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| --- |
| **Statement of Advice** |
| **Personal Risk, Investment & KiwiSaver Planning**  Prepared for  Client 1 & Client 2 Surname  (DATE)  **(Private & Confidential)** |
|  |
| Prepared by (adviser) |
|  |
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**Letter of Engagement**

Date

Mr. Client 1 & Mrs. Client 2 Surname

ADDRESS

Dear Client 1 & Client 2,

Thank you for taking the time to meet with me to discuss your insurance goals and I am now pleased to present my Statement of Advice which formalises our discussions.

As agreed during our first meeting, this document will detail my recommendations to assist you in reducing the effects of illness or injury on your financial situation. Together with the Scope of Engagement you have already signed, this Letter of Engagement now forms our terms of engagement.

You have advised that you do not require advice in the following areas and these issues are not covered:

|  |
| --- |
|  |
| * Budget and debt management * Retirement planning |
| * Estate Planning, Wills, Trusts, Powers of Attorney |

Once this report has been presented, and your questions have been answered, it is up to you to decide on your priorities, although I am happy to assist you in this decision-making process. If you have any questions or concerns simply ring me on (09) 968 XXXX or email me on [(adviser)@apexgroup.co.nz](mailto:marc@foundationfinancial.co.nz)

Thank you for the opportunity to be of service to you.

Yours sincerely

(adviser)

**XXX Financial Adviser**



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Your Situation

* Client 1 you are self-employed full time as a XXX earning $XX per annum and Client 2, you are employed full time as a XX earning $XX per annum.
* Client 1, you are currently enrolled in the ACC Cover Plus scheme. Presently you rely on this for Income Replacement should you suffer from the effects of an accident. You would like to review your ACC structure to ensure you have sufficient cover in the event you are unable to work in the event of an accident OR illness.
* You have X children whom are still financially dependent on you. Your primary residence is valued at $XXX and you have a mortgage of $XXX.
* Currently you do not have Health Cover with XXX. You have told me that meeting the costs of major medical care, should this be required, is not/still a priority for you.
* You have an existing personal risk policy with XXX.
* You do not have any existing insurances.
* You have a Sovereign Personal Superannuation Plan (policy number XXX) valued at approximately $XXX and you do not make regular contributions of $XX per month.
* At present, you have savings of $XXX held with XX bank for emergency purposes.
* Currently you are not saving passively for your retirement by way of the KiwiSaver retirement savings scheme.

Your Goals

**Protection goals**

* You are interested in an insurance strategy which would allow the mortgage to be repaid should you pass away or suffer a permanent disability.
* As you rely on your income to maintain your lifestyle, you would like to protect your income from the effects of a serious illness or accident or redundancy.
* You have told me that providing a replacement income for your spouse and your children is important to you should you pass away prematurely. Additionally, you would like to relieve the financial burden of covering funeral expenses in the event of death.

**Retirement/Investment Goals**

* You would like advice as whether there is an alternative investment for your retirement savings and would like to know that any investment is in line with your balanced risk profile.
* You would like appropriate advice regarding utilizing these funds towards your retirement strategy.
* You would like advice as to an appropriate KiwiSaver provider and information as to how KiwiSaver will contribute to funding your retirement.
* You wish to retire in XX years at the age of XX. You have disclosed that you would be happy with a regular income of XX per annum during retirement INC/EXCL NZ Super. You would like to receive advice as how best to achieve this goal.

Your Risk Solution

###### A personal insurance strategy consisting of the following:

* Life Cover of $XXX for Client 1, and $XXX for Client 2. This level of cover will provide your family/estate with funds to repay the mortgage on your family home, meet funeral expenses and provide a replacement income in the event of your death.
* Total and Permanent Disability benefit of $XXX for Client 1 and $XX for Client 2, to be based on your own occupations. This will provide you with funds to repay the mortgage on your family home and top up recommended Income Protection Benefits should you go on claim.
* Living Assurance benefits for both of you to the value of $XXX inclusive of an Early Cancer benefit. This will provide you with a lump sum benefit to replace income during the recovery period and help cover any additional medical expenses you may incur.
* Progressive Care benefits for both of you to the value of $XXX. This comprehensive product will provide you with a proportionate benefit as per the severity of your disability. The objective of this cover is to replace income during the recovery period and help cover any additional medical expenses you may incur.
* Wind down your existing ACC Cover to the minimum sum agreed of $25,376 and enroll with ACC Cover Plus Extra. This will provide you with a cost saving in regards to your ACC levies and will allow you to redirect your savings towards a suitable Income Protection benefit which will provide you with cover in the event of an accident or illness.
* For Client 1, Business Continuity Cover of $XXX with a X week wait and benefit payment period of XX months. Should you suffer the effects of a serious illness or accident your business would receive a monthly benefit of $XXX net of tax to allow your business to continue operating and potentially allow you to employ a replacement manager in your absence. In the event of a long-term disability, this payment would continue for XX months at which point you will have been given sufficient time to seek a longer-term solution and should you still not be able to return to work then your recommended income protection benefit would begin.
* For Client 1, Income Protection cover of $XXX with a XX week wait and benefit payment period until age 65. Should you go on claim, you would receive a monthly benefit of $XX net of tax to allow you to continue meeting the costs of living and meet your mortgage repayment obligations. In the event of a long-term disability, this payment would continue until age 65, whereupon you would qualify for the NZ Superannuation benefit.
* No change to your Southern Cross Health policy. As per our discussion you are happy with your current cover.
* Health Cover for Client 1 and Client 2/your family with a $XX excess inclusive of the Specialists and Tests option. This will assist you in meeting the costs of major medical care at a time when you need it most.

The following pages will provide the details and reasoning behind my recommendations.

Your Investment Solution

*An investment strategy consisting of the following:*

* Transfer of the funds in your Sovereign Personal Superannuation Plan to a Synergy Investments portfolio which is in line with your investor risk profile[[1]](#footnote-1). Continue/Begin Contributions of $330.17 per month. The Synergy Investments portfolio will provide you with a quality investment process with a lower more transparent fee structure and a more tax effective investment. This should see your invested funds working harder for you.
* Transfer $XX of your bank savings to your Synergy Investments portfolio and retain $XXX to serve as your emergency fund.
* Enroll in/Transfer your existing KiwiSaver scheme to the Generate KiwiSaver Scheme in a portfolio that is in line with your investor risk profile[[2]](#footnote-2). Continue your regular contributions / Begin minimum regular contributions of 3% as this will ensure that you will receive the 3% employer contributions as well / Begin voluntary contributions to a minimum of $1,042 per annum as this will ensure that you receive the full government benefit associated with these schemes. By (enrolling in/transferring your) KiwiSaver scheme to the Generate KiwiSaver scheme you will ensure that your portfolio is actively managed. By (beginning/continuing to be) enrolment in a KiwiSaver scheme you will begin/continue to receive the benefits associated with these schemes and you will begin/continue passively saving for your retirement.

The later part of this document will provide the details and reasoning behind my recommendations.

Current versus Recommended

**Current RISK PROTECTION sTRATEGY:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Provider** | **Product Description** | **Cover/Option** | **Cover Amount ($)** | **Monthly Premium ($)** | **Life Assured** |
| **ACC** | **Accident Cover** | Cover Plus |  |  | Client 1 |
| **Sovereign** | **Life Cover** |  |  |  | Client 1  Client 2 |
|  | **Living Assurance** |  |  |  | Client 1  Client 2 |
|  | **Progressive Care** |  |  |  | Client 1  Client 2 |
|  | **Total & Permanent Disablement** |  |  |  | Client 1  Client 2 |
|  | **Income Protection** |  |  |  | Client 1  Client 2 |
|  | **Waiver of Premium** |  |  |  | Client 1  Client 2 |
|  | **Absolute Health** |  |  |  | Client 1  Client 2 |
| **TOTAL Premium** | | | | **XXX** |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Provider** | **Product Description** | **Cover/Option** | **Cover Amount ($)** | **Monthly Premium ($)** | **Life Assured** |
| **ACC** | **Accident Cover** | Cover Plus Extra |  | XXX[[3]](#footnote-3) | Client 1 |
| **Sovereign[[4]](#footnote-4)** | **Life Cover** |  |  |  | Client 1  Client 2 |
|  | **Living Assurance** |  |  |  | Client 1  Client 2 |
|  | **Progressive Care** |  |  |  | Client 1  Client 2 |
|  | **Total & Permanent Disablement** |  |  |  | Client 1  Client 2 |
|  | **Income Protection (FOOTNOTE 2 products)** |  |  |  | Client 1  Client 2 |
|  | **Waiver of Premium** |  |  |  | Client 1  Client 2 |
|  | **Absolute Health** |  |  |  | Client 1  Client 2 |
| **TOTAL Premium** | | | | **XXX** |  |

**RECOMMENDED RISK PROTECTION STRATEGY:**

What do you need sorted when your gone

Life cover can help ensure that any debt is paid off and immediate costs such as funeral and travel arrangements are also taken care of. It can also provide a financial base to support an ongoing income to meet the needs of surviving family members. This in the event of claim is paid out as a lump sum.

**Recommended Cover:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Life Insured** | **Policy Owner** | **Option** | **Amount Insured ($)** | **Premium ($)** |
| **Client 1** | Client 1 & Client 2 |  |  |  |
| **Client 2** | Client 1 & Client 2 |  |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you.

Please also consider that in the event of death your KiwiSaver balances would be paid out to provide additional funds as well.

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| Benefit Features | Description | Why it’s important |
| Terminal Illness Benefit | If you are diagnosed with a terminal  Illness and will die within 12 months  of the diagnosis, you can elect to have  some or all of your Life Cover paid  in advance. The Life Cover Benefit is  reduced by the amount of any Terminal  Illness Benefit paid. | To provide financial support towards what could be a lowered household income, or to make the most of the time you have left with your family and loved ones. |
| Bereavement Support Benefit | This pays an immediate lump sum of  up to $15,000 upon Sovereign receiving  notification of death. The Life Cover Benefit payable is reduced by the amount paid for the Bereavement Support Benefit. | With quick access to a lump sum  at what can be a very stressful time, these funds could help cover things like funeral, travel, accommodation and/or counselling costs. |
| Special Events/Total Permanent Disablement/Trauma Facility | At the time of a special event, you  can apply to add a limited amount  of 'accelerated' Living Assurance  cover, 'accelerated' Progressive Care  or 'accelerated' Total Permanent  Disablement cover to your Life Cover  without needing to provide further  medical information. | We want to make it easy for you to add additional benefits to your Life Cover without needing further underwriting. |
| Rate for Age | As you get older and the risk of you claiming on your Life Cover increases your premiums increase to reflect this | Cost efficient in the immediate term. As your need decreases so should your level of cover e.g. reducing debt. |
| Level to age 80 | Your premium remains constant until you reach the age of 80. Thereafter this reverts to a rate for age premium. | Cost effective over the long term. This provides surety of premiums until age 80. |
| Level to age 65 | Your premium remains constant until you reach the age of 65. Thereafter this reverts to a rate for age premium. | Cost effective over the long term. This provides surety of premiums until age 65. |
| Level for 10 years | Your premium remains constant for 10 years. Thereafter this reverts to a rate for age premium. | Cost efficient in the immediate to mid-term. As your need decreases so should your level of cover e.g. reducing debt. |
| Payment Frequency | Lump sum | This payment method allows you to allocate funds immediately following death. |
| Ownership | Joint ownership | I recommend joint ownership as this will make it easier for you at claim time. |
| Sole Ownership | To be owned by the life assured. | The benefit when claimable will be paid out to the policy owner. It is important that should this benefit be claimed that the purpose of these funds are incorporated into your will. |

Unable to work due to Injury

A TPD benefit provides a lump sum payment in the event of a total permanent disablement through accident or illness. You may require the funds to pay off debt, such as your mortgage or pay for the costs of on-going medical treatments. Without the ability to earn an income you will be unable to pay the bills and everyday living expenses and this can mean financial death.

**Recommended Cover:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Life Insured** | **Policy Owner** | **Option** | **Amount Insured ($)** | **Premium ($)** |
| **Client 1** | Client 1 & Client 2 |  |  |  |
| **Client 2** | Client 1 & Client 2 |  |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you.

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| Benefit Features | Description | Why it’s important |
| Accelerated | Should you claim upon the accelerated portion TPD benefit your level of Life Cover will reduce by the amount claimed. | This is a more cost effective option.  The purpose of your Life and TPD Cover is for debt repayment therefore this is not an issue as your debt does not need to be repaid twice. |
| Standalone | In the event of a TPD claim your Life Cover will not be reduced by the amount claimed. | This is an appropriate option should the benefit of your TPD cover not be for identical purposes as your Life Cover E.g. Income Protection. This is also used where the Life Cover is less than the required TPD benefit. |
| Own Occupation | Provides you with a benefit if it is unlikely that you will be unable to continue work in your own specific occupation prior to disablement. | As this is occupation specific your claim will be based on your ability to return to work in your occupation prior to disablement. Cover under “any” occupation would mean that if the insurance company decides that you are able to return to work in ANY occupation which matches your skills, training and experience. |
| Any Occupation | Provides you with a benefit should you be so incapacitated that it is unlikely you will ever be able to return to work in Any occupation which you are reasonably suited. This is the hardest classification to claim upon. | To be able to claim on this product you would need to be unable to return to work in Any role for which you are reasonably suited and be earning less than 25% of your pre-disability income. |
| Payment Frequency | Lump sum | This payment method allows you to allocate funds immediately following a total and permanent disablement. |
| Ownership | Joint ownership | I recommend joint ownership as this will make it easier for you at claim time. |
| Sole Ownership | To be owned by the life assured. | It is important that you own this policy as the benefit when claimable will be paid out to the policy owner. |

Too Sick to work

Living Assurance will provide a lump sum cash payment if you are diagnosed with one of the specified critical illnesses or injuries[[5]](#footnote-5); these include cancer, stroke heart attack, paralysis, etc. It is designed to provide financial assistance to meet with the immediate expenses of medical treatment, rehabilitation, home help and ultimately to assist you to focus on recovery and not on economic survival.

**Recommended Cover:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Life Insured** | **Policy Owner** | **Option** | **Amount Insured ($)** | **Premium ($)** |
| **Client 1** | Client 1 & Client 2 |  |  |  |
| **Client 2** | Client 1 & Client 2 |  |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you.

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| **Benefit Features** | **Description** | **Why it’s important** |
| **Children’s Trauma Benefit** | This benefit provides you with some trauma insurance for your children. If a child of the life assured suffers an applicable covered condition, the Children’s Trauma Benefit will pay a benefit of 50% of the sum assured (up to $20,000). | The payment of the Children’s Trauma Benefit will not reduce the amount of any Living Assurance remaining for the life assured. The Children’s Trauma Benefit is payable once per child across all Sovereign policies. |
| **Newborn Children’s Benefit** | If a child of a life assured is born with one of five specified congenital conditions and survives for thirty days after birth, the New-born Children’s Benefit will pay a benefit of 50% of the sum assured (up to $20,000). The payment of the New-born Children’s Benefit will not reduce the amount of any Living Assurance remaining for the life assured. | Sovereign will pay one claim per child under either the New-born Children’s Benefit or the Children’s Trauma Benefit across all Sovereign policies. The New-born Children’s Benefit is payable once per child across all Sovereign policies. |
| **Accelerated** | Should you claim upon the accelerated portion Living Assurance benefit your level of Life Cover will reduce by the amount claimed. | This is a more cost effective option.  The purpose of your Life and Living Assurance Cover is for debt repayment therefore this is not an issue as your debt does not need to be repaid twice. |
| **Standalone** | In the event of a Living Assurance claim your Life Cover will not be reduced by the amount claimed. | This is an appropriate option should the benefit of your Living Assurance cover not be for identical purposes as your Life Cover e.g. Income Protection. This is also used where the Life Cover is less than the required Living Assurance benefit. |
| **Optional Early Stage Cancer upgrade** | Provides additional cover for a number of minor cancer conditions that are treatable and non-life-threatening in the early stages. This benefit gives you an extra payment to the value of 25% of your sum assured or to a maximum of $50,000 (without reducing your total sum assured). | As cancer is the cause of approximately 70% of Living Assurance claims it makes sense to have additional cover. This benefit provides you the flexibility to choose treatment options and minimise the impact on your day-to-day living. |
| **Optional TPD Condition** | You can add cover for “own occupation” Total Permanent Disablement (TPD) as a claimable condition under Living Assurance. If you select this, an “own occupation” TPD condition is added as a full payment condition under Living Assurance. | This limits the total benefit payable to the Living Assurance sum assured but widens coverage to include conditions not otherwise covered under Living Assurance, which may lead you to become totally and permanently disabled. |
| **Optional Children’s & Maternity Benefit** | This provides additional children’s trauma cover of up to a further 50% of the sum assured (up to $50,000) per child of the life assured (for up to 10 children). | The Optional Children’s and Maternity Benefit also provides cover for three defined serious pregnancy complications  and a bereavement support benefit if a child of the life assured should pass away before age 3. |
| **Optional Living Assurance Buy Back** | Allows **you to repurchase the amount of cover paid out without the need for further medical underwriting, however you will not be covered for the same condition that you claimed for.** | **Once a Living Assurance claim has been paid it is unlikely that you will be able to buy this type of cover again.** |
| **Optional Life Cover Buy Back** | **Life Cover Buy Back Benefit** allows the original Life Cover benefit to be reinstated following a Living Assurance Benefit claim, without having to provide further medical evidence. | As you have Living Assurance as an accelerated benefit on a Life cover policy this will allow you to reinstate your original level of Life Cover. |
| **Payment Frequency** | Lump sum | This payment method allows you to allocate funds immediately following a critical illness. |
| **Ownership** | Joint ownership | I recommend joint ownership as this will make it easier for you at claim time. |
| **Sole Ownership** | To be owned by the life assured. | It is important that you own this policy as the benefit when claimable will be paid out to the policy owner. |

*Please consider that a Living Assurance is something that you may recover from and a Living Assurance benefit is not designed for the long term. Generally, 1-2 years of your current net income will meet your requirements and should you be permanently incapacitated the recommended Income Protection benefit will then kick in.*

Too Sick to work

Progressive Care is a type of insurance that is new to New Zealand. It’s not a traditional all-or-nothing Living Assurance insurance, which just gives you one lump sum when you’re critically ill. Progressive Care can pay out more often, giving you financial support when you need it. Benefit payments are linked to the severity of your medical condition – the more serious it is, the larger the payout[[6]](#footnote-6). Please note that there is a 3 month stand down period that applies to this cover from policy commencement.

**How does it work?**

Progressive Care covers 62 medical conditions across five categories of conditions (Heart and Arteries, Cancer, Brain and Nerves, Loss of Function, Other Health Events), all at various stages of severity. Depending on the seriousness of your condition you could get 10%, 25%, 50%, 75% or 100% of the sum insured[[7]](#footnote-7).

When your policy commences, the sum assured is the same for each of the categories of conditions. Once a claim is paid under a category, the sum assured for that category decreases by the claim payment to leave the balance of the sum assured available for that category. The sum assured will remain available across all other categories until a claim is paid from any one of those categories. The sum assured will then be the maximum amount available for all subsequent claims in that category[[8]](#footnote-8).

**Recommended Cover:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Life Insured** | **Policy Owner** | **Option** | **Amount Insured ($)** | **Premium ($)** |
| **Client 1** | Client 1 & Client 2 |  |  |  |
| **Client 2** | Client 1 & Client 2 |  |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you.

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| Benefit Features | Description | Why it’s important |
| Children’s Trauma Benefit | This benefit provides you with some trauma insurance for your children. If a child of the life assured suffers an applicable covered condition, the Children’s Trauma Benefit will pay a benefit of 50% of the sum assured (up to $20,000). | Importantly, the payment of the Children’s Trauma Benefit will not reduce the amount of any Progressive Care remaining for the life assured. The Children’s Trauma Benefit is payable once per child across all Sovereign policies. |
| Newborn Children’s Benefit | If a child of a life assured is born with one of five specified congenital conditions and survives for thirty days after birth, the New-born Children’s Benefit will pay a benefit of 50% of the sum assured (up to $20,000). The payment of the New-born Children’s Benefit will not reduce the amount of any Progressive Care remaining for the life assured. | Please note that Sovereign will pay one claim per child under either the New-born Children’s Benefit or the Children’s Trauma Benefit across all Sovereign policies. The New-born Children’s Benefit is payable once per child across all Sovereign policies. |
| Accelerated | Should you claim upon the accelerated portion Progressive Care benefit your level of Life Cover will reduce by the amount claimed. | This is a more cost effective option.  The purpose of your Life and Progressive Care Cover is for debt repayment therefore this is not an issue as your debt does not need to be repaid twice. |
| Standalone | In the event of a Progressive Care claim your Life Cover will not be reduced by the amount claimed. | This is an appropriate option should the benefit of your Progressive Care cover not be for identical purposes as your Life Cover e.g. Income Protection. This is also used where the Life Cover is less than the required Progressive Care benefit. |
| Optional TPD Condition | You can add cover for “own occupation” Total Permanent Disablement (TPD) as a claimable condition under Progressive Care. | If you select this, an “own occupation” TPD condition is added as a severity level 1 condition (i.e. 100% payment) under the Progressive Care “loss of function” category. This enables you to claim under the “loss of function” category for a wider set of conditions not otherwise covered under Progressive Care, which may lead to totally and permanent disability. |
| Optional Children’s and Maternity Benefit | This provides additional children’s trauma cover of up to a further 50% of the sum assured (up to $50,000) per child of the life assured (for up to 10 children). | The Optional Children’s and Maternity Benefit also provides cover for three defined serious pregnancy complications  and a bereavement support benefit if a child of the life assured should pass away before age 3. |
| Payment Frequency | Lump sum based on severity of condition. | This payment method allows you to allocate funds immediately following a defined medical condition. |
| Ownership | Joint ownership | I recommend joint ownership as this will make it easier for you at claim time. |
| Sole Ownership | To be owned by the life assured. | It is important that you own this policy as the benefit when claimable will be paid out to the policy owner. |

*Please consider that a critical condition is something that you may recover from and a Progressive Care benefit is not designed for the long term. Generally, 1-2 years of your current net income will meet your requirements and should you be permanently incapacitated the recommended Income Protection benefit will then kick in.*

Recommended ACC Strategy – Accident Cover

You have asked me to review the structure of your current ACC cover to assess whether this is the most cost effect method of protecting your income. I have obtained an average of your declared earnings over the last 3 years from ACC which is $XXX this is the figure that I have used for further comparisons.

ACC have changed their policy which allows you to change your “classification unit” to the role that you hold. You have the ability to base your levies on the role that you specifically hold and not the overall operations of your business. This can have the benefit of reducing your levies further as more labour intensive roles often hold a greater degree of risk of accident and therefore levies are higher to compensate for this. You have disclosed that your current role within the business is relating to XXX and therefore I have used the following “classification unit” code “XXX”.

**Below I have detailed your existing ACC Levies alongside what your ACC Levies would be should you enrol with ACC CoverPlus Extra and wind down your ACC Cover.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Currently ACC CoverPlus** | |  | **Proposed Wind Down ACC CoverPlus Extra** | |
| Income Assessed ($) |  |  | Income Assessed ($) |  |
| Accident Cover ($) |  |  | Accident Cover ($) | $25,376 |
| Illness Cover ($) | Nil |  | Illness Cover ($) | Nil |
| Levies Payable ($) incl GST |  |  | Levies Payable ($) incl GST |  |

|  |  |
| --- | --- |
| Current Total Levy |  |
| New Total Levy |  |
| **Variance in Levies** |  |

**My Recommendations:**

I recommend that you change to CoverPlus Extra and wind your ACC cover down. With the additional funds you save in levies we are then able to introduce Income Protection benefits.  Income Protection insurance provides the benefit of cover for accident as well as illness as opposed to ACC cover which will **ONLY** pay out for an accident.

**Considerations of my advice:**

I have recommended that you wind down your ACC cover to reduce your ACC levies and provide a more comprehensive overall risk strategy through the introduction of an income replacement benefit. You need to be aware that in doing so you also reduce the compensation paid out by ACC in the event of a death by accident.

(Please refer to the appendix for more information on the compensation entitlements paid by ACC in the event of a death by accident)

This is not an issue for you as we have addressed your Life Cover needs and in the event of your accidental death you would receive the total Life Cover sum insured of which is appropriate for you. The Life Cover benefit is also not restricted to only accidental death and the Lie Cover product provides you with more extensive coverage.

Protecting your Income

If you are unable to work because of an illness or injury[[9]](#footnote-9), your present lifestyle will be affected and your inability to manage your ongoing financial responsibilities may become a very serious problem. Income Protection preserves the integrity of your greatest asset – your power and ability to earn an income. It will provide you with an ongoing monthly payment if you are unable to work and can continue for the duration of the disablement.

**Below I have detailed your potential income protection levels:**

|  |  |
| --- | --- |
| **Your Current Income** | **$XXX** |
| Maximum Insurable Income under Disability Income Protection  - Indemnity Basis (75%) | $ |
| Maximum Insurable Income split between Mortgage and Income Protection[[10]](#footnote-10) & Disability Income Protection - Agreed Basis (Xx%) | $ |
| Maximum KiwiSaver Benefit (3 OR 4%) | $ |

**Recommended Cover:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Life Insured** | **Product** | **Option** | **Amount Insured ($)** | **Premium ($)** |
| **Client 1** |  |  |  |  |
| **Client 2** |  |  |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you and your current objectives.

*Should you wish to consider differing wait and benefit periods I can provide you with additional quotes for this.*

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| Recommended Benefit Features | Description | Why it’s important |
| Agreed Value | Provides an agreed monthly benefit based on a proportion of your income (before tax) disclosed at time of application. This means that you don’t need to supply proof of pre-disability income at claim time in order to receive a benefit. | Provides certainty of claim time due to the benefit being financially underwritten at time of application. Additionally, any benefit claimed will not be tax assessable. |
| Indemnity Value | Monthly benefit based on a proportion of your pre-disability income (before tax) at claim time. | The benefit is paid up to a specified maximum selected at the time of application. This means that you need to supply proof of pre-disability income when you lodge a claim and any benefits received will be tax assessable. |
| Loss of Earnings | Loss of Earnings cover offers you the flexibility of either an Agreed Value or Indemnity style benefit. | At claim time, you have the option to receive an Agreed Value style benefit or you can elect to provide evidence of your pre-disability income in order to receive a potentially higher benefit. |
| 104 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that you are able to withstand this period without income. |
| 13/26/52 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that you are able to withstand this period without income. |
| 8 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that you are able to withstand this period without income. |
| 2/4 Week Wait Period | The initial period of your disablement for which no benefit is payable. | Based on your circumstances you have advised that you are unable to withstand a longer period without income. |
| Benefit Period to age 65/70 | The maximum term for which the income benefit is payable. | In the event of a longer term disability you would have income replacement to age 65. At this point, based on current legislation you would be eligible for NZ Superannuation. |
| 1/2/5 Year Benefit Period | The term for which the income benefit is payable. | A shorter benefit payment period has the benefit of reducing your premiums. |
| Retirement Protection | Covers employee contributions to your KiwiSaver scheme. This is an agreed value disability income protection benefit. | This ensures that your ability to passively save for your retirement is not compromised in the event that you should go on claim. |
| Redundancy Cover | Can provide you with an income for a six-month period if you are made redundant. | Sovereign will not pay a benefit if you are made redundant within six months of your cover commencing. |
| Payment Frequency | Monthly | This allows you to receive regular income replacement for the extent of the benefit period or until you are able to go back to work, whichever is sooner. |
| Ownership | Joint ownership | I recommend joint ownership as this will make it easier for you at claim time. |
| Sole Ownership | To be owned by the life assured. | It is important that you own this policy as the benefit when claimable will be paid out to the policy owner. |

**Rationale for Income Protection Structure:**

Your total income protection benefit is split between two products that provide you with a monthly payment should you be unable to work due to illness or injury. It is beneficial to split your Income Protection between the two recommended products as Mortgage and Income Protection is not offset by ACC.

**Mortgage & Income Protection –** This benefit has two forms of cover, either up to 110% of the mortgage repayment amount or 40% of gross income. This benefit is not offset by ACC.

**Disability Income Protection –** The remaining balance of your total insurable income is covered under this benefit. Please note that this benefit is offset by ACC.

**Considerations of your Existing Cover:**

Income Protection is covered on an Agreed and Indemnity basis. Currently you are insured under an Indemnity definition. My recommendation is that of an Agreed basis as this provides certainty at an uncertain time. The Agreed amount of cover is paid out regardless of your income at claim time. Financial and medical underwriting is also completed at time of application rather than at time of claim, reducing the stresses at claim time. Indemnity cover is medically underwritten at time of application however financially underwritten at time of claim. Indemnity cover is also assessed at time of claim and is dependent on your income at this time, not at application.

My recommended structure is more beneficial for you at time of claim as income protection is offset by ACC at time of claim, however, Mortgage and Income Protection is not offset by ACC. The amount insured under a Mortgage Protection benefit is the amount paid out regardless of your Mortgage at time of claim and regardless of your income.

Securing your Business’ Income

Start-Up Income Protection can provide a monthly payment to newly self-employed people, should the owner become disabled as a result of an accident or ill health, and be unable to work more than 10 hours a week.

It’s designed to meet the needs of business owners who have been trading for less than three years and who may find it difficult to prove their business’ profitability.

**Needs analysis for income protection recommendations:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Life Insured** | **Owner** | **Option** | **Amount Insured ($)** | **Premium ($)** |
| **Client 1** | Business |  |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you and your current objectives.

*Should you wish to consider differing wait and benefit periods I can provide you with additional quotes for this.*

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| Recommended Benefit Features | Description | Why it’s important |
| Agreed Value | Provides a fixed level of cover based on a proportion of gross income (less offsets), agreed at time of application. | I recommend this option as it provides certainty of claim time due to the benefit being financially underwritten at time of application. Additionally, any benefit claimed will not be tax assessable. |
| 4 Week Wait Period | The initial period of your disablement for which no benefit is payable. | Based on your circumstances you have advised that your business is unable to withstand a longer period without income. |
| 8 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that your business is able to withstand this period without income. |
| 13 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that your business is able to withstand this period without income. |
| 6/12-month benefit period | The maximum term for which the income benefit is payable. | This will give your business 12 months over which time you may require the funds to employ a manager for your business. Should you suffer a longer-term disability this will give you time to seek a longer term solution at which point you would receive your personal income protection benefits and you may look at potentially selling your business. |
| 24-month benefit period | The maximum term for which the income benefit is payable. | This will give your business 12 months over which time you may require the funds to employ a manager for your business. Should you suffer a longer-term disability this will give you time to seek a longer term solution at which point you would receive your personal income protection benefits and you may look at potentially selling your business. |
| Payment Frequency | Monthly | This allows you to receive regular income replacement for the extent of the benefit period or until you are able to go back to work, whichever is sooner. |
| Ownership | To be owned by your business | It is appropriate that the business owns this benefit as the benefit is for the purpose of providing funds to replace a key person in the business. This will insure that the purpose for the benefit is upheld. |

Keeping your Business Operating

Business Continuity can provide a monthly payment to keep a business running should the owner or any covered key employees become disabled as a result of an accident or ill health, and be unable to work more than 10 hours a week.

It’s designed to meet the needs of business owners who have been trading for more than three years and includes those who have an ownership interest in the business as well as key employees.

**Needs analysis for income protection recommendations:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Life Insured** | **Owner** | **Option** | **Amount Insured ($)** | **Premium ($)** |
| **Client 1** | Business |  |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you and your current objectives.

*Should you wish to consider differing wait and benefit periods I can provide you with additional quotes for this.*

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| Recommended Benefit Features | Description | Why it’s important |
| Agreed Value | Provides a fixed level of cover based on a proportion of gross income (less offsets), agreed at time of application. | I recommend this option as it provides certainty of claim time due to the benefit being financially underwritten at time of application. Additionally, any benefit claimed will not be tax assessable. |
| Indemnity Value | Provides a benefit calculated from financial information provided at claim time. | The benefit is paid up to a specified maximum selected at the time of application. This means that you need to supply proof of pre-disability income when you lodge a claim and any benefits received will be tax assessable. |
| 4 Week Wait Period | The initial period of your disablement for which no benefit is payable. | Based on your circumstances you have advised that your business is unable to withstand a longer period without income. |
| 8 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that your business is able to withstand this period without income. |
| 13 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that your business is able to withstand this period without income. |
| 6/12 month benefit period | The maximum term for which the income benefit is payable. | This will give your business 12 months over which time you may require the funds to employ a manager for your business. Should you suffer a longer term disability this will give you time to seek a longer term solution at which point you would receive your personal income protection benefits and you may look at potentially selling your business. |
| 24 month benefit period | The maximum term for which the income benefit is payable. | This will give your business 12 months over which time you may require the funds to employ a manager for your business. Should you suffer a longer term disability this will give you time to seek a longer term solution at which point you would receive your personal income protection benefits and you may look at potentially selling your business. |
| Payment Frequency | Monthly | This allows you to receive regular income replacement for the extent of the benefit period or until you are able to go back to work, whichever is sooner. |
| Ownership | To be owned by your business | It is appropriate that the business owns this benefit as the benefit is for the purpose of providing funds to replace a key person in the business. This will insure that the purpose for the benefit is upheld. |

Waiver of Premium Cover

Waiver of Premium cover is compulsory when taking an income replacement benefit, it is also available for your other benefits. Waiver of Premium Cover means that your insurance premiums are waived should you be unable to work due to total or partial disability, (more than 10 hours per week). This takes away the burden of paying premiums while on claim and saves you money when you need it most.

**Recommended Cover:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Life Insured** | **Policy Owner** | **Option** | **Premium ($)** |
| **Client 1** | Client 1 & Client 2 |  |  |

***Please Note: The final premium is dependent on the levels of cover you decide on.***

**Detailed Features of your Recommended Cover:**

|  |  |  |
| --- | --- | --- |
| Benefit Features | Description | Why it’s important |
| 104 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that you are able to withstand meeting your premium obligations for this period of time. |
| 8/13/26/52 Week Wait Period | The initial period of your disablement for which no benefit is payable. | A longer wait period has the benefit of reducing your premiums. You have also stated that you are able to withstand meeting your premium obligations for this period of time. |
| 2/4 Week Wait Period | The initial period of your disablement for which no benefit is payable. | Based on your circumstances you have advised that you are unable to withstand meeting your premium obligations for a longer period. |
| Benefit Period to age 65 | The term for which the Waiver of Premium benefit is payable. | In the event of a longer term disability you would have your premiums waived to age 65. |
| Ownership | Joint ownership | I recommend joint ownership as this will make it easier for you at claim time. |
| Sole Ownership | To be owned by the life assured. | It is important that you own this policy as the benefit when claimable will be paid out to the policy owner. |
| Ownership | To be owned by your business | It is appropriate that the business owns this benefit as the benefit is for the purpose of providing funds to replace a key person in the business. This will insure that the purpose for the benefit is upheld. |

Your Health Cover

The diagnosis of an illness and any subsequent surgery can be very stressful, and the last thing you need is the additional worry of large medical bills. If you, or a member of your family, require surgery or medical treatment, Health Insurance not only gives you the freedom to select the best specialists and the best hospitals, it generally ensures that you avoid a huge waiting list to receive essential treatment.

**Recommended Cover:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Life Insured** | **Policy Owner** | **Option** | **Premium ($)** |
| **Client 1** | Client 1 & Client 2 |  |  |
| **Client 2** | Client 1 & Client 2 |  |  |

The above level of cover is based on your completed needs analysis. Please refer to Appendix 2 regarding how the above level of cover is appropriate for you.

**Detailed Features of your Recommended Cover[[11]](#footnote-11):**

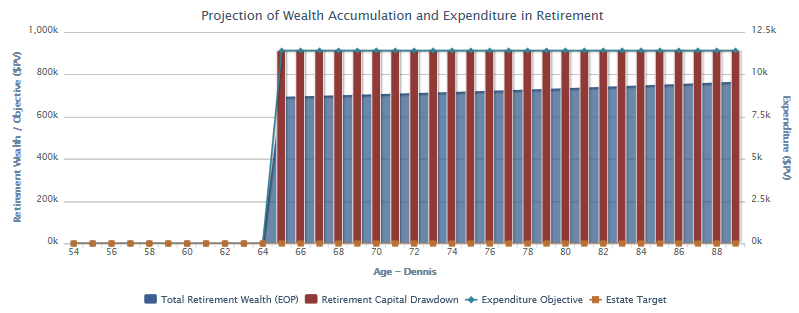
|  |  |  |
| --- | --- | --- |
| Benefit Features | Description | Why it’s important |
| Private Health  Excess Options  $250, $500, $750, $1000, $2000, $4000 | The amount, if applicable, which will be deducted from claims submitted prior to any benefits paid under this policy. This is the amount you are required to pay directly to the medical practitioner. This applies once per life assured per policy year. | Electing an excess on your benefit has the advantage of reducing your premiums. You have also advised that you have sufficient resources to meet this excess. |
| Private Health Plus | Provides reimbursement per life assured per policy year for medically necessary consultations with specialists and/or testing. Nil or $250 excess options available. | It is important that you are able to meet the costs associated with identifying any serious medical conditions that either you or your family may suffer. |
| Working with ACC | ACC is there for treatment and  rehabilitation for accidental injury, but  they don’t cover everything. | If ACC declines your claim, we’ll take care of your eligible treatment costs. Our **ACC Advocacy** service can then review your case and work with ACC to get the best outcome for you. This could result in your excess being refunded or not having a claim against your insurance. Either way – you’ll be covered. |
| Healthy by Sovereign | Make your healthy choices work for you.  All Sovereign health insurance customers  can join our free rewards programme. | Healthy by Sovereign, which offers exclusive discounts and rewards like gym vouchers and up to $100 cash back. |
| Ownership | Joint ownership | I recommend joint ownership as this will make it easier for you at claim time. |
| Sole Ownership | To be owned by the life assured. | It is important that you own this policy as the benefit when claimable will be paid out to the policy owner. |

Planning for your retirement

**Proposed Financial Position**

By the time you reach your ideal retirement age of XX you will have accumulated a total wealth of XX which is based on the following assumptions.

* RETURNS
* CONTRIBUTIONS
* IMPLEMENTATION OF STRATEGY

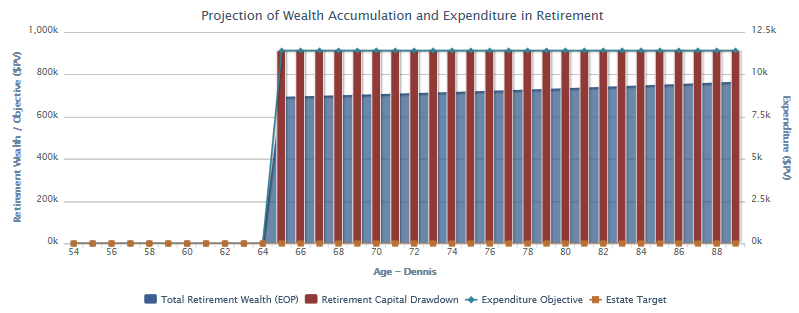


|  |  |
| --- | --- |
| **Source** | **Present Value at Client 1’s age 65 ($)** |
| KiwiSaver (Client 1) |  |
| KiwiSaver (Client 2) |  |
| Synergy Portfolio |  |
| T**otal Liquid Retirement Assets** |  |

Please note that markets are subject to change and consequently the actual return may vary from our projections, particularly from year to year.

**What you need for retirement**

From our discussions, we have identified that you will require XXX per annum including NZ Super to fund your retirement. As per the below graph you will see that at your current rate of savings you will be able to achieve these drawdowns until age XX.



|  |  |
| --- | --- |
| **Source** | **Present Value at Client 1’s age 65 ($)** |
| KiwiSaver (Client 1) |  |
| KiwiSaver (Client 2) |  |
| Synergy Portfolio |  |
| **Total Liquid Retirement Assets** |  |

Please note that this is indicative only and that these projections have been drawn from Iress Ltd Release 2.13.8. The real rate of return used with this investment is XXXX.

**What you need to do to ensure a comfortable retirement**

This means that in your current situation you require retirement funding is unsustainable and this needs to be properly addressed in order. In the graph and table below I have depicted the requirements for you to meet your future needs.

Proposed Strategy to meet your goals – Synergy Investments

You are currently invested in an older Sovereign investment plan which is now closed to new investors and is known as legacy product. The funds used within the portfolio are not necessarily the most effective in their asset classes and most of these have not changed to take advantage of the current tax advantages available. Your existing investment here is invested in a Conservative, Balanced, Growth manner, this is outside of your risk profile and it is important that this is amended so that your invested funds are working towards your goals and objectives.

Based on the risk profile you have completed your funds should be invested in the XXXX portfolio in line with your investor risk profile. Below I have included your existing asset allocation as compared to the recommended Synergy portfolio.

A description of the underlying investment products recommended follows. You will need to study the Product Disclosure Statements of the recommended products carefully before you decide to invest.

Our rationale – (Investment Provider)

I have considered the following to ensure that the recommended product is more effective than your existing investment. Please refer to Appendix 2 for a full comparison between your existing investment and Synergy.

|  |  |  |
| --- | --- | --- |
| Provider  Features | Description | How does this benefit you? |
| Portfolio Options | The Synergy platform offers a wide range of investment options e.g. Model portfolios based on a range of investor risk profiles. | Gives you the ability to have your funds invested in a manner that is consistent with your risk profile and investment goals. It provides you with flexibility should your risk profile change over time. |
| Fund Management and Monitoring | Consilium are a leading investment consultancy. Consilium[[12]](#footnote-12) research and monitor the funds used by the fund managers. | Ensures portfolio adjustments are made according to market and management conditions in order to uphold the integrity of the investments. |
| Regular Reporting | Synergy produce and send to clients 6 monthly reports relating to their portfolio. | By receiving regular reports you are able to regularly review your portfolio and contact Apex Advice Group should you have any concerns. |
| Flexibility | You can set up regular deposits and withdrawals for your portfolio. | Regular savings allows you to gradually build your investment. The withdrawal facility allows you to make a one off lump sum withdrawal or receive a regular income from your portfolio. |
| Fees | Through the Synergy platform, investors have access to wholesale funds which are not available to you or me normally. | These funds have the benefit of lower management costs than your mainstream investment resulting in lower overall fees. |
| Taxes | The Synergy portfolios are PIE compliant. | This means that you pay tax on returns according to your level of income. This tax rate will either be 10.5%, 17.5% or 28%, which may be less than the tax rate that you are currently paying. |
| Diversification | The Synergy platform offers investors choice in a wide range of investments. These include New Zealand and Global Fixed Interest, New Zealand and Global Property, Australasian and Global Shares. It is important to not only diversify your investments with different investment instruments but geographically as well.[[13]](#footnote-13) | A broadly diversified portfolio should give you at least some exposure to the markets’ best performers—and some protection from the worst ones—at any given time. |

**Performance Overview:**

Below I have detailed past returns for the recommended Synergy portfolio as compared to your current investment.

|  |  |  |  |
| --- | --- | --- | --- |
| **Product** | **1 Year** | **3 Years** | **5 Years** |
| Savings and Protection Plan – Entrepreneurial |  |  |  |
| Synergy - Balanced |  |  |  |

Please note that past returns are not an indication of future returns and are used for a comparison of past trends only. Returns are as at the 29st of February 2016 for Sovereign and the 31st of December for Synergy (Consilium).

\*Please note that these returns are based on the Consilium 40/60 portfolio. Consilium provide the investment strategy for Synergy and we’ve used their returns because the Synergy platform does not yet have the long-term track record shown above.

The underlying funds in this portfolio have been carefully selected from fund managers who have delivered world class results in the past, and their investment methodologies are aligned with academic best practice. I am confident that due to the careful selection process and investment philosophy provided by Consilium that this portfolio will be well placed to deliver you the investment outcomes you want in the future.

**Considerations of my advice**

If you refer to the table below you can see that there is an early **withdrawal charge** if you choose to exit your **Sovereign Legacy Plans** before the end of the funding period.   As illustrated, you will lose a total of $664 if you end the plans now. However, if you leave the funds where they are, until the end of the funding period, you will end up paying approximately $5,403.96 more in fees.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Product** | **Fund Value ($) (Foundation Units)** | **Surrender Value ($)** | **Withdrawal Penalty ($)** | **Funding Period** | **Cost of Staying ($)** |
| **Personal Superannuation Plan** |  |  |  | years left |  |

The above calculations are based on the cost of the primary units if you maintained the policy over the remainder of the funding period using 3% of the foundation units times years left of funding period. This is calculated on the foundation unit charge only. Please note that the above calculation is an estimate only.

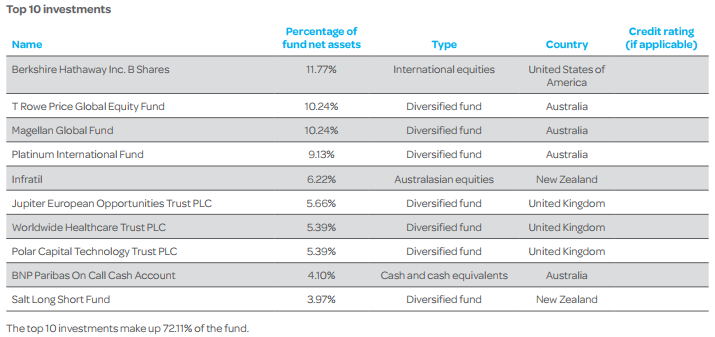
KiwiSaver and your retirement

KiwiSaver is a government endorsed savings scheme designed to help New Zealanders save for their retirement. If you are a salaried/or waged employee, you can currently contribute 3%, 4% or 8% of your gross wage or salary to KiwiSaver and you are also entitled to a compulsory 3% employer contribution.

Whether self-employed or PAYE you will receive up to another $521 each year as a tax credit. For every $1 you have contributed the IRD will provide a tax credit of 50c up to the maximum of $521 per year.

Based on the risk profile you have completed your funds should be invested in the XXXX KiwiSaver portfolio in line with your investor risk profile. Below I have included the recommended asset allocation of your KiwiSaver portfolio with Generate.

A description of the top 10 underlying investments held within the recommended portfolio are as follows. You will need to study the Product Disclosure Statements of the recommended provider carefully before you decide to invest.



Our Rational – (KiwiSaver Provider)

I have considered the following to ensure that the recommended product is more effective than your existing investment.

|  |  |  |
| --- | --- | --- |
| Provider  Features | Description | How does this benefit you? |
| Portfolio Options | The Generate Kiwisaver scheme offers a three different investment options e.g. Model portfolios based on different investor risk profiles along with the option to have a mix of funds. | Gives you the ability to have your funds invested in a manner that is consistent with your risk profile and investment goals. It provides you with flexibility should your risk profile change over time. |
| Fund Management and Monitoring | The Generate KiwiSaver Scheme is a registered KiwiSaver Scheme. It is governed by the rules set out in the trust deed. | This ensures that your KiwiSaver investment is professionally managed in line with any legislation changes. Your investments are monitored and adjusted according to economic conditions in relation to your risk profile. |
| Flexibility | It’s easy to move your funds from one fund manager to another. | With the range of fund manager and portfolio options it is easy to cater to all investor profiles. |
| Tax | The Generate KiwiSaver portfolios are PIE compliant which means that your tax rate will either be 10.5%, 17.5% or 28%. | You pay tax on returns according to your level of income and can take advantage of the nil capital gains tax on investments in New Zealand and for most Australian shares. |
| Diversification | The Generate KiwiSaver Funds offer investors choices in a wide range of investments. These include New Zealand and Global Fixed Interest, New Zealand and Global Property, Australasian and Global Shares. It is important to not only diversify your investments with different investment instruments but geographically as well.[[14]](#footnote-14) | A broadly diversified portfolio should give you at least some exposure to the markets’ best performers—and some protection from the worst ones—at any given time. |

**Performance Overview:**

I have included past XXXX returns your consideration. Please refer to appendices for a full comparison.

|  |  |  |  |
| --- | --- | --- | --- |
| **Provider** | **1 Year** | **3 Years** | **5 Years** |
| **PROVIER & FUND TYPE** | 13.66% | 10.73% | N/A |

Please note that past returns are not an indication of future returns and are used for a comparison of past trends only. Returns are as at the XXXX..

What This Will Cost

**Portfolio Fees**

The following fees and charges apply to the investments recommended within this document:

|  |  |
| --- | --- |
| **One Off Implementation Fee** | **Synergy Investments** |
| Upfront Lump Sum Investment |  |

|  |  |
| --- | --- |
| **Annual fees** | **Synergy Investments** |
| Adviser Service Fee |  |

The Adviser Service Fee is calculated on gross assets in the account, accrued daily and is paid to the Select Manager monthly in arrears from the investors’ cash holding account. Payment is made in full to Apex Advice Group (inclusive of GST).

Synergy Platform Fee

Please see PDS for details about fees applicable to your investment.

The Synergy Administration Fee is calculated on gross assets in the account, accrued daily and is paid to the Select Manager monthly in arrears from the investors’ cash holding account. This fee provides for the system administration, custodian and management costs of the portfolio.

|  |  |
| --- | --- |
| $0-$500,000 | .55% |
| $$500,000 - $1,000,000 | .45% |
| $1,000,000-$5,000,000 | .35% |
| $5 million + | .25% |

Fund managers deduct their fees from the value of the funds they manage; these fees are detailed in the relevant Product Disclosure Statements. In most cases, the Manager has negotiated reduced annual management fees with the fund managers represented on Synergy. Where applicable, these lower annual management fees are usually reflected as a reduced fee or as a rebate provided by the applicable fund manager which is paid to the investors’ cash holding account. Synergy has also negotiated a rebate on brokerage on the purchase, sale and switching underlying assets. Other charges, including currency conversion, stamp duty and trade levies may apply on the purchase, sale and switching of your investments.

KiwiSaver Fees:

|  |  |
| --- | --- |
| **Fee Details** | **PROVIDERKiwiSaver Fees p.a.** |
| Management Fee | 1.00% |
| Trustee Fee | Up to 0.07% |
| Fund Expenses | Up to 0.20% |
| Underlying Fund Fees | Up to 0.30% |
| Performance Fees | N/A |
| Administration Fee | $36.00 |

For further details on the Fees please refer to the relevant – Product Disclosure Statement booklet.

Estate Planning

Estate planning is the systematic approach to getting your personal and financial affairs in order in the event you become mentally incapacitated or die. What good is a wealth accumulation plan if your hard earned savings and assets are at risk? Asset protection should be an integral part of your wealth management plan as your savings and assets accumulate.

**Trusts**

A Family Trust is the foundation of almost every asset protection and succession planning structure. The main purpose of a trust is the protection of family assets and can be used to achieve a number of purposes including:

* Protecting the long term interests of yourself, your spouse and your children.
* Protecting your assets against claims by future creditors and predators.
* Protecting your assets against matrimonial property claims including the interests of your children against claims by their spouses

**EXAMPLES**

***You have set up a Family Trust for succession planning and to ensure that your assets are protected but did you know that 75% of all Trusts can be overturned due to poor management?***

***To ensure that the correct procedures are being followed and that your administration is compliant I recommend that your trust is reviewed by a Trust specialist.***

***OR***

***You have not yet established a Family Trust and I recommend that you speak to a specialist in this field to identify whether a Trust would be of benefit to you.***

***If you are interested in discussing this with someone I can refer your details to Perpetual Guardian.***

**Wills**

A Last Will and Testament contains a written set of instructions to your loved ones as to how you want your estate to be distributed after your death**.** If you die without a Will the law sets out how your Estate will be divided, regardless of what you or your family might want.

***You both have Wills and I recommend that these are reviewed regularly with your lawyer to ensure they remain in line with your financial and personal situations. Once you have finalised your levels of Life cover your instructions for this must be written into your Will.***

***OR***

***You have a Will in place and this should be reviewed regularly to ensure that it remains in line with your current personal and financial situations. Once you have decided on your level of Life cover your instruction regarding this must be written into your Will.***

***OR***

***You have a Will however; you have advised that this has not been updated for some time. I recommend that this is reviewed as soon as possible to bring it in line with your current situation.***

***OR***

***You have confirmed that you both do not hold Wills and I recommend that these be put in place as soon as possible to ensure that your estate is distributed according to your wishes.***

***OR***

***You do not have a Will and I recommend that this be put in place as soon as possible to ensure that your estate is distributed according to your wishes.***

***OR***

***I do not know whether you have a current Will and if you have not yet implemented one it is essential that this be done as soon as possible to ensure your estate is distributed according to your wishes.***

***If you already have a Will in place you must review this with your lawyer on a regular basis to ensure that it is in line with your current personal and financial situations.***

***I am able to offer you, at no charge, the services of Perpetual Guardian to assist you with the drafting and implementation of a basic Will. This offer is conditional on you proceeding with the recommended insurance recommendations through Apex Advice Group and is only available for a limited time.***

**Enduring Power of Attorney**

If you were to become incapable of handling your affairs, control of your assets could revert to a person appointed by a court. It would be more useful if you had an enduring power of attorney set up now so that if you cannot manage your affairs, someone you trust and have chosen to act for you, can make the important decisions affecting you and your affairs.

***You have recognised the importance of an Enduring Power of Attorney and both have one in place.***

***OR***

***It is recommended that you set up an Enduring Power of Attorney if you have not already done so and this can be completed alongside any other matter requiring the services of a lawyer.***

*This is extremely important for you at time at claim for joint ownership of policies. If you are incapacitated and unable to BOTH sign claim forms, this may result in a delay in a claim being paid.*

Where to from Here?

Thank you for taking the time to consider the contents of this report.

As you will have read, the recommendations are based on your personal investment and insurance requirements as determined during your interview.

It is now up to you to decide whether you will choose all, part, or none of the recommendations I have provided.

The options from here are to:

* Proceed with the recommendations or to;
* Proceed with variations or to;
* Not proceed at this stage.

Once you are happy with this plan and the direction in which it takes you, we suggest that the following be arranged:

|  |  |  |
| --- | --- | --- |
| **Who** | **What** | **By When** |
| Client 1 & Client 2 | Completion of investment application form/s | 1 week |
| (adviser) | Submission of application forms to insurance & Investment company | 1-2 days after completion of application form/upon receipt of outstanding information |
| (Adviser) | Submission of application forms to the product providers | 1-2 days after completion of application form/upon receipt of outstanding information |
| Insurance Company | Underwriting process during which time the insurance company *may* contact you (NB: this may include the insurance company contacting your nominated doctor for further information or arranging a health screen nurse visit) | Approximately 1-3 days after the insurer receives your application |
| (adviser) | Advise Client 1 and Client 2 of underwriting decision | Varies – determined by individual underwriting requirements |
| Insurance Company | Policy Documents sent to you from Insurance Company | 1-2 weeks after policy accepted |
| Investment Product Provider | Welcome letter (confirming amount invested) | Within 5 days of receipt of investment forms |

If you have any questions relating to this document, the authorisation forms or any part of this process, please don’t hesitate to ask.

Disclaimer & Acknowledgement

The information and recommendations in the Statement of Advice are based on current information obtained from your Fact Find (completed at a previous appointment). This document is not intended to be a comprehensive financial plan is limited to the areas you requested and I have collected information relevant only to providing that advice. Its purpose is to outline your personal/business risk & Investment requirements and appropriate solutions to meet these requirements. This is in line with your need for:

* **a mix of self-insurance and insurance products**
* **a diversified, tax effective managed fund with quality underlying investment methodology.**

Before acting on this advice, please consider how it may affect your overall circumstances and whether it is appropriate for you. If not, we will need to reassess your requirements. The recommendations made in this plan should be acted on within 30 days

All reasonable care and prudence has been applied to the preparation of this Statement of Advice to ensure the information is accurate and appropriate to your situation. However, no liability is accepted for errors or omissions contained herein.

Comments and advice are based on my understanding of current taxation and other relevant legislation. I (adviser), am not nor is APEX Advice Group (or any of its associated companies), legal or taxation experts. If you have a particular concern in these areas I strongly recommend you seek professional advice from a tax or legal specialist.

I, (Adviser), APEX Advice Group, any of its associated companies or any other person or company are unable to guarantee any returns of either capital or income from the investments recommended in this report. These recommendations are made based on my professional opinion and my assessment of your financial ability and appetite for risk.

In preparing this document I have made certain assumptions that we believe are reasonable and these are as follows:

* Current income will remain stable and continue until you retire at 65.
* Rates of return will not change and inflation will remain level
* The real rate of return on a conservative investment is 2.1%, a balanced investment is 2.6% and a growth investment is 3% (as provided by Frank Russell NZ Limited as the expected return on these portfolios)

Should you disagree with any of these assumptions or if we have misinterpreted or overlooked any information you have provided you should let me know immediately as any recommendations I have provided may not be relevant to your situation.

At the first interview, I provided you with the following documents:

* Disclosure Documents
* Scope of Engagement

If you no longer have these, or require a refreshed copy, please feel free to ask and I will be happy to provide them.

Authority to Proceed

Please tick the relevant boxes that apply to you and sign the declaration.

|  |
| --- |
| * I acknowledge that I have read and understand this report and confirm that it accurately reflects the information that I have provided. |
| * I acknowledge that I have received a copy of (adviser)’s disclosure statement. |
| * I have received a copy of the investor statements pertaining to the investment recommendations made in this document. |

**I have decided:**

|  |
| --- |
| * On the basis of this report I am prepared to **proceed** with the recommendations made.   If I have been advised to seek additional professional advice and have not yet done so, I consent to proceed with the implementation of these recommendation/s without this direction |

**OR**

|  |
| --- |
| * **Not to proceed with all of the recommendations** and understand that in choosing this course of action I may risk making a financial commitment to products that may not be appropriate to my needs and objectives.   **Summary of Amendments:** |

**OR**

|  |
| --- |
| * **Not to proceed** at this time and we accept and understand the risks of my decision. |

**In addition, I agree:**

|  |
| --- |
| * To future reviews, the first review being in approximately 12 months’ time. I also agree to receiving emails from time to time as part of our ongoing relationship: * To the use of the personal information contained in this report by (adviser) for the purposes of advising on our present and future insurance requirements. We understand that the personal information collected will be held by Apex Advice Group Ltd at their premises. |

|  |  |  |
| --- | --- | --- |
| \s1\ |  | \s2\ |
| Client 1 Surname |  | Client 2 Surname |
| Date: \d1\ |  | Date: \d2\ |

Appendix 1 - Rationale for Provider & Considerations

The following provider is able offer you the most comprehensive and cost effective package for your risk management requirements.

**Sovereign offer comprehensive and cost effective cover and I have focused on this for further analysis.**

There are many influencing factors as to which company a client’s business should be placed with and these include:

* The company’s ability to pay a claim (Financial Strength)
* The company’s attitude / Integrity to claims when a “Grey area” may present itself.
* The relationship and reputation the client’s broker has with the insurer. (Influence)
* Whether or not the Insurer has retrospective policy wording updates when policy wordings are improved.
* Policy Benefits & Wording
* Price

**I consider that Sovereign are the best fit due to the following:**

1. They have the highest credit rating (AM BEST) awarded to a NZ based insurance company.
2. Statistically they pay out more claims than any other life insurer.
3. Personal experience has shown that they offer an efficient and prompt service at claims stage.
4. They guarantee that future policy enhancements will be passed back to policies already in force.
5. They have been rated number one by the NZ Adviser network for policy coverage.
6. They offer a comprehensive and competitively priced package.

**Insurance considerations:**

* Your insurance strategy needs to be reviewed each year as your requirements should reduce over time.
* If your application for the new policy is not successful and you have cancelled your existing policy you will not be covered.
* If you do not comply with your duty of disclosure, the insurer may not pay all or part of your claim or cancel your cover. Your duty of disclosure is described in the product disclosure statement.
* Waiver of Cover premium varies depending on the level of cover taken and the premiums quoted may differ if you do not proceed with the recommended strategy.
* The premiums quoted presume that no loading will be applied.
* In the event of a claim, the recommended strategy relies on you having funds put aside to meet the cost of living during the wait period.

Appendix 2 – Needs Analysis

|  |  |  |  |
| --- | --- | --- | --- |
| **Client 1 Insurance Requirements** | | | |
|  | **Life Cover** | **TPD** | **Critical Condition** |
| Debt to clear (Mortgage) |  |  |  |
| Provision for Income Replacement |  |  |  |
| Provision for Funeral Expenses |  |  |  |
| Provision for Emergency Fund |  |  |  |
| Medical Costs/ Recovery Income |  |  |  |
| **TOTAL Funds Required** |  |  |  |
| Resources Available |  |  |  |
| **TOTAL Insurance Requirement** |  |  |  |
| **Income Protection Requirements** | | | |
| Gross Income |  | | |
| **Annual Insurable Income (75% Indemnity Basis)** |  | | |
| **Health Insurance Requirements** | | | |
| Happy with Existing Insurance  Required  Ability to fund an excess of $600 excess | | | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Client 2 Insurance Requirements** | | | |
|  | **Life Cover** | **TPD** | **Critical Condition** |
| Debt to clear (Mortgage) |  |  |  |
| Provision for Income Replacement |  |  |  |
| Provision for Funeral Expenses |  |  |  |
| Provision for Emergency Fund |  |  |  |
| Medical Costs/ Recovery Income |  |  |  |
| **TOTAL Funds Required** |  |  |  |
| Resources Available |  |  |  |
| **TOTAL Insurance Requirement** |  |  |  |
| **Income Protection Requirements** | | | |
| Gross Income |  | | |
| **Annual Insurable Income (75% Indemnity Basis)** |  | | |
| **Health Insurance Requirements** | | | |
| Happy with Existing Insurance  Required  Ability to fund an excess of $600 excess | | | |

Appendix 3 – You as an Investor

Prior to discussing specific investment recommendations, it is important that your risk profile is clearly understood.

As a Conservative investor, you will expect the following:

* The preservation of your investment is important to you and you are prepared to accept little risk of volatility.
* You would rather accept low but steady growth, rather than risk losing much capital.
* You would accept a potential loss one in every 20 years.

Apex Advice Group’s recommended risk profile for you consists of the following levels of exposure to the various asset classes:

As a Defensive investor, you will expect the following:

* You are more comfortable with stable investments and are not willing to accept much risk.
* However, if you have a longer time horizon, you are willing to accept a low level of volatility in your returns over the short term, as long as in the medium term, the value of your capital is preserved.
* You would accept a potential loss in one year out of every 10.

Apex Advice Group’s recommended risk profile for you consists of the following levels of exposure to the various asset classes:

**Defensive**

You are a balanced investor based on your investment time frame and the profile you have completed.

As a balanced investor, you will expect the following:

* You want to protect some of your capital, but also seek some growth in the medium term.
* You are not comfortable with significant fluctuations in your portfolio, but you understand that some risk is needed to achieve more growth over the long term.
* You would accept a potential loss in one year out of every seven.

Apex Advice Group’s recommended risk profile for you consists of the following levels of exposure to the various asset classes:

As a growth investor, you will expect the following:

* You generally have a medium to long-term timeframe and are reasonably comfortable with the higher level of risk associated with shares.
* You accept that short-term fluctuations will occur in the value of your investment if you are seeking higher capital gain in the long term.
* You would accept a potential loss in one year out of every five.

Apex Advice Group’s recommended risk profile for you consists of the following levels of exposure to the various asset classes:

As a high growth investor, you will expect the following:

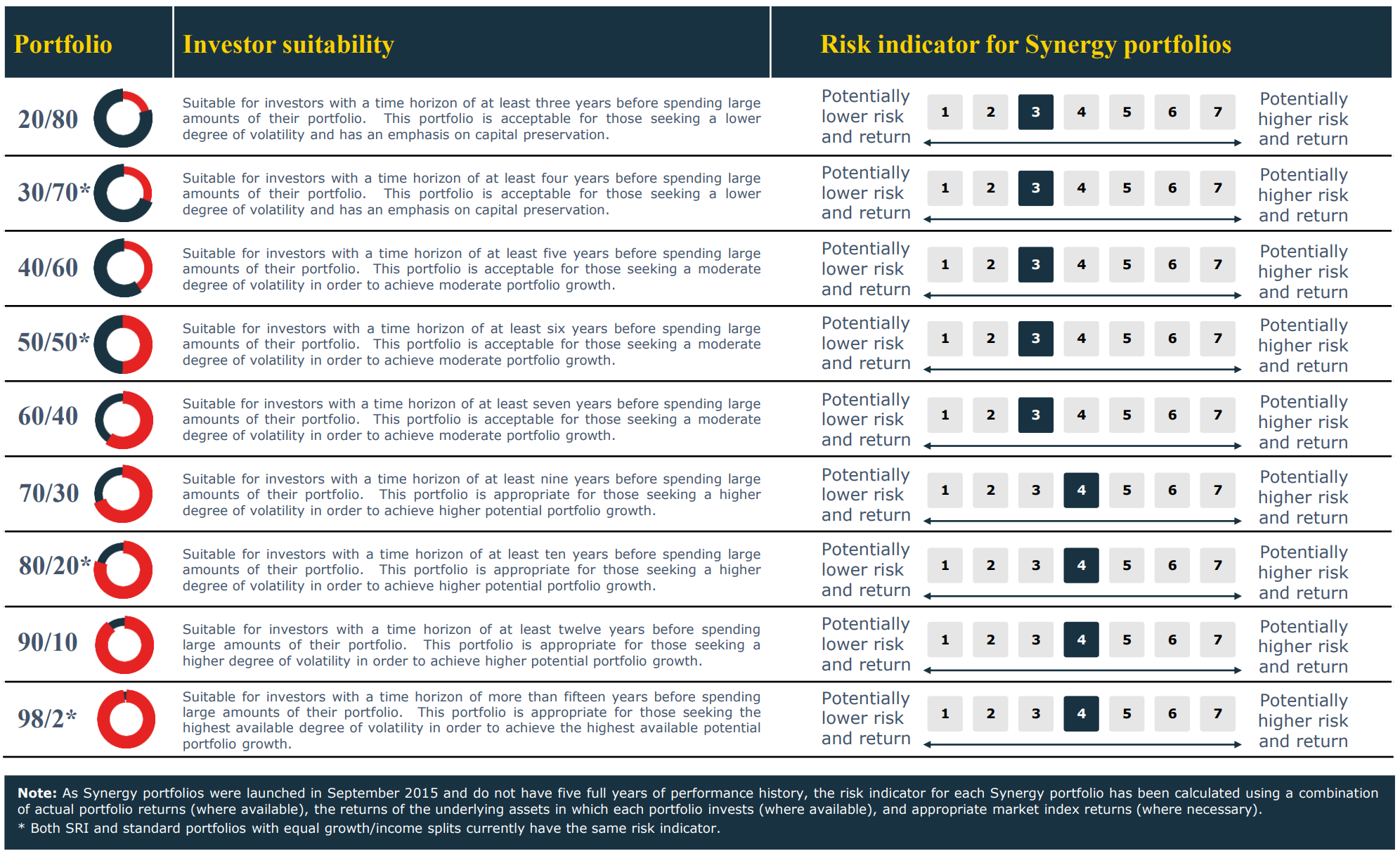
* You generally have a long-term timeframe and are comfortable with the higher level of risk associated with shares.
* You are comfortable with significant fluctuations in the value of your investment and you are prepared to accept negative returns in any given year.

Apex Advice Group’s recommended risk profile for you consists of the following levels of exposure to the various asset classes:

Please note:

There may be a variation of up to 5% between asset classes at any given time and we may interchange between cash and fixed interest dependant on market conditions.

If you disagree or have any concerns that your position has not been reflected in the above profile(s), please let us know, as we should have further discussions before you make any investment decisions.

Appendix 4- Risk Indicator

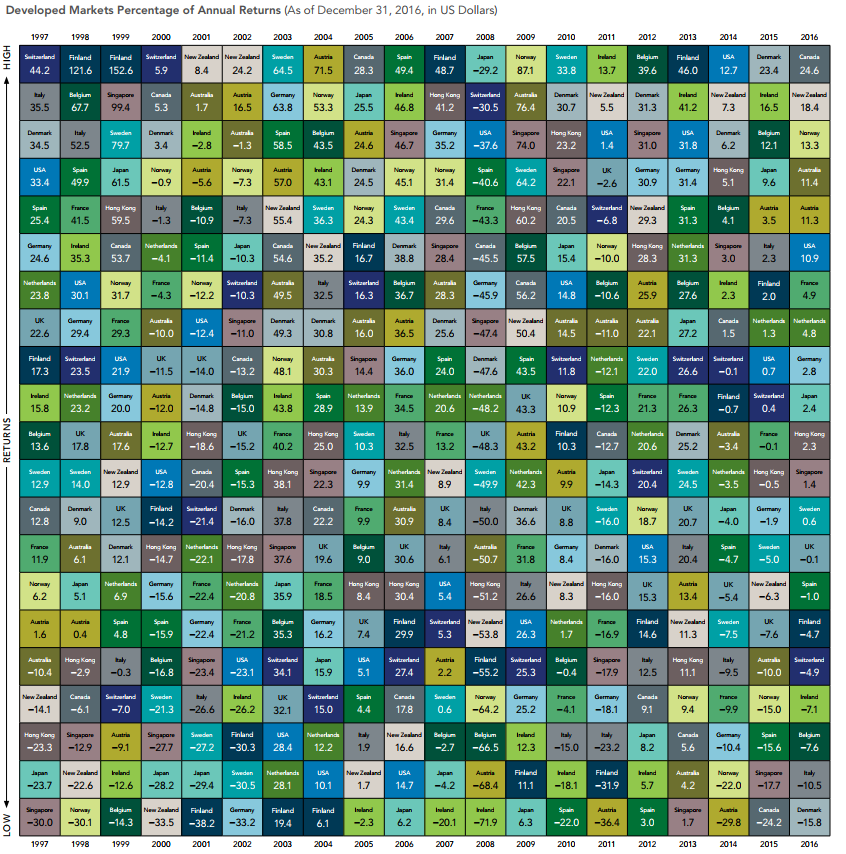
Appendix 5 - Comparison between KiwiSaver

You have selected to compare the following providers.  The information displayed is a summary only, and is supplied direct by the relevant provider.  For further information please refer to the provider's Product Disclosure Statement and Prospectus.

Appendix 6 - Comparison between your investments

Appendix 7 – Dimensional: Diversification and Market Randomness

These tables rank historical annual stock market performance for different developed markets from highest to lowest in each year. Each color corresponds to a different country, and the patchwork dispersion of colors shows no predictable pattern in either developed markets



Supplementary Information

**Disclosure – What You Need to Tell Us**

* Always tell the truth. Insurance is based on the principle of utmost good faith. Put simply you have a positive duty to provide the insurance provider with all information that a prudent insurer would want to take into account in deciding whether to insure you, and if so, on what terms. The information you do provide must be truthful, complete and correct information about yourself, including your health and medical history. This is called your duty of disclosure. Your duty of disclosure extends to the date the contract of insurance is concluded between yourself and the insurance provider. For example, you are required to tell the insurance provider if you are diagnosed with a medical condition after the date of your application but before you agree to any terms of cover they may offer. If they offer to cover you, you will be insured on the basis of the information you have provided.
* Answer questions as fully as you can. Applying for insurance involves responding to a number of questions. Your answers need to include as much detail relating to your current and past circumstances as possible. While this may take time, it is important to ensure that the insurance provider has all the information they need when they make the decision to insure you and on what terms.
* If in doubt, tell the insurance provider. If you are uncertain of the relevance of any information, our advice is to include it on your form because, even if you aren’t sure, it may be important to the insurance provider. If someone else is completing the form on your behalf, it is important that you check that the information is correct and nothing has been left out.
* If you don’t know something, say so. If you say that you don’t know what the answer to a question is and the insurance provider thinks they need more information about your answer to a question so they can offer you insurance, they will need to obtain the information from somewhere else. By signing the declaration and consent, you give them your consent to get this information.
* Know what you’re signing. By signing the declaration on your form, you are saying that you have answered all the questions completely and to the best of your knowledge, as well as providing any other information that may influence the insurance provider’s decision about your policy. If you are uncertain about any of your answers, ask the insurance provider or your adviser before signing the declaration.
* How non -disclosure affects claims. When you make a claim the insurance provider may look further into your personal history. If they discover that you did not comply with your duty of disclosure, they may either alter the terms of your policy retrospectively – which might affect your claim, or they may avoid your policy from its inception, which means that you would not be able to make a claim as no policy would exist. It does not matter if the material information is about a condition unrelated to your claim.
* Help the insurance provider to help you when you need to claim. Depending on what you tell them on your claim form, they might need more information to make a decision about your claim. They may get this information by calling you, asking you to fill out another form or asking you to take a medical test. Sometimes the insurance provider will need to get information from other people who may include your doctor, your employer, ACC or other government departments. By signing the claim form you give them your consent to do this.
* Know what you are consenting to. The insurance provider can only request information that they need to assess your application for insurance or for payment of a claim. At all times, the information they hold about you is your information, you have the right to access and, if it is wrong, to ask the insurance provider to correct it.
* Don’t be afraid to ask. If there is anything you’re not sure of, don’t be afraid to ask for help.

Reasons to look at a Personal Risk Management Plan

**Here's why a combination of life, disability and critical illness cover could be your best protection:**

* **At some point, there’s a good chance you’ll be too sick to work over an extended period of time.** Two out of five people could be unable to work for six months or more because of sickness or accident.1
* **ACC can’t always help you. Contrary to popular belief, you can’t rely on accident compensation in all situations.** And you’re more likely to be disabled by illness than by accident – 40% of disabilities are due to disease or illness while only 34% are due to accident or injury.2 Insurance for illness and injury can help when ACC isn’t able to.
* **Sickness is more likely to leave you with a long-term disability.** Of disabilities lasting six months or more, only one in 20 is related to accidental causes.3 Insurance can help keep your household running while you recover. It can also fund rehabilitation and retraining to speed your return to work.
* **Many people die before the age of 65.** Most of us think we’ll live to a ripe old age, but one in six males and one in nine females over the age of 30 will die before they reach 65.4 Life Cover pays a lump sum if you die, to look after the people you leave behind.
* **You’re a key income earner for your family.** How long could your family survive without the income you generate? Insurance, such as Family Protection, provides an ongoing monthly income.
* **You have a mortgage.** Who would pay the mortgage if your income stopped, and how long could they keep it up? An insurance claim could be used to clear or reduce an existing mortgage.
* **Recovery is faster without financial stress.** Worrying about money doesn’t help recovery after an illness or injury. Insurance eases your concerns, so that you can relax and get better.
* **Of cancer patients, 52% of males and 59% of females will still be alive five years later.5** Treatment for cancer often makes it hard or impossible for people to work. Living Assurance protects your lifestyle while you recover.
* **If you have a stroke, survival could mean ongoing disability.** A study of the population of Auckland reveals that while the number of deaths after stroke has declined, there has been a significant increase in the number of people with an impaired level of consciousness and mobility following stroke.6 A lump-sum payment from Total Permanent Disablement insurance is a huge help if this happens.

1. ACC BERL Report, November, 1996  
2. New Zealand Health Information Service, 2001, Mortality and Demographic Data, 1998  
3. Statistics New Zealand, 2001  
4. Statistics New Zealand, 2004, NZ Life Tables, 2000-02  
5. South Australian Cancer Registry, 2003  
6. The George Institute for International Health, in collaboration with Auckland City Hospital.

10 reasons to have a Business Risk Management Plan

Succeeding in business is challenging enough, without having to worry about the consequences of illness, injury or death. Loss of a key person – permanently or temporarily – could have a dramatic effect on your business. Insurance is your back-up plan

1. **You’re the boss and the buck stops with you.** What happens to your business if you’re left ill or disabled and unable to work? There are several types of insurance cover that could help your business to survive.
2. **Unexpected death or disablement of a partner or key shareholder can put the business at risk.** The right kind of life insurance can provide the money for surviving partners to purchase the insured’s share of the business.
3. **Loans don’t go away when a tragedy occurs.** Life Cover or Total Permanent Disablement cover can enable repayment of business debts, protecting assets that might otherwise have to be sold.
4. **Key people hold the success of your business in their hands.** A key person is an employee or contractor whose skills and expertise are essential to the function and profitability of your business. By insuring your key people, the company owns the policy and receives claim money that can compensate for the loss of a key person.
5. **At some point, there’s a good chance that you or a key person will be too sick to work for an extended period of time.** Two out of five people will be unable to work for six months or more because of sickness or an accident.1  Various types of insurance, including Locum Cover, can help to keep the business running smoothly.
6. **Sickness is more likely to leave you with a long-term disability.** Of disabilities lasting six months or more, only one in 20 are related to accidental causes.2 Insurance can help to keep your business running while you recover.
7. **Many people die before the age of 65.** Most of us think we’ll live to a ripe old age, but one in six males and one in nine females over the age of 30 will die before they reach 65.3 Life Cover pays a lump sum if the insured person dies.
8. **Recovery is faster without financial stress.** Worrying about your business doesn’t help recovery after an illness or accident. Insurance eases your concerns, so that you can relax and get better.
9. **Of cancer patients, 52% of males and 59% of females will still be alive five years later.4** Treatment for cancer often makes it hard or impossible for people to work. Insurance can provide financial resources to help your business survive.
10. **If a key person has a stroke, survival could mean ongoing disability.** A study of the Auckland population reveals that while the number of deaths after stroke has declined, there has been a significant increase in the number of people with an impaired level of consciousness and mobility following stroke.5 A lump-sum Total Permanent Disablement payment could be invaluable to your business if this happens.

1. ACC BERL Report, November, 1996  
2. Statistics New Zealand, 2001  
3. NZ Life Tables, 2000-02   
4. South Australian Cancer Registry, 2003  
5. The George Institute for International Health, in collaboration with Auckland City Hospital.

CoverPlus Extra

If you are self-employed (or a shareholder/employee) you must pay ACC, you have no choice. However, you **can** choose how much you pay to ACC. When you begin self-employment, you are automatically put into the default ACC scheme called ACC CoverPlus which pays 80% of your income averaged from the last 3 years.

ACC CoverPlus Extra is an alternative to the standard ACC cover and depending on your situation you may well find that ACC CoverPlus Extra is a better option for managing the risks of being self-employed.

**Benefits and features of ACC CoverPlus Extra:**

ACC CoverPlus Extra pays 100% of any income level **you** choose, anywhere between $25,376 and $94,553 p.a. If you have an accident and lodge a successful claim with ACC, under ACC CoverPlus Extra, you will receive the exact amount you are covered for, and you do not have to prove loss of income.

If you make a claim there is no need to prove your earnings as the weekly compensation has already been agreed. This means that you receive your weekly compensation quicker. You are also still entitled to receive assistance with treatment and rehabilitation costs.

ACC CoverPlus Extra is an optional product that lets self-employed people and non PAYE shareholder employees negotiate a pre-agreed level of lost earnings compensation. This way you know exactly how much you’ll receive each week if you are injured and can’t work – whether the injury is work-related or not. If you choose ACC CoverPlus Extra, this will replace your standard ACC CoverPlus product.

**What are the benefits of ACC CoverPlus Extra?**

You can tailor the level of cover for lost earnings to suit your own personal circumstances, subject to ACC underwriting.

If you make a claim, there is no need to prove your earnings, as the weekly compensation has already been agreed. This means that you may receive your weekly compensation quicker.

You will receive 100% of the amount of the agreed lost earnings compensation until you are fit for full-time work.

**What is the difference between ACC CoverPlus and ACC CoverPlus Extra?**

The key difference is the amount of lost earnings compensation you receive. With ACC CoverPlus Extra you get 100% of the amount you negotiate. Because you have agreed cover, you may begin receiving compensation more quickly.

Whichever option you choose, ACC will provide assistance with treatment and rehabilitation costs.

**How do I know if ACC CoverPlus Extra is right for me?**

ACC CoverPlus Extra may better meet your needs if:

* your income fluctuates
* your personal income is not a true indication of actual earnings
* your business will still generate income while you’re injured
* you have not been self-employed for long
* you want a guaranteed level of lost earnings compensation.

**What does it cost?**

ACC CoverPlus Extra levies are calculated in a similar way to ACC CoverPlus levies, based on your previous year’s earnings from self-employment and the levy rates specific to your business activity. In addition the levies also take into account the agreed amount of lost earnings compensation.

**What is the Lower Levels of Weekly Compensation option?**

ACC CoverPlus Extra also has a Lower Levels of Weekly Compensation option.

With this option you pay a slightly lower levy in return for a level of weekly compensation that reduces the more hours you are able to work.

**What amount of compensation will I get?**

ACC will work with you to agree on a level of lost earnings compensation that matches your requirements. The amount of lost earnings compensation needs to be within the minimum and maximum amounts, and

must reflect the amount suitable for your business situation.

The minimum level of weekly compensation that you can nominate is $440 (before tax). This is $25,376 per annum.

The maximum level of weekly compensation that you can nominate is $1,818 (before tax). This is $94,553 per annum.

These amounts are for the 2014/15 levy year, and are subject to changes due to [indexation](javascript:linkglossary('PRD_CTRB103852','1508')#_blank) each year.

**For Example: In the event of Death by accident.**

Average Income over 3 years was $100,000.

**Benefits before the dial down – Accident Cover $80,000**

In the event of a death by accident the following benefits would apply:

* **Partner:** up to 60% of the 80% calculated ($48,000) for five (5) years, or youngest child turns 18 OR the deceased would have turned 65.
* **Child under 18:** up to 20% of the 80% calculated per child (if under 16 this is paid to the caregiver). ($16,000)
* **Child over 18:** payments will cease unless the child stays in full-time study in which case the payments will stop at the earlier of turning 21 or completing full time study.
* **Other dependants:** up to 20% of the amount per other dependant. ($16,000)

**Benefits after the dial down – Accident Cover $25,376**

In the event of a death by accident the following benefits would apply:

* **Partner:** up to 60% of the 80% calculated (of the deceased’s earnings) ($11,381) for five (5) years, or youngest child turns 18 OR the deceased would have turned 65.
* **Child under 18:** up to 20% of the 80% calculated per child (if under 16 this is paid to the caregiver). ($3,793)
* **Child over 18:** payments will cease unless the child stays in full-time study in which case the payments will stop at the earlier of turning 21 or completing full time study.
* **Other dependants:** up to 20% of the amount per other dependant. ($3,793)

**The difference in cover being $36,619 pa must be addressed with additional life cover. (The term will be until age 65 or until the youngest child reach age 18)**

You also need to consider that you will receive the reduced ACC benefit **ONLY** until the wait period on the recommended income replacement benefit has ended and these payments begin.

**What if I am in a partnership?**

Cover can be negotiated based on each individual’s income (provided all partners apply for ACC CoverPlus Extra at the same time).

If one member of a partnership is a ‘passive earner’ (with no involvement in the actual management or operation of the business), the other partner or partners’ level of cover can be negotiated to take into account the partnership’s total liable earnings.

**What if I work part-time?**

You are considered to be a part-time self-employed person if you work an average of less than 30 hours per week.

If your part-time earnings exceed the minimum earnings threshold, you are eligible for ACC CoverPlus Extra standard cover option.

Note: Part-time self-employed people are not eligible for Lower Levels of Weekly Compensation cover.

ACC Compensation for Death by Accident

If you relied on financial support from someone who has died from an injury, and ACC cover has been accepted for their death, you may be entitled to weekly compensation as their dependant.

Dependants include:

* partners from marriage, civil or de-facto unions
* partners who lived together, or were supported financially by the deceased
* natural children or children for whom the deceased acted as a parent (ie step children)
* anyone who was dependent on the deceased because of mental or physical disability.

Payment amount

ACC decides how much you will get by determining the ACC payments the deceased would have received if they were injured and had to stop work. This is generally calculated as 80% of the deceased’s declared earnings before death.

The calculated amount will be divided amongst the survivors:

* partner: up to 60% of the 80% calculated (of the deceased’s earnings)
* child under 18: up to 20% of the 80% calculated per child (if under 16 this is paid to the caregiver).
* child over 18: payments will cease unless the child stays in full-time study until the age of 21
* other dependants: can be paid until their income from other sources reaches $520 per week

If you are a partner of the deceased, you will continue receiving payments until the **latest** of:

* the end of five consecutive years from the date you started receiving payments
* the date the youngest child you are caring for (who is also a child or dependant of the deceased) turns 18.

If you stop caring for any children or dependants of the deceased before they turn 18, and have been receiving payments for five years or longer, your payments will stop.

**Note:**

* As from 1 July 2010 ACC no longer cover death by suicide under Accidental Death Compensation.
* Superannuation may affect your weekly compensation payments. Please contact ACC for more information.
* If the deceased had purchased ACC CoverPlus Extra this may affect the amount you are entitled to.

Glossary of Terms (Investment)

We have outlined some common investment terms and definitions as guide to help you to better understand the advice offered.

**Administration Fee**

A fee to cover the cost of running the fund on a day-to-day basis. This is a flat fee deducted from your investment fund.

**Active Manager**

An investment management approach that seeks to outperform the market through the application of informed, independent investment judgement.

**Asset Class**

An asset class refers to one of four general types of investment: shares, bonds, property or cash.

**Diversification**

The practice of investing in a range of investments, principally to reduce risk. A portfolio can be diversified either within and/or across various asset classes.

**ESCT**

Employer Superannuation ContributionTax. Any contribution an employer makes to a superannuation fund for the benefit of an employee is liable for tax and this is charged at a rate of 12.5%, 21% and 33% depending on income bracket. Employer contributions made to a superannuation fund are subject to ESCT. It differs from tax on employee superannuation contributions, which is normally subject to tax at personal marginal tax rates.

**Fixed Interest**

Securities representing loans to governments, corporations and banks for a stated period at a fixed interest rate – as opposed to equities (shares), which represent shares of ownership.

**Inflation**

A general increase in the price level of goods and services.

**Managed Fund**

Managed funds allow you to pool your money with money from other investors, so that you can invest in assets that might otherwise be out of your reach. Managed funds invest in a variety of assets including shares, property and fixed interest or a combination of these. The funds are looked after by professional fund managers. All managed funds have an Product Disclosure Statement which allows you to see where your money will be invested.

**Management fee**

A Management fee is a periodic payment that is paid by investors in a pooled investment fund to the fund's investment adviser for investment and portfolio management services.

**Net Real Return**

The inflation-adjusted rate of return on an investment. If an investor earns a return of 12% during a year when inflation is 4%, the real return is 8%

**Nominal Return**

The rate of return on an investment without adjusting for inflation. It is calculated simply by taking the dollar amount of the return and comparing it to the amount invested. A high nominal return does not guarantee a real profit. For example, if the nominal return on an investment is 7% and the inflation rate is 4%, the real rate of return is only 3%

**PIE**

PIE stands for Portfolio Investment Entity.  A PIE is a managed fund that has elected to pay tax at each investor’s PIE tax rate.

**PIR**

PIR stands for Prescribed Investor Rate. The PIR is the rate at which an individual’s PIE tax is calculated.

**Retail Funds**

A retail fund refers to the market and clients of the fund. A retail fund is a fund that individuals can invest in directly or through a financial adviser and these generally have low minimum investment requirements.

**Wholesale Funds**

Large investment funds usually not accessible to the general public due to the high minimum investment requirements

Glossary Terms (Risk)

We have outlined some common insurance terms and definitions as guide to help you to better understand the insurance offered. For a fuller definition of the terms please refer to the policy wordings.

**Accelerated**

Life Cover is “fast tracked” and paid out in the event of a Living Assurance event and this is a cost effective option when considering multiple risk covers. You have the benefit of life cover should it be required and also the benefit of additional risk covers at a reduced premium when compared to stand alone products.

**Agreed Value**

An “Agreed Value” benefit will require you to provide proof of your income at application and the sum assured is “agreed at that time. In the event of a claim will pay out a net figure of 55% of your income. This option provides certainty at claim time as the sum assured is paid out regardless of what your income is at that time. The premiums on an agreed value policy are not tax deductible however the monthly benefit at claim time is not tax assessable.

**Any Occupation (Total Permanent Disability Cover)**

The life assured is not able to engage in any occupation (regardless of skill level) if they become completely incapacitated by illness or accident.

**Benefit term**  
The term for which the life assured is insured for the stated benefits as stated in the schedule.

**Benefit payment period**  
The maximum period for which an income protection benefit is payable for the same or related illness of a life assured

**Bereavement support benefit**  
Upon receiving written notification that the life assured has died, The insurance provider will immediately pay a lump sum to the policy owner(s). This bereavement support benefit will be treated as an early payment of the life cover benefit. The life cover benefit will then be reduced by the amount paid.

**Body Mass Index - BMI**  
This is a ratio of height to weight of a person. Insurance underwriters use this index to assess future medical risk. Persons with a higher than normal BMI may be offered a higher premium (loading), which must be accepted before a policy can be put in place.

**Consumer price index**  
The *consumer price index* (all groups) issued by the Government Statistician or any index which may replace that index.

**Future Insurability**

Future Insurability allows the life assured to increase the original sum assured without the need for further underwriting. The original Life Cover can be increased up to 20% or $100,000 (whichever is the greater) every 3 years on the anniversary date. The total maximum increased is $1 million or twice the original cover whichever is less.

**Indemnity Value**

An “Indemnity Value” benefit will require you to provide proof of your income at claim time and will pay out a gross figure of 75% of the best 12 months of the previous 3 years income at that time. The sum you are paid out is not decided until claim time. The premiums on and Indemnity value benefit are tax deductible however, the monthly benefit at claim time is assessable.

**Life Cover Buy Back**

Where a life cover buyback benefit is selected, this allows the original life cover benefit to be reinstated without the need to provide further medical evidence following an accelerated living assurance benefit claim. (Subject to certain conditions) We recommend this product when taking accelerated cover.

**Occupational Classes**  
We all work in different jobs, some involving more physical and other risks than others. Claims history has shown that certain occupations can lead to more claims. Occupations have therefore been graded into 5 main classes for Income Protection/TPD premium purposes. They are:

* Professional
* General clerical
* Tradepersons
* Labourer
* Not employed

**Own Occupation (Total Permanent Disability Cover)**

The life assured is not able to engage in the occupation, or carry on the business he/she was involved in just before he/she become completely incapacitated by illness or accident.

**Policy Owner**  
The policy owner is responsible for paying all premiums under this policy and can be an individual, group or organisation other than the life to be covered. The policy owner receives any benefits due from the policy.

Notes:  
1. The Life Assured can also be the Policy Owner. This is normal for applicants who are single.  
2. Married couples or partners may wish to own each other’s policies so that the benefits are paid to the surviving partner. This arrangement is also used for business partnerships.

**Retirement Protection Benefit option (The insurance provider)**

A Retirement Protection Benefit would mean that, should you be totally disabled on claim, your contributions to KiwiSaver would still be met (of either 2% or 4%)..

**Smokers/Nonsmokers**  
A smoker is defined as someone who has smoked cigarettes in the last 12 months. Persons who smoke cigars or pipes are classified as non-smokers for insurance purposes. Smokers can have their classification revised, if they have not smoked for over 12 months. On providing a written and signed note to this effect, your premiums will be adjusted to nonsmoker’s rates. Use the calculator to see that difference (potential savings).

**Term life insurance policy**  
A policy as defined in Section 2A of the Securities Regulations Act 1983 that is not a security or a life insurance policy for the purposes of the Securities Act 1978. Term insurance has no specified period or cash value.

**Terminal Illness benefit**  
You can apply for a terminal illness benefit of up to 100% of the applicable life cover benefit if the life assured has been diagnosed as having an illness, which will result in the death of the life assured within 12 months. This terminal illness benefit will be treated as an early payment of the life cover benefit and the life cover benefit will then be reduced by the amount paid.

**TPD - Total Permanent Disablement**  
The term ‘Total Permanent Disablement’ refers to the end result of illness or accident. It means you:

a) Can’t do your own job or another job which your skills may be suited to; or

b) Suffer loss of limbs or sight; or

c) Can’t perform at least two of the following activities without the physical assistance of someone else:

Bathing and showering

Dressing and undressing

Eating and drinking

Using a toilet

Moving from place to place by walking, in a wheelchair, or with a walking aid.

Total Permanent Disablement also applies if you are unable to perform one of the activities noted above, and your intellectual capacity has reduced or deteriorated to such an extent that you require permanent and constant supervision

**Living Assurance Buy Back**

With the optional Living Assurance Buy Back option, you can repurchase the amount of cover paid out in the event of a Living Assurance claim without the need for further medical underwriting, however you will not be covered for the same condition that you claimed for.

**Underwriting**

The method of selecting and classifying insurance applicants according to their level of insurability to determine the suitable premium rates that will be charged.  During this process, unacceptable risks are also rejected

**Waiting period**  
The minimum period, as stated in the schedule, that a life assured must be totally disabled before The insurance provider will pay an income protection benefit.

**Waiver of Premium**  
If you are entitled to an income protection benefit you will also be entitled to a waiver of premium benefit. The insurance provider will waive your regular premiums payable under this policy (for all benefits), for the duration of the claim payment period. Once The insurance provider stops paying you an income protection benefit, you must recommence your premium payments.

1. Please refer to Appendix 1 for an outline of your investor risk profile and your suitable portfolio asset allocation. [↑](#footnote-ref-1)
2. Please refer to Appendix 1 for an outline of your investor risk profile and your suitable portfolio asset allocation. [↑](#footnote-ref-2)
3. Please note ACC levies are charged on a per annum basis. However, for ease of comparison I have quoted monthly. [↑](#footnote-ref-3)
4. Please refer to Appendix 1 for details regarding rationale for provider and important considerations. [↑](#footnote-ref-4)
5. As defined in the relevant policy document [↑](#footnote-ref-5)
6. Subject to any previous claims under the policy [↑](#footnote-ref-6)
7. Subject to any previous claims under the policy [↑](#footnote-ref-7)
8. Unless the severity level of the condition is 100%, in which case the sum assured for that category is exhausted. [↑](#footnote-ref-8)
9. As defined in the relevant policy document and for longer than your wait period [↑](#footnote-ref-9)
10. Your Mortgage and Income Protection requirements are based on 40% of your gross income [↑](#footnote-ref-10)
11. Please refer to attached Product Brochure regarding benefit limits. [↑](#footnote-ref-11)
12. Please refer to Supplementary Information regarding information on Synergy [↑](#footnote-ref-12)
13. Please refer to Appendix 2 regarding an illustration of diversification. [↑](#footnote-ref-13)
14. Please refer to Appendix 5 regarding an illustration of diversification. [↑](#footnote-ref-14)