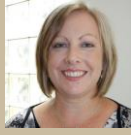


Frailty risk – an approach to designing better SMSF portfolios

Louise Biti
Director, Aged Care Steps






Louise Biti

Louise is a co-founder and Director of Aged Care Steps, the leading business supporting professionals to give advice on aged care and other related matters.

Louise is one of pre-eminent experts in aged care, with over 20 years' experience in aged care advice. Louise is often quoted in media, is a regular speaker at conferences and has been a director on two industry body boards and is a member of the Aged Care Financing Authority which is a government statutory committee providing advice to the Minister on the funding and viability of aged care sector.

Her experience is matched with strong educational qualifications with professional designations of a SMSF Specialist Adviser™, a Certified Financial Planner™, a Chartered Tax Adviser and a registered tax (financial) adviser.



The ignored risk pillar

The design of an SMSF's investment strategy should consider a member's **retirement needs** – which means you can't afford to ignore frailty risk.

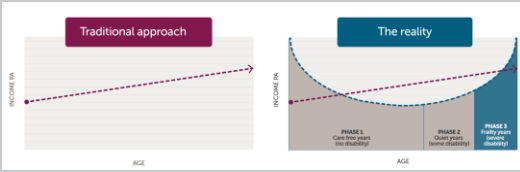


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Three phases of retirement

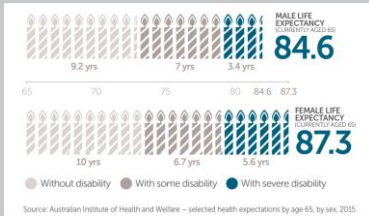
#NCS2019 SMSP



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How real is frailty risk?

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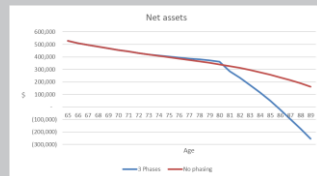
On average the "frailty years" represent 17-25% of retirement

Can you leave clients this exposed?

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Three phases – case study

#NCS2019 SMSP



- Assume:
- 65 year old female
 - Super - \$545,000
 - Objective to achieve ASFA Retirement Standard: single, comfortable lifestyle

Carfree years income \$4,200pa
Quiet years income \$4,800pa
Frailty years income \$4,800pa + care expenses \$14,000pa + \$1,000 p/month additional private.
Care expenses: Full user maximum contribution for home care of \$14,000pa + \$1,000 p/month additional private.

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Adding a fourth bucket or step

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So what does care cost?

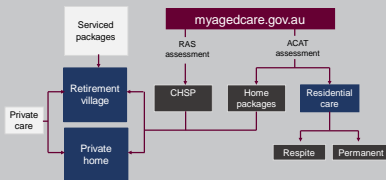
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The aged care landscape

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Separate the decisions on accommodation and care

Are the choices substitutes?

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	Home care package	Retirement village	Residential care
Accomm costs	<ul style="list-style-type: none"> Private accommodation (sell at market value) Uncertain ongoing costs 	<ul style="list-style-type: none"> Buy licence/lease to occupy (usually 20-30% loss upon exit) Known ongoing costs 	<ul style="list-style-type: none"> Deposit for right to occupy – average RAD \$300-800K (full refund)
Care & living costs	<ul style="list-style-type: none"> Care fees: \$3,807-\$14,700 pa Personal living expenses 	<ul style="list-style-type: none"> Personal living expenses May buy additional services 	<ul style="list-style-type: none"> Care fees: \$18,491-\$45,723 pa Additional fees & personal expenses
Key issues	<ul style="list-style-type: none"> Is this enough care? Cashflow 	<ul style="list-style-type: none"> Suitability? Value for money & cash reserves 	<ul style="list-style-type: none"> Care & accom bundled Structure finances?

Note: this is a generalised summary to identify issues & not full range of choices or implications.

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What does care cost?

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Home care

- Accommodation - home already provided
- Care - \$4,000 pa (home package base fee) to \$400,000+ pa (24/7 private care)
- Living expenses - ?

Residential care

- Accommodation - \$100k - \$2.9m (with guaranteed sale price)
- Care - \$18,491 pa to \$45,723 pa (based on financial means)
- Living expenses - \$5,000 pa plus extras

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* These are indicative estimates only and depend on choices made

Starting the conversations

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Why change your retirement conversations?

- Address the reality of retirement
- Support your client's 'life transitions'
- 'Family office' or multi-generational clients
- Capture intergenerational wealth transfer
- Better and deeper client relationships
- Attract new clients

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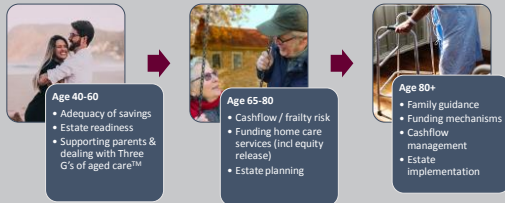




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Conversations at all ages

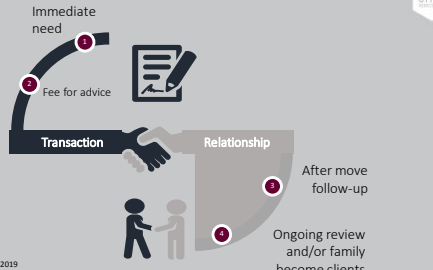


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Moving to relationship advice


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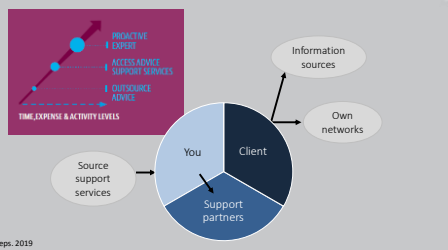


Immediate need
1
2 Fee for advice
Transaction
Relationship
3 After move follow-up
4 Ongoing review and/or family become clients

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Resourcing your business

#MC2019 



PRODUCTIVE & EXPERT
ACCESS ADVICE SUPPORT SERVICES
OUTSOURCE ADVICE
TIME, EXPENSE & ACTIVITY LEVELS
Information sources
Own networks
You
Client
Support partners
Source support services

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When the client needs advice

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1 Outsource the advice to a specialist (observer in advice meetings)
2 Provide advice but outsource paraplanning
3 Provide advice with efficient modelling tools

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Questions?



Aged Care Steps – supporting adviser growth



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- It is based on our understanding of the present laws and Government announcements and the assumption that they will continue.
- These are general statements and should be relied upon as a guide only, as an individual's circumstances can be quite different. You should seek advice about how the relevant laws impact on your particular circumstances.
- The rates of return and inflation used in the projections are estimates only and are intended to be only a guide to future performance. No guarantee of investment performance is given or implied through the use of these projections and actual returns will differ from those indicated. Past performance should not be taken as a guide to future performance.
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