Merit Wealth

"Building your SMSF Offering"

September 2016

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Please direct any questions regarding the Merit Wealth Workbook to:
Merit Wealth Pty Ltd, Level 2, 115 Pitt St, Sydney 2000

What we will cover

- The current SMSF market place
- Marketing resources available
- Key advice areas: What you can advise on and who you can call upon
- Recent update to budget proposals and getting the best outcomes in 2017
- Utilising the wider Merit Wealth Group to create a profitable SMSF business: The revenue opportunity

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The SMSF market: key stats

Number of funds: **577,236**	SMSF members: 1,087,841
June 2016	
Average fund balance: **$1,111,732**	**SMSF assets:** **$599B**

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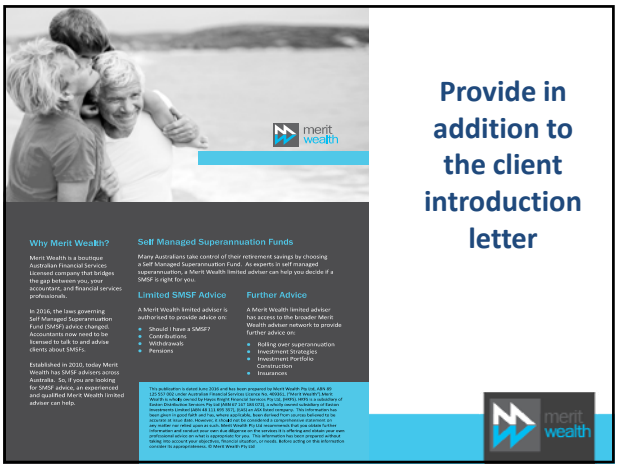
The SMSF market: key stats

Contributions $33 BILLION	**Rollovers** In: $15.6 BILLION
FY 2015	
Benefit payments: $35 BILLION	**Admin & Invest expenses:** $6.2 BILLION

Marketing of your SMSF services

What is available?

- **Introduction letter:**
  - ✓Reconfirm to your clients what you can (continue) to do for them
  - ✓This comes from your office and reinforces that your client service offering remains and is stronger than ever



Provide in addition to the client introduction letter

Marketing of your SMSF services

What is available?

- Fact sheets, co-branded with your Firms details
  - ✓**Self Managed Super Funds: General overview**
  - ✓**Retirement income streams and how they work**
  - ✓**Tips for retirement planning**
  - ✓**Recent Super changes and what to consider**
  - ✓**Transition to retirement**

Self managed superannuation funds

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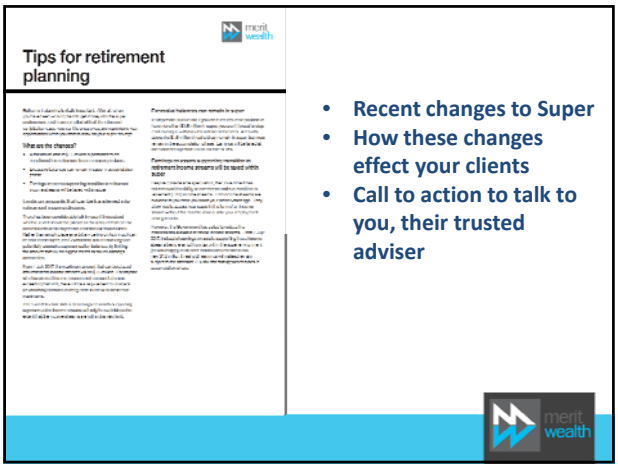
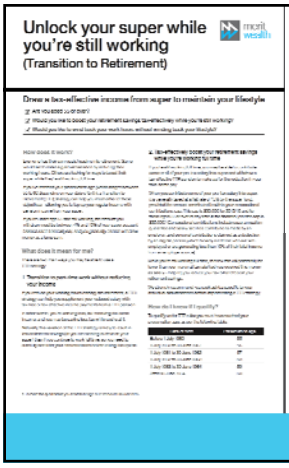
- **What is a SMSF?**
- **What are the benefits?**
- **What are the risks?**
- **Establishing an SMSF**
- **Stages of a SMSF**
- **Key rules and regulations**
- **Administering an SMSF**
- **Managing the SMSF**
- **Tax issues**
- **Small APRA Funds: An alternative to SMSFs**



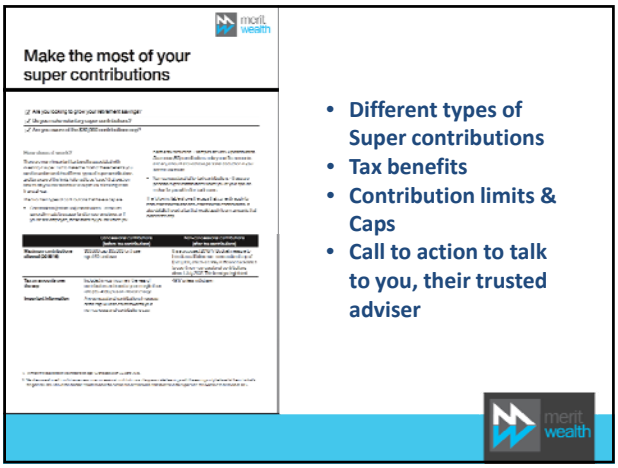
- Recent changes to Super
- How these changes effect your clients
- Call to action to talk to you, their trusted adviser

Retirement income streams

- Income stream overview
- Types of income streams
- Transition to retirement
- Taxation of income streams
- Income streams and social security
- Eligibility for the Age Pension
- Call to action to talk to you, their trusted adviser



- What is a transition to retirement pension?
- How they can work and benefit your clients?
- Tax benefits
- Qualifying for a TTR
- Call to action to talk to you, their trusted adviser



- Different types of Super contributions
- Tax benefits
- Contribution limits & Caps
- Call to action to talk to you, their trusted adviser

- Services you can provide
- Contribution advice
- Pension payments
- Lump sum withdrawals

Fact sheets

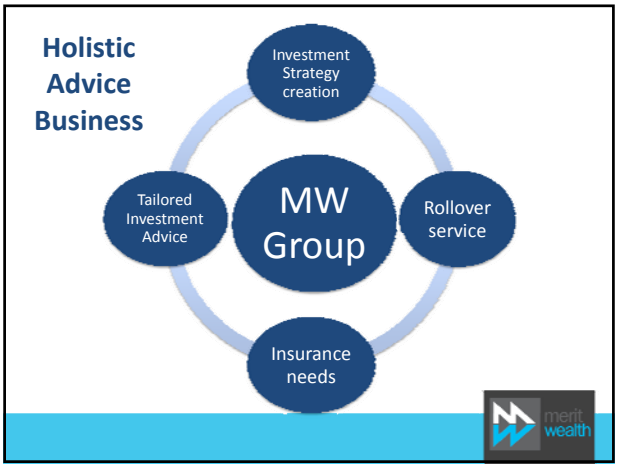
- **Available on SMSF Advice App website under marketing tab**
- Can be used for:
  - Provision of general advice
  - As a lead into client conversations
  - Client base segmentation: What is relevant for your different client groups

Traditional (past) role of the Accountant

- SMSF establishment / Pension documents
  - Was often seen as a loss leader (cost recoupment at best) into compliance / tax work opportunities
- Change of mindset: You can still offer these same services but we want to show you how you can add value to your clients AND your Business.
- This can be achieved though Key Advice Areas

Key Advice Areas

SMSF establishment	Rollovers into the SMSF
Estate Planning	Insurance
Contributions	Pensions
Borrowings	Asset segregation
Strategic advice	Tailored investment advice



Rollover service

- **LAR's not authorised to advise on rollovers. Why?**
  - Requires a review of existing fund features and benefits and these need to be compared to those of the SMSF
  - A review of costs of the existing funds and these need to be compared to those of the new SMSF
  - A review of existing insurance inside the current fund
- **But Merit Wealth has a tried and tested process ready for you to use! And you can be rewarded for your time!**

Rollover service

1. **Client signs an Enquiry Authorisation Letter**
   - This allows a MW rep to investigate and review existing arrangements
2. **Complete the SMSF annual costs form**
   - Allows the MW rep to carry out the cost comparisons based on your own firms actual costs moving forward
3. **All of the above is provided to your MW referral adviser or to Justin Viney (National Practice Development Manager)**
4. **MW Adviser completes required Statement of Advice for the client and carries out implementation**
5. **Refer to SMSF Advice App for letter and forms**

This is seamless, the adviser is part of your staff!

Recent update on Budget Proposals

- **Proposed $500K lifetime NCC cap removed**
  - Replaced with annual $100k cap and $300k bring forward rule
  - Only applies where balance is <$1.6M (or does it?)
- Considerations:
  - Make the most of the higher caps in 2017 year!
  - No longer restricted to $500K over lifetime
  - Should bring forward rule be triggered now?

Recent update on Budget Proposals

How the $1.6M balance is assessed

- David has $1.35M in super currently.
- He therefore has a remaining $250K left under his $1.6M NCC cap
- David could still actually utilise the full $300K bring forward rule in 2018 even though it takes him to $1.65M
  - It is the $100K "increment" that first takes the member over the $1.6M cap that can be used

Recent update on Budget Proposals

How the $1.6M balance is assessed

- Elyssa has $1.49M in super currently.
- She therefore has a remaining $110K left under her $1.6M NCC cap
- Elyssa could still utilise $200K bring forward rule in 2018 even though it takes her balance to $1.69M
  - It is the $100K "increment" that first takes the member over the $1.6M cap that can be used. Hence why the full $300K could not be used.

Recent update on Budget Proposals

How the $1.6M balance is assessed from a strategy point of view?

- The key member balances will now be:
  - $1.4 million & $1.5 million & $1.6 million
- Once these balances are reached, they essentially wipe off a $100,000 in non concessional contributions allowed!
- If the contributions are made just before the above balances are reached, the additional $100k can be contributed!

Balances and bring forward rules

Member balance	Contribution available
Under $1.3 million	Full $300k bring forward rule (3 years)
$1.3 million - <$1.4 million	Full $300k bring forward rule (3 years)
$1.4 million to <$1.5 million	Only 2 years - $200k of bring forward rule
$1.5 million to <$1.6 million	Only 1 year - $100k no bring forward rule
Over $1.6 million	No further NCC allowed

Recent update on Budget Proposals

How the $1.6M balance is assessed from a strategy point of view?

- The proposals suggest that it is the members balance as at 1 July of the prior year that is used to assess the $1.6M limit
- This suggests that if the members balance has dropped below $1.6M, they may be able to make contributions again!

Triggering the bring forward rule

- **Transitional measures will apply where NCC's in 2015-16 or 2016-17 trigger the bring forward and where the full $540K is not used. This will apply so that the amount of bring forward available will reflect the reduced annual contribution caps.**
- Where the non-concessional contribution bring forward was triggered in 2015-16, the transitional cap will be $460,000 (the annual cap of $180,000 from 2015-16 and 2016-17 and the $100,000 cap in 2017-18).
- If the bring forward was triggered in 2016-17, the transitional cap will be $380,000 (the annual cap of $180,000 in 2016-17 and $100,000 cap in 2017-18 and 2018-19).

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The wider group offering

- Access to **risk insurance specialists**
- Access to **Estate Planning legal support and legal documentation**
- Access to **Investment strategy specialists**
  - Simple referral process:
  - Contact your Merit Wealth dedicated adviser: or
  - Contact Justin Viney.
    justin.viney@meritwealth.com.au

LAR Accountants perfectly placed

- Recent survey*, 2.5 Mill intended using a FP, only 400,000 actually did!
- Why? Is it perception? Clients perception of Accountant vs. Financial Planner?
  1. Insufficient funds (27%),
  2. High costs (20%)
  3. Lack of time (19%
- Also – piece by piece model pref'd. 30% vs 8%

* Investment Trends 2015

Client opportunities

- SMSF Investment Strategy Advice
- SMSF portfolio construction
- The trustees requirement for insurance or have existing insurance reviewed
- Roll-over (consolidation of super accounts)
- Business Succession – Key Person insurance

Revenue Opportunity

Average results we are seeing across the group:

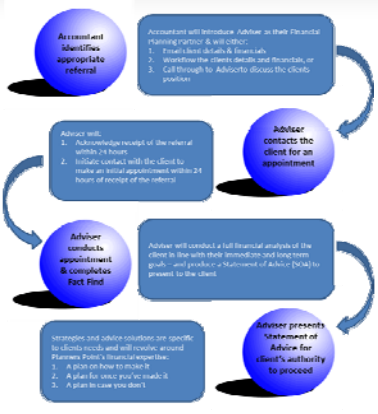
- Based on:
  - 30% of first years' revenue generated to adviser gets paid to referring accounting
  - Average revenue to adviser (including risk), for Mum and Dad SMSF - $9,000
  - Accountants share $2,700
- 2 clients per month = annual revenue stream to you of $64,800.

For what?

- Compensation for your time and involvement
- Ensuring your clients receive quality advice from an independent source
- Consistent branding under Merit Wealth and your firm
- Contracted arrangement to protect your client relationship and revenue entitlement

The Referral Process

Step by Step



respect - protect - reward

Capitalise on the 2017 opportunity

- The proposed changes to super offer a once in a decade opportunity: It is the "Advice Budget"
- How can you make the most of this:
  - Systems and processes ready to roll
  - Engagement process with clients
  - Full AR referral partners are in place and ready to assist
  - Structured and proven systems in place
  - Business planning for this area

Upcoming events

Estate Planning Webinar – 27th September 2016

- Why getting the correct documentation for your Super clients around death benefit nominations and reversionary pensions is so vital to **protect your business and your clients**.
- Why so many estates are contested
- The increased considerations where blended families are involved
  - This session will be presented by both Garth McNally and Bhavesh Mistry, principal of Mistry Fallahi Lawyers

Upcoming events

Merit Wealth 2016 Annual Conference

Thursday 20 October 2016, at the Westin Hotel in Sydney followed by Gala Dinner

9.00 am Registration
9.30 am Conference Opening
6.15 pm Drinks
7.00 pm Dinner
No additional cost to attend

Wrap up

- **The Merit Wealth team is here to help**
  - Compliance advice and assistance
  - Technical support
  - Strategy discussion
  - Business development
  - Introduction to and management of referral partners
  - Grow your practice through proven systems and processes created by like minded professionals