Subject Outline

(FIN328) (Retirement and Estate Planning)  
(Wollongong)  
(6 Credit Points)  
(Spring Semester, 2004)

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School of Accounting and Finance
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## SESSION DATES

### SPRING SESSION

<table>
<thead>
<tr>
<th>Date Range</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 July - 24 September</td>
<td>Lectures Commence (10 weeks)</td>
</tr>
<tr>
<td>27 September - 1 October</td>
<td>Mid-Session Recess (1 week)</td>
</tr>
<tr>
<td>4 October - 22 October</td>
<td>Lectures Recomence (3 weeks)</td>
</tr>
<tr>
<td>25 October - 29 October</td>
<td>Study Recess (1 week)</td>
</tr>
<tr>
<td>30 October - 12 November</td>
<td>Examinations (2 weeks)</td>
</tr>
</tbody>
</table>
Subject details

Description
The subject will provide an overview of the procedures and theory of retirement and estate planning. The course covers major elements in a practical understanding of retirement and estate planning issues that will enable them to identify sound financial planning strategies. It will discuss the goals and objectives of retirement planning with a view to maximisation of the benefits accruing to the retiree. The subject will also provide an overview of superannuation and the implications of superannuation strategies.

Objectives
1. To emphasize the importance of a structured approach to retirement and estate planning by financial planners.
2. To provide an in-depth study of the Superannuation and social security industry in Australia as principle elements in retirement and estate planning.
3. To equip students with a practical understanding of retirement and estate planning issues, concepts and principles for developing appropriate financial planning strategies for clients.
4. To equip students to apply this knowledge in constructing plans for the pre-retirement (accumulation), retirement and post-retirement phases.

Method of delivery
The subject is delivered in a combination of lectures, tutorials, together with a hard copy textbook. In addition, some internet websites may be incorporated into the subject to assist student learning.

Study time
As a general rule, each credit point per subject has a value of 2 hours study per week including attendance at lectures, tutorial and workshops. Therefore, on average, a minimum of 12 hours study per week should be devoted to this subject. This means that, in addition to the 3 hours of class time, an extra 9 hours of personal time per week should be allocated to the subject.
Lecture/tutorial times

Lecture     Fri 13:30 14:30   67.303
Lecture     Tue 13:30 14:30   19.G016
Tutorial Fri 14:30 15:30 40.125
Tutorial Tue 12:30 13:30 40.128
Tutorial Tue 14:30 15:30 19.2103

Major text


Further Recommended Reading


Journals (Available full-text through Proquest)

Australia
  - Australian CPA
  - Australian Accountant

International
  - Estate Planning
  - Financial planning
  - Financial Services Review
  - Journal of Financial Planning
  - The Journal of Financial Planning Today
  - Journal of Financial Services Professionals

See also recommended Australian Web-sites at end of program.
# Contacts

**Subject Coordinator**

Michael McCrae  
School of Accounting and Finance  
Building No (40), Room No (323)  
Telephone 61 2 4221 4015

**Consultation times**

Consultation Times will be posted on Coordinator’s door. If you wish to consult outside these times, please make an appointment in advance at a time of mutual convenience.

**Student administration**

Telephone 61 2 4221 3938  
Facsimile 61 2 4221 4322  
Email studenq@uow.edu.au  

**Library**

Telephone 61 2 4221 3548  
Web [http://www-library.uow.edu.au](http://www-library.uow.edu.au)

**Purchasing of books (Unishop)**

Telephone 61 2 4221 8050  
Facsimile 61 2 4221 8055  
Email unishop@uow.edu.au  
Assessment Guidelines

General Criteria

There will be 3 assessment tasks: a mid-session test, a major case study and a final examination. Details are given in the table below. Please note that marks may be scaled.

Any student failing to meet the following compulsory requirements will fail regardless of performance in other assessable components of the subject.

   b. Satisfactory achievement in the final examination.
   (Note: satisfactory is normally interpreted as a mark of 45%)

Attendance at lectures and tutorials is a compulsory component of this subject. Tutorial attendance will be randomly ascertained throughout the term.

Good tutorial preparation and participation is necessary for anyone seeking special consideration. Special consideration will not be granted to students who do not prepare for, attend and participate in tutorials. Preparation and participation in tutorials will be considered in those cases where students are on the borderline between two grades.

Performance grades

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD</td>
<td>High Distinction</td>
<td>85–100%</td>
</tr>
<tr>
<td>D</td>
<td>Distinction</td>
<td>75–84%</td>
</tr>
<tr>
<td>C</td>
<td>Credit</td>
<td>65–74%</td>
</tr>
<tr>
<td>P</td>
<td>Pass</td>
<td>50–64%</td>
</tr>
<tr>
<td>F</td>
<td>Fail (unsatisfactory completion)</td>
<td>0–49%</td>
</tr>
</tbody>
</table>

Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 1: Mid-session Test</td>
<td>15%</td>
<td>3 Sep 2004</td>
<td>13 Sep 2004</td>
</tr>
<tr>
<td>Task 2 Case Study</td>
<td>20%</td>
<td>17 Sep 2004</td>
<td>11 Oct 2004</td>
</tr>
<tr>
<td>Exam Final examination</td>
<td>65%</td>
<td>To be notified by the University</td>
<td></td>
</tr>
</tbody>
</table>
Special Consideration

University policy requires students who, through serious illness or other circumstances beyond their control, are unable to attend an examination or meet any of the other course requirements, to submit medical or other documented evidence as soon as possible after the event to support their request for special consideration.

The evidence should be submitted to Student Inquiries Office. Students should make their request online using SOLS http://www.uow.edu.au/student/.

Supplementary examinations

Students should note that supplementary examinations are not an automatic entitlement on the submission of a request for special consideration. In cases where the decision is made to allow a supplementary examination, students will usually be required to take the examination at a date to be determined by the School within three weeks of the end of the formal examination period. Students will be notified of the exam at least seven days beforehand. It is every student’s responsibility that the University has a correct record of your current address.

No supplementary examinations will be granted where a student has sat for the full exam. Those who leave the examination early due to illness will have their request for a supplementary exam considered on a case by case basis.

Full details of the University’s policy regarding special consideration are available on the web at http://www.uow.edu.au/handbook/courserules/specialconsideration.html students should familiarise themselves with these policies.

Disability Policy

If a student with a disability requires reasonable accommodation in this subject, they are strongly advised to discuss the issues early in the session with one of the following people: the Disability Liaison Officer, Faculty Disability Adviser and/or the Subject Coordinator. Students with a disability should also register with the University of Wollongong Disabilities Unit. More details can be found on the web at http://www.uow.edu.au/student/services/ds/
Non Discriminatory Language

As part of its Equal Opportunity/Affirmative Action initiatives, the University of Wollongong endorses a policy of non-discriminatory language practice and presentation in all academic and administrative activities of the University. The policy is available at http://staff.uow.edu.au/eeo/nondiscrimlanguage.html

Receipt of Assessment Tasks

It is your responsibility to ensure that you have a receipt signed by your lecturer/tutor, acknowledging submission of written work.

Assessment Tasks

Task 1: Mid-session Test
Due date: 1.30 pm on 3 September 2004 in 67.303
Return date: Marks will be released on SOLS within 12 days
Weighting: 15%
Coverage: Type Multiple choice/True-false questions, questions may involve calculations. Non-programmable computers permitted. Marks will be awarded for correctly answered questions

Task 2: Assignment
Due date: 5 pm on 17th September 2004
Return date: 11 October 2004
Weighting: 20%
Group size: 2-3 students per group

Assignment details
The Assignment will be distributed in Lectures
This is a group assignment. You are to self-select your groups. They must be 2 to 3 students.

**Assessment Criteria/Marking Guidelines**

Marks will be awarded according to a mark sheet that will be distributed at lectures. Assignments must include this mark sheet when submitted.

The group mark will become the mark of each person in the group. Differential marks may be awarded.

**Task 3: Examination**

<table>
<thead>
<tr>
<th>Date:</th>
<th>University examination period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighting:</td>
<td>65%</td>
</tr>
<tr>
<td>Length:</td>
<td>3 hours 15 minutes</td>
</tr>
<tr>
<td>Details:</td>
<td>The exam will consist of multiple choice questions, calculation and analytical questions. The final exam will cover material from the entire course.</td>
</tr>
</tbody>
</table>
Submission Requirements

Submission

Place of Submission: In locked box outside Room 40.323

Delivery: No faxed or emailed assignments will be accepted

Assignment cover: You must complete and attach a School of Accounting and Finance Assessment Cover Sheet to the front of your assignment (available at the following web address: http://www.uow.edu.au/commerce/forms.html)

Marking sheet: You must attach a copy of the Assignment Marking Sheet underneath the Cover Sheet.

Collection: In tutorials in Week 12

Acknowledgment/Plagiarism

Plagiarism is not acceptable and may result in the imposition of severe penalties. The University provides clear guidelines on its attitude towards plagiarism and how to avoid unintentional plagiarism in the Postgraduate University Calendar, located on the web at http://www.uow.edu.au/handbook/courserules/plagiarism.html

Students are advised to read these carefully. If any doubts remain as to what constitutes plagiarism, students should discuss the matter with the subject co-ordinator

Format

1. Assignments must be typed, 1.5 spaced, on one side of the paper only.
2. You must ensure that you have the capacity to provide a duplicate, should this be requested. Problems with computers, printers, software, lost disks, etc, will NOT be accepted as excuses for late submission or inability to reproduce on short notice a second copy (if required). Always make a backup of your disks as you work.
3. Pages are to be consecutively numbered.
4. You must attach a completed (and signed) assignment Cover Sheet.
5. You must attach the appropriate Marking Sheet immediately after the coversheet.
6. There must a margin of 30mm (3 cm) on all sides.
7. Referencing must follow an acceptable academic format.
8. Do not plagiarise. Plagiarism is the unacknowledged work of another person. Plagiarism will result in zero marks plus the need for resubmission and could result in expulsion.

Assignments will be penalised for failure to meet any of these requirements.

Due Date

The due date is the last date for the University to receive an assignment.

Extensions

Extensions may be granted if circumstances beyond the control of the student interfere with their ability to complete the task on time. These will only be granted by the subject co-ordinator and must be applied for before the due date.

Please Note: Extensions will not be granted after the due date.

Late submission

Loss of 10% of possible marks for each day (or part thereof) after the due time & date.

Disclaimer

The School attempts to ensure that the information herein is up to date at the time of production, however we reserve the right to amend without notice in response to changing circumstances.
## Lecture and Tutorial Program

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>CCH</th>
<th>Dearborn</th>
<th>Robinson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19/7</td>
<td>Introduction, Compliance</td>
<td>7</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>26/7</td>
<td>Planning to retire</td>
<td>9,15</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>2/8</td>
<td>Pre-retirement - Investments</td>
<td>9,15</td>
<td>1,3</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>9/8</td>
<td>Superannuation/Other Investments Super Funds</td>
<td>4,15</td>
<td>6</td>
<td>5,6</td>
</tr>
<tr>
<td>5</td>
<td>16/8</td>
<td>Superannuation - Contributions</td>
<td>4,15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>23/8</td>
<td>Super – Withdrawals and Benefits</td>
<td>4,15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>30/8</td>
<td>Withdrawals and Benefits</td>
<td>4,15</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MID-SESSION TEST</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>6/9</td>
<td>Retirement strategies – goals, needs, circumstances</td>
<td>14,15,16</td>
<td>2,4</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>13/9</td>
<td>Retirement income streams</td>
<td>6,14,16</td>
<td>4</td>
<td>2,6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ASSIGNMENT DUE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>20/9</td>
<td>Retirement incomes(cont’d)</td>
<td>16</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>27/9</td>
<td>MID-SESSION RECESS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>4/10</td>
<td>Estate Planning – Wills</td>
<td>18</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>11/10</td>
<td>Estate Planning – Structures and Beneficiaries</td>
<td>18</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>18/10</td>
<td>Review week</td>
<td></td>
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</tbody>
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Tutorial Questions
No tutorials in Week 1. Tutorials begin in week 2.
Tutorial questions will be handed out in lectures. Questions for Tutorials 1, 2 and
3 are given below.

Recommended Australian Web-sites

Financial Planning Association of Australia
www.fpa.asn.au

There are several Government websites that are highly informative on specific aspects
of retirement and estate planning and regulations. A good place to start is:

Community Government website at:

Association of Superannuation funds of Australia
http://www.asfa.asn.au

National Information Centre on Retirement Investments (NICRI)
A good source of leaflets on particular topics of retirement and estate planning

Australian Government Taxation Office – Superannuation

Australian Prudential Regulation Authority

Australian CPAs
http://www.cpaaustralia.com.au

References Held in the Library Closed Reserve
CCH. (2003). Australian master financial planning guide 2003/04, 6th ed, North Ryde,
[N.S.W.] : CCH Australia.
Robinson, G. (2000). The professional's guide to retirement financial planniing, 2000,
transfers for professional advisors, New York :, John Wiley,.
ages, Melbourne :, Investment Library,.
**Tutorial Questions**

**Tutorial 1 due week 2**

**Question 1.**
Explain what is meant by the following principles of Best Practice in AMFPG and explain their role in assuring that Financial Advisors act in the client's best interests.
- a. Fiduciary duty
- b. Fact finding, needs analysis
- c. Disclosure
- d. Professional codes

**Question 2.**
What three major documents are Australian financial Planners (AFP) required to give clients who come to them for advice. What topics and details must be contained in each document?

**Question 3.**
Describe 3 items that each of the above documents must contain. What is the purpose of including each item?

**Tutorial 2 due week 3**

**Problem 1**
If $10,000 is invested at the end of each financial year for 26 years in a fund which earns 12% p.a. after tax, how much will the $260,000 have grown to at the end of 26 years? (hint: future value of an annuity)

**Problem 2**
Cecilia, age 42, requires a gross income of $60,000 pa in retirement at age 62. Her life expectancy is 22.75 years and as a 'growth' investor, her expected return on investments is 5.5% pa above the inflation rate (currently 2%).

**Problem 3**
What capital amount (in today's dollars) is required for Cecilia to be able to afford to retire given these parameters?

**Problem 4**
What is the actual nominal amount that she will need at age 62.

In all Questions, show formulae and detailed calculations in steps

PVA Formula: \[ PVA = \] give formula

From the problem: \[ PVA = \]

This gives: \[ PVA = \] and so on
Tutorial 3 due week 4

Question 1  SPREADSHEET (EXCEL) EXERCISE
Put the (1995 to 2003) performance figures for the return on asset classes (and inflation) given on page 419-420 of AMFPG into a spreadsheet.

- Work out the each year’s return from 1995 to 2003 and the overall average return for the period of the following portfolios:
  a. Conservative portfolio – Invested 50% in cash, 20% in Bonds, 15% in Australian shares, 10% in international shares and 5% in listed property.
  b. Balanced Portfolio – 35% Australian shares, 25% International shares, 10% listed property, 25% bonds, 5% cash.
  c. Growth Portfolio – Invested 15% in Cash, 5% in bonds, 50% in Australian shares, 20% in international shares and 10% in listed property.

Which portfolio would you choose and why?

Question 2
What are 2 supposed advantages to the principle of diversification among asset classes? Give an illustration from your answers in question one. (Hints: trade-off, risk profiles, average risk, return, volatility, possibility of capital loss, risk versus return, time period).

Question 3
Briefly define 2 investment characteristics (eg. Long-term-short term, comparative return volatility, comparative return, connection to risk profiles) of two of the following asset classes:

- Cash
- Bonds
- Australian shares
- International equities