



# Becoming a *Super* Specialist

Adviser Guide

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## Introduction

There is no secret formula to 'Selling Super'; rather it comes down to you as the adviser selling your skills as a Superannuation Specialist. This Marketing pack aims to assist you in identifying your strengths, equip you to address for any questions you may face and help you create a plan to grow your Super Client base.

## Become a Super Specialist

Superannuation can be perceived as a fairly complex structure by many Australians but if managed correctly it can make a major difference to their quality of life in retirement. Below are some questions to ask potential clients and also display your skills as a Super Specialist:

- Does the client know they can hold shares within their Super without having to be in a SMSF?
- Are they up to date about legislative changes in the Super environment, caps, co-contributions, taxation? (Refer to the enclosed Super Threshold Guide)
- Do they have a plan for their retirement? What is their required retirement income and have they got a plan to get there?
- Do they know about funding insurance through Super instead of out of their own pocket?
- Do they know about Capital Gain Tax benefits within Super?
- Do they know how Franking Credits and Instalment Warrants can make a difference to their Super balance over time? And that they cannot access these benefits if they are invested in managed funds? (Refer to the enclosed worked examples)
- How many super accounts do they hold? Do they know you can help them consolidate all their existing super accounts with ease, generally meaning a reduction in fees and easier management for them?

## Resistance from Potential Clients

Below are some examples of barriers potential super clients may put up in regards to speaking with you about their Super.

### *My Super Fund has low fees, why would I move my Super?*

Many individuals with a Super account have been tricked into believing they should find a Super Fund with the lowest fees and stick with it, rather than finding the best investment vehicle for their super. As a result, many individuals are blindly members of Industry Funds and other Low Cost Super options.

The issue of fees will inevitably be brought up but it must be linked back to the service being provided. Low fees generally can often be reflective of generic service and a 'What's good for one person is good for all approach'.

It is often worthwhile to look at the 'hidden fees':

- Is the client charged inflated MERs on their investment options?
- Are there investment switch charges?
- Are there performance fees?
- Are there exit fees?

Another point that can be made is that while Industry Fund Fees are often low, they are an investment vehicle with limited product features. The client will need to decide whether the services and investments that you can offer as an Adviser through a sophisticated Super product are more important than low fees. It is important for clients to realise paying 50 basis points more in fees is easily outweighed by higher potential returns and tax savings - you get what you pay for.

In many instances the ability for AMG and you as an adviser empowering clients to take control and grow their super is a major selling point. Items such as franking credits, installment warrants and corporate actions are all features of direct shares that clients may not be aware of.

### ***I'm invested in Managed Funds, why would I pay extra for an Adviser?***

There is a misconception that if you're in Managed Funds this is a more affordable option than being in direct shares and having to pay an adviser. A lot of individuals don't realise the negatives of managed funds and the fact that they are paying management fees already.

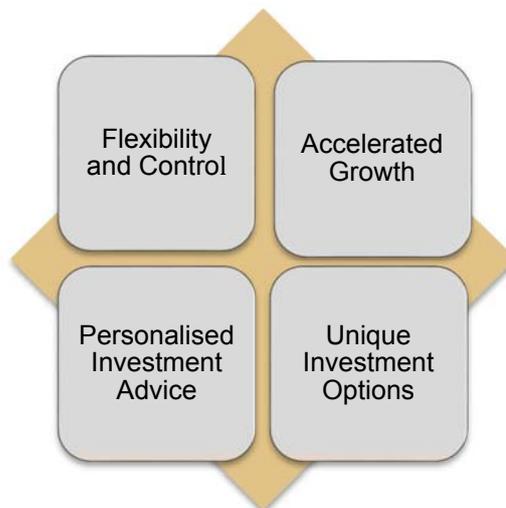
Some disadvantages of managed funds include:

- Fees. Most funds have significant buy/sell spreads, MERs and even performance fees.
- No control over what you are invested in (apart from choosing the style of investment). A fund manager will never consult a client on an investment decision or give them the ability to choose what they wish to invest in.
- The full benefits of dividends and franking credits do not flow fully through to clients.
- Short-termism of fund managers who are looking for good monthly and yearly returns instead of catering long-term returns for individual client's needs.

## What are the Key Points to Discuss?

Whether it be catching up for a coffee with a potential client or over the phone, it is important to have a few themes that underline why THEIR super would be better managed by you. Below is a matrix of 4 key themes that may be relevant to your discussions.

In the initial conversation with a potential client, you may not want to get into too much detail, rather just display some overall advantages and provide enough information so the potential client feels comfortable speaking to you about their super.



### ***Flexibility and Control***

You as the client make the investment decisions and have the ability to take advantage of opportunities as they occur.

### ***Accelerated Growth***

Grow your super faster with personalised strategies such as investing in instalment warrants, taking advantage of franking credits or timing the right market segments to invest in and avoid.

### ***Personalised Investment Advice***

Implement an investment strategy that is right for you, not what's right for the masses, which is the case in most super funds.

### ***Unique Investment Options***

Ability to access investments such as Hybrid Income Securities, IPOs, LPTs, Installment Warrants, Term Deposits.

In the initial conversation with a potential client, you may not want to get into too much detail, rather just display some overall advantages and provide enough information so the potential client feels comfortable speaking to you about their super.

## Developing a Plan

This section is a chance to brainstorm areas specific to you as an adviser. If you want to succeed, it is important to:

1. Set out your objectives and goals (including how many new clients you would like, what recurring income would you like to achieve from super),
2. Analyse your strengths and weaknesses (this will help tailor key selling point to potential clients),
3. Identify potential sources of new clients and referrals, and
4. Establish an action list on how your goals and objectives can be reached.

### Objectives and Goals

1.
2.
3.
4.

### SWOT Analysis

Strength	Weakness
Opportunity	Threat

### Potential Sources

1.
2.
3.
4.

### Action Items

Action Items	Date

## Establishing Business Alliances

A great potential source of business is to develop a business alliance with a referral partner. Some potential referral partner could include:

- Accountants
- Financial Planners or Risk Specialists

The key to establishing a referral partnership is that there needs to be mutual benefit for both parties. The following Strategic Alliance Guide illustrates how each of these alliances could operate.

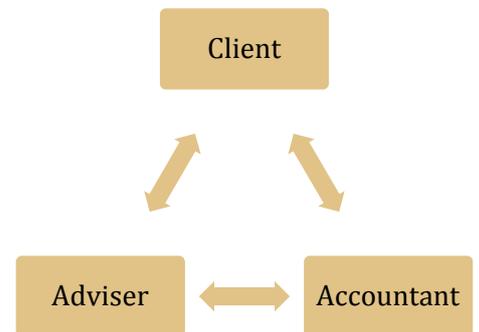
## Accountant Strategic Alliance Benefits

### *Key Benefits for:*

### *Existing Clients*

For existing clients, whether they are in a SMSF or rely on you for their personal or business accounting, benefits include:

- Significant value add to your service offering
- Mitigating the risk of clients leaving for full service accounting firm
- Having a trusted and professional adviser to assist with superannuation and direct investment enquiries.
- Strengthening existing client relationships



### *New Clients*

Through an active referral network there are many opportunities including:

- Growth in general accounting side of business. E.g. Tax returns, business accounting etc
- Growth in SMSF administration side of your business

The ideal situation is for a healthy referral base to grow, while always acting in the best interest of the client.

## Future Clients

Another segment of clients that may not necessarily provide significant financial reward in the short term but have significant potential in the future are accumulator clients. These clients:

- May have smaller super balances now but can grow into SMSF, administered by you as the accountant.
- Have potential to develop into key clients
- Provide a plan for continued growth of the business

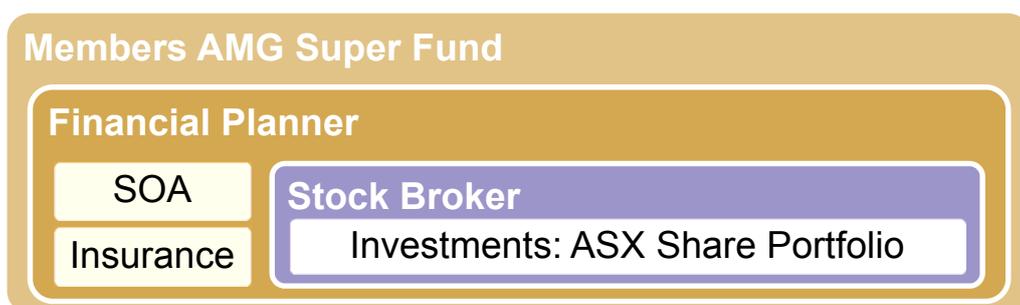


## Financial Planner Strategic Alliance Benefits

AMG Super is utilised by many Stockbroking firms throughout Australia as a superannuation solution for their clients. The AMG product design allows Stockbrokers and Financial Planners to create an alliance to provide their clients with a holistic service offering.

A typical alliance usually involves:

- The Financial Planner – giving the strategic rollover and insurance advice, including the construction of a Statement of Advice (SOA).
- The Stock Broker – managing the investments within the super fund.



## ***How does AMG facilitate this alliance?***

AMG is able to facilitate these arrangements by:

1. Allowing clients to establish retail insurance policies and funding them through their AMG Super Fund
2. The ability to split Adviser Fees between different Advisers (and Dealer Groups).

## ***Insurance Flexibility***

A key selling point to Financial Planners and 'risk specialists' is that AMG allows advisers and members the ability to take out an insurance policy which is right for their individual needs. Members can attach Death, TPD and IP cover to their AMG account via either:

1. Internal insurance cover - through AMG Super's group insurer Hannover Life Re
  - including automatic transfer on insurance cover within super
2. External insurance cover - through any of the below approved Retail Insurers.
  - AIA
  - TAL
  - Zurich

Allowing Financial Planners to write a retail policy and fund the premiums through AMG Super provides the planner control over their commission structure, whether it be level, hybrid or upfront. It also means that planners can use an insurer that they are familiar with.

## ***Helpful Templates and Guides***

We have put together the following templates and guides to help you increase your knowledge and also to work through with clients to demonstrate how you can help them make their super work harder.

- Superannuation Threshold Guide
- Franking Credit worked example
- Instalment Warrants worked example
- Template emails
-

## Superannuation Thresholds 2017/18 FY

The following superannuation and taxation threshold amounts will apply during the 2017/18 financial year.

THRESHOLD	2017/18
Concessional contribution cap (per annum)	\$25,000
Non - Concessional contribution cap*	
• Standard (per annum)	\$100,000
• Transitional – bring forward over three years to age 65	\$300,000
CGT cap amount (lifetime limit)	\$1,445,000
Superannuation Guarantee maximum contribution base (per quarter)	\$52,760
Co-contribution (per annum)	
• Lower income threshold	\$36,813
• Higher income threshold	\$51,813
Government low income superannuation contribution income threshold	\$37,000
Tax free part of bona fide redundancy and approved early retirement scheme payments (per payment)	
• Base limit	\$10,155
• Per completed year of service	\$5,078
Low rate cap amount (lifetime limit) (Previously known as post June 1983 low tax threshold) Applies to the taxable component of taxed super fund benefits for members aged 55-59	\$200,000
Untaxed plan cap amount Applies to the taxable component of untaxed super fund benefits	\$1,445,000

\* The government is now giving individuals the option of withdrawing superannuation contributions in excess of the non-concessional contributions cap made from 1 July 2013 and any associated earnings, with these earnings to be taxed at the individual's marginal tax rate.

## Worked example of Franking Credits in Super

### What are franking credits?

Franking Credits also known as Imputation Credits, are a type of tax credit that allows Australian Companies to pass on tax paid at the company level to shareholders.

Basically franking credits stop the double taxation of company profits as the tax paid at company level can be passed to the shareholder.

### Franking Credits in Super

The application of franked dividends is the same for Super as it is for an individual outside of Super. That is, the dividend received is “grossed up” by the amount of the imputation credit to achieve a grossed up dividend. It is on this amount that tax is then assessed at 15% (tax rate within accumulation phase of super). The fund is then entitled to a tax offset for the imputation credit.

### Example

The below is a simple example of a member who holds NAB shares and CBA shares within Super:

	Dividend	Imputation Credits	Taxable Income
NAB Shares	\$630	\$270	\$900
CBA Shares	\$840	\$360	\$1,200
<b>Total</b>	<b>\$1,470</b>	<b>\$630</b>	<b>\$2,100</b>
Tax @ 15%			\$315
Less: imputation credits			\$630
Excess imputation credits			\$315

In this example, not only will the fund pay no tax on the dividend income of these two shareholdings, but it will have \$315 of excess imputation credits to use to offset against other tax liabilities of the fund (such as other income, capital gains, and taxable contributions). If none exists, then the fund can receive a refund of this amount.

## Key Points

- To receive the tax benefits of fully franked shares, the shares must be held for at least 45 days. Where the shares are preference shares, the rule is extended to 90 days.
- Utilising franking credits within a super portfolio can be a very effective strategy.
- Excess franking credits are refunded
- Not all managed funds provide franking credits
- Important to select a good super platform, some platforms pay out franking credits to members when dividend is paid as opposed to the end of Financial Year.

## Worked example of Instalment Warrants in Super

### What are Instalment Warrants?

Instalment warrants let you buy an investment over a period of time. You make a part payment on the shares and pay the balance in one or more payments over time. It's a bit like a lay-by, except you get all the benefits of owning the shares from day one, such as receiving full dividends.

### Instalment Warrants in Super

The low tax environment of Super allows instalment warrants to potentially provide significant tax advantages in the “accumulation phase” of Super where earnings are taxed at 15%.

The below is a simple example of a member who purchased \$10,000 of direct shares in XYZ and XYZ Instalment Warrants (Code XYZINS) within Super:

	XYZ Investment	XYZINS Investment
ASX Code	XYZ	XYZINS
Instalment Price	\$29.55	\$14.40
Units Purchased	338	694
Dividends Received	\$500.24	\$1,027.12
Franking Credits Received	\$214.39	\$437.22
<b>Gross Dividend Received</b>	<b>\$714.63</b>	<b>\$1,464.34</b>
Taxable Income	\$714.63	\$1,464.34
Tax Payable @ 15%	\$107.20	\$219.65
Franking Credits to apply	\$214.39	\$437.22
<b>Excess Franking Credits</b>	<b>\$107.19</b>	<b>\$217.57</b>
Dividend Yield	5.00%	10.27%

The above example demonstrates how a member can achieve an additional \$110.38 in tax credits and a substantial increase in dividend yield. The tax credits can be used to offset tax payable against other contributions in the fund. Any excess franking credits that cannot be used within the current financial year are refundable by the ATO.

**It is important to note that not all Super Funds allow members to hold Instalment Warrants.**

### *Key Benefits*

Instalment warrants offer investors many benefits and strategies including:

- Leverage and diversification
- Enhanced dividend yield
- Smaller initial outlays through partial payment upfront
- Known and limited downside risk
- Excess franking credits refundable in super
- Potential taxation benefits
- Tradable on ASX.

Whilst the results from the example above highlight the benefits of investing in instalment warrants, it is important to **remember that Instalment warrants are a leveraged investment. Members must** feel comfortable with borrowing to invest. And understand that in the event an underlying share price depreciates, negative percentage returns are magnified.

## Generic Email

Hi <Client Name>,

A common misconception is that you need to have a Self-Managed Super Fund (SMSF) if you want to directly control the way your super is invested. A SMSF is just one of a number of different superannuation vehicles that allows you to control your super investments. As a qualified Superannuation Adviser (*Insert Qualifications*) and Derivatives Specialist, I can help you find the super product that is right for you and guide you in creating an investment portfolio specifically suited to your needs.

Some of the key benefits of me managing your super include:

- ✓ Ability to personalise your investment portfolio through Direct Shares
- ✓ Access to income and growth opportunities not available in other industry or retail super funds
- ✓ Advantages of trading shares in a low tax environment
- ✓ Funding insurance through superannuation
- ✓ Accelerate the growth of your super through strategies such as franking credits and instalment warrants

If you would like to discuss some of the options available to you in regards to your super, please feel free to give me a call or reply to this email.

Kind Regards

## Power of Franking Credits Email

Hi <Client Name>,

Your super is most likely going to be your most important investment vehicle for your retirement. The way in which you manage your super now will make a big difference upon your retirement.

As superannuation rules and regulations are constantly changing, it is important to have a specialist like myself, to advise you on your superannuation and investments.

Attached is just one example showing how investing wisely can make a big difference to your returns.

If you would like to discuss your superannuation options or would like some further information on the benefits of franking credits, please feel free to give me a call or reply to this email.

Kind Regards

## Power of Self-Funding Instalment Warrants

Hi <Client Name>,

Your super is most likely going to be your most important investment vehicle for your retirement. The way in which you manage your super now will make a big difference upon retirement.

As superannuation rules and regulations are constantly changing, it is important to have a specialist like myself, to advise you on your superannuation and investments.

Attached is just one example showing how investing wisely can make a big difference to your returns.

If you would like to discuss your superannuation options or would like some further information on the benefits of Self-funding Instalment Warrants, please feel free to give me a call or reply to this email.

Kind Regards

## Accountant Strategic Alliance Follow up email

Hi <Accountant Name>,

Thank you for your time today, it was great to meet you in person.

From our discussions, I certainly believe that there are some opportunities moving forward for our offices to establish some strategic alliances. I believe that by working together, not only can we provide a superior service to mutual clients, but also create new income opportunities for us respectively.

As highlighted in our appointment, by creating this alliance, I see the following benefits:

- Ability to provide a full service offering to clients, including access to direct equities
- Mitigating risk of client being stolen by another accounting firm that offer full service including financial planning
- Opportunities for you as the accountant to administer new and existing SMSF accounts
- Capturing clients who are not ready for a SMSF account yet, but potentially will be in the future
- Creating a healthy referral program in the best interest of clients
- Strengthening the local financial services industry

If you have any questions from our appointment please feel free to be in contact.

I look forward to speaking with you again soon.

Kind Regards

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