Key Financial Planning Concepts

Aspire Financial Planners Pty Ltd

To enable us to provide you with financial advice, we follow a number of steps to ensure that our advice is appropriate & in your best interests. We will then provided our advice to you in writing.

Enclosed are some *key concepts* we will discuss with you prior to providing you with advice. By providing you with this information prior to our meeting, you will have time to consider these concepts & prepare any questions they raise in advance. The *key concepts* covered are;

Scope of Advice

Risk Profile

Your Goals & Objectives

Product Preferences

Investment Choices & Philosophies

We may have already spoken informally about some of these concepts in the past. However, it is important we re-visit them as over time your preferences, and the options available, may change.

Scope of Advice

Before we can provide advice, we first have to determine the scope of the advice you are seeking.

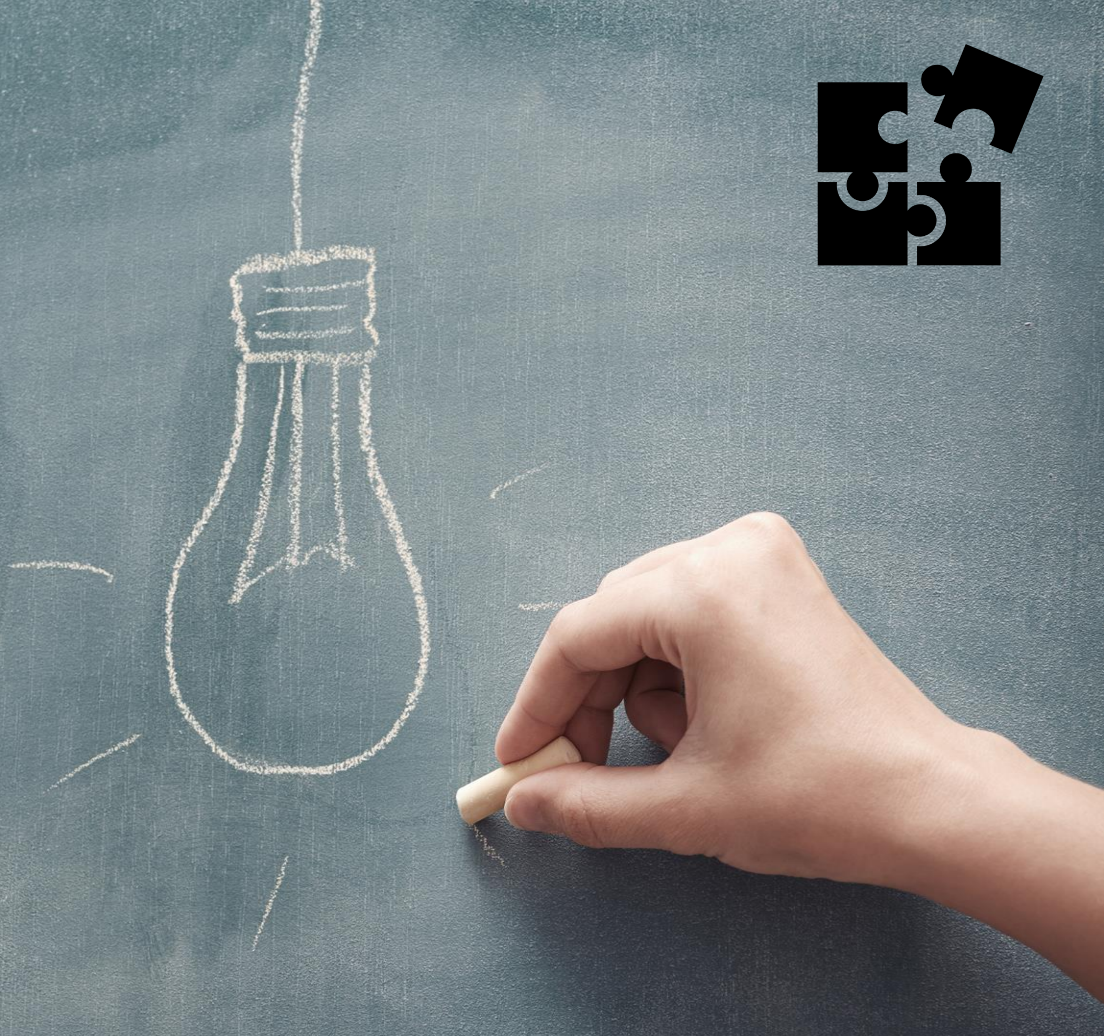
The scope of advice is a description of the specific areas that you wish us to provide advice on. The advice we provide to you will be limited to the areas outlined within the scope. We cannot limit the scope, only you can.

Limitating the scope of advice can mean there is a risk you may not receive advice that could be important to your financial situation.

As with all the concepts in this document, we will assist you to define the scope of advice that you require.

You can scope the advice you want from us in a *restricted way*, being very specific to a narrowly defined goal or objective. However, this may result in areas of your financial position being excluded from our advice.

For example, if you define the scope of our advice as "*saving funds to purchase a car*", then this would limit our advice to a savings plan/strategy for the purchase of a car, & would exclude other topics such as superannuation, insurance & retirement planning.



Alternatively, you can scope the advice you want in *broad terms*, nominating a wider area of financial planning that you wish to receive advice in. This would then incorporate all elements of your financial position that are captured by that scope.

For example, if you define the scope of advice as "*retirement planning*", then this would enable us to provide you with advice on superannuation, super contribution strategies, retirement income goals, future financial projections & more.

Your Goals & Objectives

What it is that you want to achieve? Each of our recommended strategies are focused on enabling you to achieve your goals & objectives.

If you define a goal like the example to the right, we would then formulate strategies to advise you what you need to do to achieve this goal. To prepare those strategies, we would need full details of your current financial situation & lifestyle.

"To retire at age 60 with an income of $80,000 per annum, indexed with CPI" is an example of a well-defined retirement goal.

Your goals can be as broad or as narrow as you want. You may have only one goal, or you may have multiple goals for us to assist you with. We will work with you to help you define & prioritise your goals.

Risk Profile

A *risk profile* identifies & measures an investors attitude & tolerance to risk. There are many elements to consider when determining your risk profile.

We will spend time discussing various investment philosophies, analyse historical investment performance & explore possible risk factors, as well as explaining our own in-house research process. We will then assist you to complete a questionnaire, which will enable us to determine what level of investment risk you feel most comfortable with.

Following this process we will be in a position to recommend an investment portfolio in which the underlying investments are tailored to suit your investment time frame & your comfort with volatility.

If your risk profile is inconsistent with your goals, we will highlight this for further discussion with you.

This process is not only completed during the initial stages of the financial planning process, but we re-evaluate this when we meet with you each year for your Review.

Product Preferences

When we provide you with advice, it is likely we will make a recommendation regarding a superannuation, pension or investment product. When recommending a specific product, we will select the product which best suits your needs & objectives. To do that, we will discuss options & features with you, to ensure that we understand your preferences & priorities.

Below is an example of some factors to take into consideration when selecting a superannuation product. Although the examples below are superannuation based, the concepts are relatively consistent for pension or non-superannuation investment products as well.

After analysing a range of product types and features you may simply ask us to recommend what we think is the "optimal" product choice. We will happily do so after working with you to articulate & define your goals & objectives.

There are a range of super fund types available, all with different features and costs. These include self-managed super funds, retail & industry funds. More often than not, the cheaper the fees within the product, the fewer investment options are available within it.

Self-managed funds require a lot of individual management & are only suitable for those who want to be very "hands on". The structure of a SMSF enables an extremely wide range of investment choices, including direct shares, term deposits, & direct property. SMSF's can be complex in nature & generally have higher ongoing management & running costs.

Industry funds are simpler in nature & are known for having low ongoing fees, but they often have a very limited range of investment options. The insurance protection available within industry super funds can also be low quality, with some valuable features not being offered.

Retail funds typically offer a greater range of investment options & insurance choices. However, they can be slightly more expensive than industry super funds. Retail super funds tend to be appropriate for individuals who need a product with flexible features, that can be customised to achieve a range of goals & objectives simultaneously. Many insurance products are able to be funded by Retail super funds, minimising the impact of insurance premiums on cash flow.

Investment Choices & Philosophies

Within a super, pension, or investment fund you have a choice with regards to investment style & philosophy. There are many ways investments are classified, including; Active vs Passive, Growth vs Value, Large cap vs Small cap, Liquid vs Illiquid, Quantitative, Qualitative & Thematic. The two *main* classifications for fund manager investment philosophies are Active & Passive.

An ***Active manager*** will charge a higher fee & try to use research & expertise to pick & choose investments that will give a greater return.

Their success in this varies between managers & time frames.

A ***Passive manager*** believes you cannot better the average market return. They will minimise fees & simply hold a portfolio that is reflective of the market.

For example, if Commonwealth Bank comprised 7% of the Australian Share market by value, a passive manager would hold 7% of your funds in Commonwealth bank shares.

Other fund managers adopt an approach which is a combination or variation on those detailed above.
There is not one universally agreed “best approach”.

In preparing our advice for you, we will discuss the above concepts & make a recommendation according to your preference. If you do not have a preference, we will discuss the concepts with you in detail, to enable you to decide which of the philosophies you feel most comfortable with.