s administrative burden and to help her avoid paying excessive tax. To ensure her children were well looked after and to live comfortably, Rose would require a retirement income of \$40,000 per annum.

Badenach was appointed as her financial planner and helped coordinate and liaise with a raft of professionals.



Navigating trust and super

Although Rose had held an investment portfolio for a number of years, she had very limited experience dealing with it. Badenach sat down with Rose and went through the various investment options, and it was agreed that a balanced investor profile would be most appropriate.

After the first meeting, Badenach immediately recommended a family lawyer to act on Rose’s behalf in all the matrimonial proceedings. While Rose and Luke were settling property matters, Badenach was in constant contact with the property valuer, Rose’s accountant and her lawyer to ensure an optimal distribution of assets for Rose.

To help meet Rose’s many needs, Badenach advised Rose to rework her family trust investments. Badenach recommended Rose make a lump sum investment of \$250,000 from the trust into her superannuation; this was the

amount that could be redeemed without incurring any capital gains tax liability.

Badenach further advised that future income from the family trust should be distributed to Rose’s children and that the trust could be used to supplement her daily financial needs, pending capital gains tax implications.

Badenach reviewed Rose’s superannuation investments and recommended her two investments be rolled into a lower cost structure that better matched her investor profile. To further bolster Rose’s superannuation, Badenach advised Rose to contribute \$250,000 from the family trust as well as \$45,000 from her personal savings into superannuation as a non-concessional contribution. Badenach also suggested that Rose should be salary sacrificing \$6000 per annum to superannuation.

After working with Rose to restructure the family trust and distributing the trust’s income to her children, Rose’s family was eligible for various Centrelink benefits. Rose’s eldest child was able to receive the Youth Allowance as well as the Pharmaceutical Allowance, while her youngest child was eligible for the Disability Support Pension, the Youth Disability Supplement and the Pharmaceutical Allowance. Rose herself was able to receive the Carer Payment – plus a supplement – and the Carer Allowance.

As a contingency in the event of the unfortunate, Badenach recommended that Rose take out death and total permanent disablement insurance within her superannuation fund for \$500,000.

Trust, care and comfort

Rose now enjoys peace of mind knowing that her concerns surrounding her family trust and superannuation have been navigated and now provide income for both her and her children.

Badenach helped Rose and her children gain approximately \$20,000 per annum in Centrelink entitlements that she was previously unaware she was entitled to. His management of Rose’s finances also allowed her to keep her current residence, which opens the opportunity to house an international student, earning Rose an extra \$7500 per annum.

Rose’s administrative burden was significantly reduced through Badenach’s advice and Rose now has the freedom to make her own choices in life, allowing her to pursue her interests and hobbies without being dragged down by the pressure of having to help finance her children’s future. ❖

**Names changed for privacy reasons*