



Investing insurance payout for income after passing of a spouse

OVERVIEW

The loss of a loved one is a deeply challenging experience that can have far-reaching emotional and financial implications. This case study delves into the emotional journey of Diane, who, with the support of Sydney Financial Planning, channelled life insurance proceeds from her spouse's passing into investments that not only secured her financial future but also played a pivotal role in her long-term peace of mind and financial well-being.

STARTING POINT

- Diane (49), whose husband passed away unexpectedly, received his life insurance proceeds. She already paid off her mortgage and has approx. \$970,000 remaining.
- After using \$170,000 to complete renovations and taking an overseas holiday, she is unsure how to manage 'leftover funds' of approximately \$800,000.
- The funds are currently sitting in a term deposit, any earned interest is added to her taxable income.
- Diane previously worked on a casual basis as her late husband used to be the primary income earner, she has now become a single parent of three children.
- She knows her current income will not be enough to meet their required living expenses and she's concerned about being forced to go back to work full time, after years of looking after the household.

CLIENT OBJECTIVES

1. Diane wants to find out how to utilise the remaining funds to help her sustain her lifestyle moving forward.
2. Need for an extra income of at least \$600 - \$650 extra per week.
3. Have ability to spend more time with children without having pressure to work long hours and/or worry about future expenses.
4. Earn better returns than term deposit but keep the funds safe.
5. Look for more tax effective way to manage the savings.
6. Flexible investment with option to access the funds if circumstances change.



IDENTIFIED RISKS

1. Current negative real returns (after inflation and taxes).
2. Inability to increase the future income (interest) to offset the increases in the cost of living.
3. Lack of investment experience and being 'in charge' of investment decisions was making her nervous (late partner used to take care of financial matters).
4. Making expensive mistakes while holding volatile investments.

SFP WORK IMPLEMENTED

- Retain some cash reserves
- Provided practical education on investment fundamentals (initial and ongoing)
- Designed a financial blueprint to achieve required regular and flexible income source, with ability to increase to offset future increases in cost of living.
- Invested capital in diversified portfolio of income focused assets, providing regular and stable and tax effective income, with ability to increase to offset future increases in cost of living.
- Invested in highly liquid portfolio, using multi-manager approach.
- Selected to draw desired dividend income of \$650 per week directly into Diane's bank account.
- Preserved the capital and allowed clients to live off the generated income (interest).
- Structured investments via wrap account with quality reporting improving client's confidence
- Managed emotional investment decisions via investor behaviour program to ensure rational investment decisions.



ACHIEVED FINANCIAL OUTCOMES

- Provided Diane a better financial alternative to term deposit.
- Achieved Diane's goal of having a tax effective, regular and stable income.
- Flexibility of income (can be dialed up or down) should her situation change (e.g. if she decides to work full time etc.)
- Generated average passive income of 5.45% per year and reinvested the portion Diane didn't require to draw down.
- Created income with ability to increase, compared to fixed income provided by term deposit.
- Ability to increase income with inflation enabled Diane to sustain lifestyle in the long term

VALUE CREATED



Provided Diane with a lifestyle she desired, with ability to spend more time with children without having pressure to work long hours and/or worry about future expenses.



Created more clarity and confidence in her finances through regular practical guidance.



Increased practical understanding of investment fundamentals (income, growth, risks, volatility etc.) and redirected focus on variables we can control together.



Removed the pressures and fear of running out of money in the long run.



Peace of mind of creating a simple and effective investment vehicle Diane doesn't need to actively manage.



Remain a sounding board for any future financial decisions should her situation change.


ASSUMPTIONS



This Case Study is illustrative only and is not an estimate of the investment returns you will receive or fees and costs you will incur. This Case Study is based on the following assumptions:

- We have assumed that Diane remains invested for the remainder of her life.
- We have not taken into account any fees, costs or tax implications of the strategies in this case study.
- We have assumed that the capital invested would produce an average of 5.45% income over the length of her time invested.
- We have assumed that on average rates of return of term deposits are equal or lower than inflation rates.

GET EXPERT HELP

Speak to one of our financial advisers at Sydney Financial Planning, contact our team to make an appointment to get started.

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advice that stands the test of time