**2207AFE Assignment 3 – Retirement Plan**

**Case Scenario**

Malcolm is aged 59 (DOB 02/11/1961) and Lucy is 55 (DOB 10/11/1965). Malcolm works as a senior accountant and earns $150,000 a year before tax plus superannuation. Lucy works permanent part-time in retail (25 hours per week). They both receive employer superannuation guarantee contributions of 9.5%.

They own their own home and have lived there for the past 15 years with their children Alex (age 28) and Daisy (age 25). Alex moved out of home when he was 20, but Daisy has only just moved out earlier this year. Now that their children are (mostly) financially independent, they have come to you for advice on how they can more effectively save for retirement.

Lucy and Malcolm have a joint bank account with a small balance for meeting their regular expenses. They transfer the rest of their surplus into a savings account and use that to fund larger purchases and holidays. Malcolm also has some shares that he bought when he was younger.

They would like to retire when Malcolm turns 65. They want to maximise their retirement savings using their surplus but would still like to keep some funds for holidays. They would also like to save on tax if possible. Their goal for retirement lifestyle is to be able to still have holidays and to be in a position to help their children if needed. They expect a retirement income of $70,000 would be sufficient.

Their superannuation balances are as follows:

**Malcolm’s superannuation details: Lucy’s superannuation details:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| AustralianSuper  Option: High Growth | |  | Retail Employees Superannuation Trust (Rest)  Option: Capital Stable | |
| Closing Balance | $450,000 |  | Closing Balance | $100,000 |
| Taxable | $400,000 |  | Taxable | $100,000 |
| Tax free | $50,000 |  | Tax free | 0 |

**Additional Information**

* They have the following assets:
  + Joint bank account with a balance of $3,000 with no interest paid
  + Joint savings account with a balance of $20,000 with 1.00% interest paid
  + Malcolm’s shares are valued at $30,000. They pay unfranked dividends of $1,500 pa. He purchased these shares in 2001 at a cost of $5,000.
  + Home value $800,000
  + Home contents value $100,000
  + Two cars worth $15,000 and $30,000
* They have the following liabilities:
  + They use a credit card to pay for regular expenses and pay the balance in full each month. At the moment, the credit card has a balance of $1,500.
* Lucy’s income from part-time work is $26.20 per hour before tax. As a permanent part time employee, she has four weeks paid leave per year.
* Since Daisy has left home, they find they are spending less. They now have weekly fixed expenses of around $650 per week, plus around $500 for general spending. They would normally have put the remaining surplus into their savings account, however they would like your advice on how best to use this to save for their retirement.