With the family home paid off, a regular income, and two grown-up kids off their hands, fifty-something Byron Bay couple Tony and Joy Cunningham (not their real names) should have been living the life of Riley. However, their inability to communicate on financial matters meant that, by default, important decisions integral to their future retirement were being alarmingly overlooked.

As an artist, Joy's income was at best variable. However, her "old-school" intuition for buying undervalued property - living in it, and then reselling it - had delivered some tidy profits over the years and had seen the value of the couple's family home progressively climb to more than $3 million.

But when it came to money matters, Joy's other half, Tony, a former executive with a big-city ad company, had no investment interests beyond ensuring the mortgage was paid on time, and even less desire to find out.

Over the years, "all things financial" had gradually tumbled into the too-hard basket, leaving the Cunninghams with no real fix on their true financial position.

There was lingering uncertainty over whether Tony's unpredicatable income as a self-employed art director would continue to meet their existing lifestyle - let alone their retirement needs - and this led to mounting anxiety about the future. Having convinced themselves that an eventual depletion of savings would force them to sell the family home to fund their retirement, in July 2008 Joy finally called on an acquaintance, financial planner Christoph Schnelle, for help.

Adding considerably to the Cunninghams' anxiety was the GFC which, unbeknown to them at the time, had reduced the value of their managed funds by nearly half.

"By engaging Christoph as a conduit between Tony and myself, I hoped we would begin to heal the rift in our ability to communicate on financial matters," Joy says.

Beyond a modest sum of $25,000 invested with St George Bank in cash, Tony held Platinum Japan and Platinum Healthcare funds (outside super), plus MLC MasterKey super.

Schnelle says: "In addition to not knowing how much money they'd lost, Tony's indifference towards financial matters made it impossible for them to have a meaningful discussion with each other about finances, let alone a third party."

CLARITY AND GUIDANCE

While their financial position wasn't as dire as their anxiety levels would have suggested, what the Cunninghams lacked most, Schnelle says, was both clarity and a tangible road map that would deliver on stated retirement goals.

"It became clear very quickly that 90 per cent of the Cunninghams' solution was more about clarity and guidance than hitching their fortunes to any particular product," says Schnelle.

He also knew how important it was for Joy and Tony to keep things simple.

Not only did Tony want to keep working, adds Schnelle, but it was the most obvious way of maintaining their required income of around $75,000 annually.

"The transparency of knowing where they were financially gave Tony and Joy a new lease of life, and this improved their overall emotional and physical wellbeing," recalls Schnelle.

MINIMISING EXPOSURES

In July 2008, Schnelle recommended rolling over Tony's two Platinum funds and his MasterKey super balance into a new BT SuperWrap pension account - giving it a combined value of around $500,000.

As an Australian couple still only in their late 50s, Schnelle regarded their over-exposure to Japan and health care as far too imbalanced.

And while Schnelle rates MLC MasterKey highly, he says lower fees and an expectation of higher long-term returns made the combination of Dimensional and Vanguard a preferred option. But with the timing clearly against them, it was decided that the best short-term solution was to hold around $420,000 of the fund proceeds in bonds and cash, in a Dimensional bond fund, and $80,000 in cash, within the pension account.

"Given that the global economy had just gone to 'hell in a hand-basket', we figured that the smartest thing we could do was protect assets from further downside risk," Schnelle says. "Much to our delight, the Dimensional fixed interest funds sailed through the GFC without a hitch."

In February 2009, with markets looking close to bottom, Schnelle recommended placing 75 per cent of their funds into a Dimensional Australia Core Equity BT Wrap, and 25 per cent into Dimensional Five Year Fixed Interest. Franking credits, together with a share buyback, added an extra 2.4 per cent to what was already an attractive return.

While at the time things looked bad worldwide, Schnelle took the view that Australia's future looked significantly brighter.

"You can benefit from diversification, but not if you diversify into assets that you feel will perform significantly worse," Schnelle recalls. "While it was a decision for the moment, today a more balanced approach could be better."

LOW HANGING FRUIT

With markets looking significantly undervalued early in 2009, Schnelle says going back into shares appeared to be a smart move. By rolling over an additional $115,000 that Joy had accumulated within her MasterKey personal super fund - previously undisclosed to Schnelle - into an allocated pension, Schnelle also managed to provide her with an additional $375 in monthly income.

THE PLANNER

Christoph Schnelle

Director - In Your Interest Financial Planning
Authorised Representative of FYG Planners Pty Ltd Brisbane QLD and Burringbar NSW

Schnelle is an authorised representative of licensed dealer group, FYG Planners Pty Ltd. Prior to moving north, he resided in Sydney where he founded and ran a multi-million-dollar publishing and technology company. A financial planner since 2005, Schnelle has an Advanced Diploma in Financial Planning.

Advice structure
With clients straddling all walks of life, spread right across the country, Schnelle offers a full fee-based financial planning service for everyone from high-net-worth investors through to those with little or nothing to invest. Based on the level of complexity, clients pay between $1000 and $6000 for a financial plan, plus an annual fee based on 0.75 per cent of assets under advice.

History
Byron Bay couple Tony and Joy Cunningham gravitated from being casual acquaintances of Schnelle's within the same social circle in 2005 to clients of Schnelle's two years later. Given the communication impasse they had reached when it came to discussing financial matters, the Cunninghams looked to Schnelle for a reality check on their overall financial wellbeing. Having convinced themselves that they would eventually run out of money, the Cunninghams' key concern was when they'd have to sell the family home and start living off the proceeds.

Strategy
Given their yen for the simple life, much of Schnelle's brief from the Cunninghams focused on a "back to basics" insight into their true financial position. Whatever issues needed addressing as a result of Schnelle's fact-finding, his next brief was to recommend solutions that were easy to comprehend, and hassle-free to both implement and maintain.
"The value provided by me as a financial planner was more about acting as a channel through which Tony and Joy could re-establish common ground on financial matters, rather than simply pushing them into different and potentially complex products," says Schnelle.

Meanwhile, with Tony's pension portfolio now worth around $590,000, the allocated pen-

Fees paid to Schnelle: $2800

Family Home: $3.5 million

Value of funds under advice
Pre-Schnelle $500,000
Post-Schnelle $710,000
Change in value: 42.96 per cent

Tony's assets
$650,000 ($588,000 in pension plus car, household items etc)

Joy's assets
$160,000 ($114,000 in pension plus other items)

Income from allocated pension
$28,100 per year
Tony: $23,600 per year
Joy: $375 per month

Any other investments
NIL

Insurances
Nil

Death cover
Nil

sion he's receiving from these funds is supplementing his earnings with an additional $23,600 in annual income.

"We based this income on the broad premise that through their investments the Cunninghams would be able spend around 4 per cent of their net worth indefinitely while maintaining the value of their funds under management," Schnelle says.

While Tony, now 64, has no immediate plans to retire any time soon, Schnelle's next plan is to further supplement his pension by salary sacrificing everything he earns over $35,000 - to reduce his marginal tax rate from 31.5 per cent to 15 per cent. Ideally, he says, Tony would like to increase his contributions to super by around $24,000 and then consolidate these funds within the allocated pension at some future date.

KEEPING IT SIMPLE

Looking back, Joy says the peace of mind they gained from discovering they didn't have to sell the family home gave them a new lease of life. And they didn't feel compelled to buy a rental property as a supplementary income stream.

> 'It's quite confronting to be told … that you can't talk to each other about money'

Meanwhile, the allocated pension means that, as the family's primary breadwinner, Tony no longer feels under as much pressure.

While there were many other options available to the Cunninghams, Schnelle says the option to rollover into allocated pensions was by far the simplest one. And while a self-managed super fund (SMSF) was mooted as a possible option, he concluded that it simply wasn't necessary, especially while plans for an investment property are off the table.

What was critical to delivering a positive outcome for the Cunninghams, adds Schnelle, was that they literally didn't have to do anything demonstrably different. Yet at the time, they were fearful of losing their home and angry with themselves for not knowing who to turn to for help. "Their overall performance is up around 42 per cent, which isn't bad, given the timing," says Schnelle.

SELF EMPOWERMENT

While Schnelle was arguably instrumental in making recommendations, he impressed upon the Cunninghams that any final decisions were theirs to make. And given Joy's experience buying and selling homes, Schnelle concluded that there was nobody better qualified to decide whether to accept an attractive offer on the family home than Joy herself.

In hindsight, Joy says the conscious act of deciding not to sell was extremely empowering, and it made them realise how adept they could be at making major financial decisions with the necessary guidance.

"While we do plan to eventually downsize from our six-acre block, it will be based on opportunity rather than fear," says Joy.

In some curative way, by having to make these decisions themselves, Schnelle says the Cunninghams regained a lost sense of mutual direction - while filling the void created by their inability to communicate on financial matters.

"It's quite confronting to be told by an outsider that you can't talk to each other about money," admits Schnelle. "But it was equally empowering to realise that within Joy they had an absolute expert on property investment right within their home."

Given the lack of detail associated with the solution suggested by Schnelle, Tony says that the real value-add was in the broad advice provided, and less about specific product recommendations.

"The most important thing for us was Christoph's personal touch, especially when compared with the financial institutions we used to frequent that were hell-bent on 'death by pie-chart' analysis," says Tony.

While they didn't recognise it at the time, Schnelle says the best solution for the Cunninghams was always going to be the status quo - albeit on a sounder financial footing.

"Simple it might be, but the plan allows the Cunninghams to stay 'masterful in action' for as long as possible," Schnelle says.

"Joy continues her painting, while Tony continues working, but with a much healthier outlook." ■