Short Form COVID-19 Super Access ROA Example

Cover

Financial Planning Licensee

Record of Advice

Prepared by John Smith

For: Dave Jones

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Financial Planning Practice

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**What this document is about**
This document records our financial advice to you Dave. It is called a Record of Advice (ROA), which we are required to provide to you under the *Corporations Act 2001* (Cth). This advice does not cover all aspects of your financial situation and you have confirmed on 16/04/2020 that there have been no significant changes to your financial circumstances, goals and objectives since the SoA (or subsequent RoA) dated 30/10/2019 apart from those related to the COVID-19 pandemic and economic crisis.

The advice covered by this document is limited to your request for advice on the early release of superannuation for persons affected by the Coronavirus.

We are required by law to act in your best interests when providing you with financial advice.

**Attachments**

The Australian Government has made a document available titled ‘Early access to superannuation’, released as part of the government’s Economic Response to COVID-19 which can be accessed:<https://treasury.gov.au/sites/default/files/2020-04/Fact_sheet-Early_Access_to_Super.pdf>

To find out more about the financial assistance offered to Australians affected by COVID-19, visit ASIC’s MoneySmart website accessible from:<https://moneysmart.gov.au/covid-19>

Additional information is available from the Government via the [ATO information on accessing super](https://www.ato.gov.au/individuals/super/withdrawing-and-using-your-super/early-access-to-your-super/?anchor=Compassionategrounds#Compassionategrounds) and on the website the Government has set up to provide regular updates on the COVID-19 response:<https://www.australia.gov.au/>

# About you

Dave, from our conversation on 16/04/2020 and prior meetings we understand that you are:

Age: 42

Sex: Male

Employment: Have been made redundant from your full time as a manager in EFG Consulting

Pre-redundancy income: $100,000

Eligible social security benefit: Jobseeker payment

Children / Dependents: NA

Lifestyle: $50,000 per year

Financial position: House - $500,000; Bank accounts - $30,000; Share: $20,000

Super funds and balance: LMNO Super - $200,000

You have told us that since 1 January 2020, your employment has been impacted by Coronavirus, resulting in you meeting the government’s criteria to access up to $10,000 of your superannuation in the 2019/2020 financial year and/or 2020/21 financial year.

Specifically, you have told us that on 20 March 2020 you were made redundant , effective from 30 March 2020.

# What you want

You would like to know:

* if you can and should access money from super to assist you in meeting day-to-day lifestyle requirements;
* the maximum amount you can access, and when it can be accessed;
* how much you should withdraw, having regard to your current financial position;
* the tax impact of the withdrawal from superannuation under the government’s assistance program; and
* the impact of the withdrawal(s) on the future balance of your superannuation, insurance and your longer term goals.

My Advice

Dave, as your income has been detrimentally impacted by the Coronavirus, you meet the eligibility criteria that will allow you to apply for a withdrawal of up to $10,000 from superannuation in this financial year, ending 30 June 2020.

We did consider as an alternative that as you have some cash savings available to you that you should not access your super at this time, we assessed that this amount will not cover your living expenses in full across the course of the economic downturn due to COVID-19. Further, the early access of superannuation will provide a buffer against unforeseen expenses, and help you meet your ongoing living expenses.

On this basis, we recommend that you access $10,000 from your LMNO Super super fund. You are required to lodge this application directly with the ATO, either online via MyGov portal, or alternatively via the ATO manual option (TBA in mid-April).

We believe that the advice provided of withdrawing $10,000 from your LMNO Super super fund is in your best interests as you have recently been made redundant and this will give you a cash buffer for the immediate future.

Important:

* You will need to confirm that your bank account details recorded with the ATO are correct prior to applying for the withdrawal.
* You are only allowed to make one application, but the $10,000 can be taken in any combination from up to 5 funds.
* You will need to nominate on which basis you’re eligible for the early access
* Once your request is lodged, you will receive a printable PDS from the MyGov portal confirming the details you have lodged.
* An outcome notice of either acceptance or rejection will be provided in 4 days from the date of lodgement.
* Your super fund is required to honour your redemption request within 5 days of receipt of notification from the ATO.
* Tax will not be payable on your super withdrawal.
* Centrelink or Veterans’ Affairs payments will not be impacted by your super withdrawal
* Where you make an application and the fund has insufficient money to fulfil the application, you will not be able to make a second application for the balance from another fund/account in that financial year. You should therefore ensure you nominate a fund that has sufficient funds to make this payment.
* You will also not be able to seek the balance in the 2020/2021 financial year above the $10,000. i.e. unused amounts in the current financial year are forfeited, and will not be carried through to the following financial year.

You may also qualify for a further $10,000 withdrawal in the 2020/2021 financial year if your circumstances do not change. The cut-off date for this 2020/2021 payment is currently set for 24 September 2020. If your circumstances have not changed, you may be eligible to withdraw this additional amount capped at $10,000 between 1 July 2020 and 24 September 2020. We have agreed I will follow you up in July to consider whether this is in your best interests at that time.

Continuing review service

We recommend that your needs and products be reviewed at least once a year to accommodate changes to your personal goals or circumstances, such as births, marital status, employment, debt levels, and tax implications of insurance.

We will get in contact with you in 12 months time to undertake a full review of your situation unless you contact us before this.

# How to follow my advice

The steps you should take to follow our advice are:

|  |  |
| --- | --- |
| Steps |  |
| Read ROA and understand the recommendations | By reading this ROA, you will understand the implications this advice will have on your financial position.  |
| Complete the application forms | Log onto your [MyGov](https://my.gov.au/) Account to complete the intention to access coronavirus support by following the instructions. * Note you will need your superannuation fund and bank account details to complete this process.
 |

We will assist you with the completion of the required application to implement my recommendations.

# My fees

We base all our fees on a fee for service model. Meaning we only charge you for the work that we do for you.

The fees for providing this service to you are:

$300

We have agreed that you will pay this by transferring the agreed fee to:

BSB: [XXX-XXX]

Acc: [XXXXXXX]

[Account Name]

## Conflicts of interest

We do not believe our business has any conflicting interests with your personal ones and as such, only your best interests have been considered.

## Advice limitations

The advice is based on the information that you have told us, if we have misunderstood the information provided by you or your circumstances have changed, you are required to inform us immediately.

As our advice is limited to the areas outlined above, we cannot accept responsibility for other aspects of your financial situation which aren't included in our advice. You should consider our advice with regard to your overall situation. We have not provided advice on other aspects of your financial position at this time as we have agreed your most critical financial need at this time is access to funds to keep meeting your living requirements.

The recommendations in this Record of Advice have been prepared for your sole use and are current for a period of 30 days from the date of the Record of Advice. After this time you should not implement the recommendations without further review from us to ensure they remain appropriate.

### Taxation

We provide financial planning advice that includes considering the tax implications relevant to that advice. This service is not intended to be a substitute for specialised taxation advice or a complete assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under taxation law and we recommend you consult with a registered tax agent. Any tax estimates provided by us are intended as a guide only and are based on our general understanding of taxation laws. Where we have used information provided by your tax agent - we are not responsible for the accuracy of that information.

### Credit Advice

We are not authorised to advise you on whether any specific credit product is suitable for your needs or assist you to complete an application for credit. You should refer to a lender or Mortgage Broker to review the suitability of any credit products.

### Risks and consequences of my advice

There are a number of consequences in accessing your super prior to retirement. Under normal circumstances, a $10,000 withdrawal from super will have the following effects on your super balance at retirement due to the compounding effect of investment returns:

|  |  |
| --- | --- |
| Years to Retirement | Effect on Balance\* |
| 5 | $13,489 |
| 10 | $18,194 |
| 15 | $24,541 |
| 20 | $33,102 |
| 25  | $44,650 |
| 30 | $60,226 |

\*Based on a balanced fund netting a 6% return after fees and taxes.

These outcomes may be higher or lower based on investment performance of your super fund and your specific asset allocation over the periods indicated. Specifically, a redemption from your super fund at this time may crystallise capital losses you have already suffered due to the current economic crisis and the effect it has had on the assets of your super fund. By making a redemption now, your super balance will not benefit from the potential for future recovery in asset prices.

To ensure you can continue to retire comfortably, we recommend you come back to rebuild your financial plan.

### Insurance implications

Please note, that the withdrawal of $10,000 from superannuation may also impact the ability for you to continue paying insurance premiums. We have enquired with your superannuation fund, and the withdrawal will not impact future insurance premiums as you have a sufficient account balance to fund future insurance premiums.

Important: Any decision to apply for additional early release amounts will need to be considered in light of your insurance needs.

### Minimum account balances

Your superannuation fund may require you to have a minimum account balance of $6,000 in order for the account to remain active. We have enquired with your superannuation fund, and as a result of the withdrawal, you will not be impacted by this.

### How will this be monitored by the ATO?

The ATO administers the application process and the application process is mostly self-assessed. It is important to note that there are eligibility criteria with strict guidelines and you are required to accurately assess your eligibility. There are penalties for making false and misleading statements if you inappropriately use these measures.

There are also checks in place to identify and reject duplicate applications and the ATO will be able to undertake post-issue compliance work based on data and other information held in ATO systems.

# Authority to Proceed

Before you sign this authority, we would like you to check that I have:

* given you my Financial Services Guide (FSG)
* talked to you about your personal circumstances, insurance needs and financial goals in a way you understand
* answered your questions
* discussed the fees we will receive.

If we haven’t done all of these things, do not sign the authority to proceed.

Before you sign this authority, please also make sure that you have:

* checked that your personal information in this document is correct
* understand the advice and recommendations that we have made
* understand the limitations of the advice we have provided you based on the limited scope of this advice
* read all the documents we have given you
* asked me questions about anything that you want clarified.

By signing below, you agree to representatives of Financial Planning Licensee applying on your behalf for the products recommended in this Record of Advice.

Signed....................................................................................Dave Jones

Date: ....... / ..... / 20 .....

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