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When your FP goes in to bat

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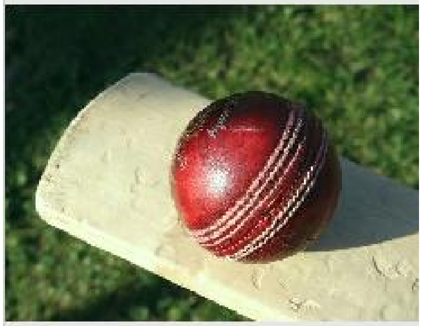
THERE have been a lot of negative reports around lately about financial planners and commissions. Of course, some of it is justified, and a healthy debate on the issue is a must. But there is good advice and genuine help for people if they know where to go and what to look for. Sometimes, writes Pippa Elliot, they even go above and beyond – including taking on your employers and the government!



> Her employer advised her that not only was she not allowed to salary sacrifice her entire salary, but that they would also reduce her 9% SGC super payments if she did undertake salary sacrifice.

Recently my firm was approached by a woman who had just gone through a long divorce and was looking for advice about her financial future.

Essentially she had $690,000 in total settlement proceeds – $450,000 cash and $240,000 super. At 49, she needed to understand how to best utilise these proceeds to manage her future lifestyle needs.

She had just started her first job in more than 20 years, earning around $35,000 per annum. We looked at various scenarios which included buying a home versus renting, investing the money in super, buying a share portfolio, gearing and a lot of other possibilities. At the end of the day, our final advice was to rent, contribute a lump sum to super now, and salary sacrifice her entire salary to super for the next seven years.

She would need to live off the balance of cash in her accounts for that time but this was going to save her approximately $83,000 in tax over seven years and see her end up with a sufficient super balance to retire at 56.

Navigating employer roadblocks

When she went to her employer to implement the salary sacrifice arrangement, they advised her that not only was she not allowed to salary sacrifice her entire salary, but that she could only sacrifice 22%, and that they would also reduce her 9% SGC (superannuation guarantee contribution) super payments if she did undertake salary sacrifice.

This was her first job in 20-plus years, so you can imagine her reluctance to argue her case. However, she advised us of the response.

We have been aware of the 9% SGC issue and that employers can legally reduce their contribution under a salary sacrifice arrangement, but we believe it is entirely inappropriate and significantly disadvantages their employees at a time when they are trying to responsibly manage their financial future.

We wrote to the Financial Planners Association, to Senator Nick Sherry and also her employer, outlining her case and how she would be disadvantaged by more than $83,000 if she was unable to implement this strategy. The result was that the employer agreed to allow 100% salary sacrifice and they are going to pay the 9% SGC.

This story clearly demonstrates the value of having a financial planner working with you. For this client, if she had not sought financial planning advice, who knows what choices she would have made – my guess is she would have probably purchased a unit with her cash and would have struggled to live on her wage.

It's unlikely she would have funds available to top-up her superannuation and would therefore have to work much longer. Although her income and net wealth was low, she was prepared to pay for financial planning advice that has now changed her life.

This article is the opinion of ***Pippa Elliott****, certified financial planner and director of Momentum Planning Pty Ltd.*

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