



A gem of a plan

Mark Story discovers how a financial planner helped a successful businesswoman sort out her personal business

If necessity is truly the mother of invention, then it was divorce that led Louise Matthews on a path to personal wealth creation in the early 1990s. Her ex-husband had typically done the investing, so she had no real interest in money matters.

Until this wake-up call, Matthews' only exposure to investing was an annual chat with a commission-based insurance agent about their joint super fund. All that changed when they divided the super fund and the sale proceeds from several jointly-owned jewellery shops in rural NSW, and Matthews set up her own jewellery stores in Tamworth and Gunnedah.

In addition to running the business, she had two young boys to raise single-handedly. Not surprisingly, she recalls being more interested in finding someone she could entrust with financial decisions than in becoming an expert in her own right. She had neither the time nor the interest to be a financial whiz, and to this day still doesn't.

When David Hinwood took over as Matthews' planner in 1995, her sole investment was an investment-linked National Retirement Savings Plan, valued at about \$19,000.

With the businesses delivering good profits, Matthews had little choice but to seek professional

advice about what to do with her retirement fund.

At Hinwood's recommendation, the fund was rolled over into a more modern super product, the AMP-badged version of Asgard. Matthews then proceeded to make monthly contributions and an annual lump sum contribution each June.

DIVERSIFICATION

Having amassed about \$300,000 within this fund by 2003, Hinwood decided to diversify Matthews' portfolio by including a combination of international and domestic funds. Based on her perceived appetite for property, Matthews, at Hinwood's instigation, established a self-managed super fund (SMSF), administered by Adelaide-based Cavendish Superannuation.

One residential rental property was purchased in Tamworth seven years ago, but no properties have been added to the SMSF since.

Matthews' primary goal following her divorce was to protect her two boys, then aged five and eight. The underlying strategy, Hinwood says, started in earnest about six years ago when Matthews started to move profits from the business into super.

"Moving money into a super structure was a way of minimising risk while building an asset for

retirement that was protected against creditors if the business went bad," Hinwood says.

The value of Matthews' SMSF has grown, mainly through additional contributions, to around \$700,000. What also affected Matthews' investment strategy was a decision to retire from the jewellery business, due to the drought in rural NSW having a negative impact on jewellery sales.

Reflecting the value Matthews placed on Hinwood's advice, she asked him to join a professional panel (which also included an accountant and a jewellery expert) charged with reviewing and recommending how to exit a business that was supposed to be her retirement nest egg.

While Matthews was good at marketing the business, Hinwood says she lacked expertise in administration and looked to various experts to fill in the knowledge gaps.

After 18 months of trying to find a buyer, crunch-time came when she was faced with renewing the shop lease. Knowing that she didn't want to renew, and given that tax concessions outweighed potential upside from goodwill, a decision was made to close the business.

SMALL TOWN FACTOR

Hinwood says it's not uncommon for profes-

PORTFOLIO SNAPSHOT

Louise Matthews

Property:

Tamworth, NSW: \$450,000 Purchased in 2002. Doubled in value in five years.
SMSF: \$700,000

Managed Funds

International: AXA Global Equities, Value Fund; Platinum International; Perpetual International Wholesale Share Fund.
Domestic: Portfolio Partners High Growth Share Fund.

Shares

\$125,000

Direct exposure to six ASX-listed shares, including resource stocks, and blue-chip, high-yield stocks such as AXA, AMP and Telstra.

Speculative

Small parcel equity stakes in local, unlisted small businesses.

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years when I needed help as a single mum with a mortgage, two kids and a business to run,” Matthews says.

“Over the years the relationship has gone well beyond investments.”

DABBLING

In addition to her SMSF, Matthews also dabbles in direct investments in ASX-listed shares, which Hinwood administers on her behalf. Matthews cut her teeth on shares during the demutualisation/privatisation era that saw her acquire parcels of stocks in AMP, AXA and Telstra that members of her family were offloading.

While she won't admit to any investment blunders, Matthews has taken minor equity stakes in local firms, much to Hinwood's chagrin. These opportunities surfaced when she was part of a local women's investment club.

Far from being a risk-taker, she views these investments as a way of giving back to the local community.

“Part of identifying your risk profile is working out how much you're prepared to lose,” she says.

“Once there's sufficient diversification, I think everyone should set aside funds they can have some fun with.”

Matthews is now a much more astute investor than she was 17 years ago, and often finds herself reading the business press. But having earned an average 9.96% net return since 1996, she has no interest in questioning Hinwood's advice.

“Based on bottom-line growth I have no qualms about paying a fee for service,” Matthews says.

“I'm also aware that I would have paid considerably more had I engaged a business adviser to help wind-up the business.” ■



THE PLANNER
David Hinwood

*QUBE Financial Planning
Tamworth, NSW*

Hinwood holds a Diploma of Financial Planning from Deacon University and is a Certified Financial Planner (CFP). A former agency manager with AMP, Hinwood took redundancy in 1995 before a stint with the organisation as an adviser. Having lost everything in a failed liquor wholesaling business in 1993, he wanted to help prevent other SMEs from making similar mistakes. It was his interest in platforms, and a desire to get away from branding and commissions, that saw him move to Hillcross two years later. He moved to Charter (AXA) in 1998, re-emerged as a sole trader under the banner of QUBE Financial Planning in 2003, and in 2006 became the first group to join the Magnitude (BT) group.

Advice structure

Keen to deliver the best possible outcome for clients, Hinwood moved to a flat fee-for-service in 2000 based on three levels of service. These range from a basic annual review to a customised premier service.

History

Matthews' portfolio moved into Hinwood's care when her AMP adviser retired in the early 1990s. Hinwood's move to a fee-for-service model in 2000 saw Matthews pay a flat fee of \$2,750 for a twice-yearly review.

Strategy

Given Matthews' age (56), and the revenue stream she's built from consulting since closing the jewellery business, Hinwood won't be recommending allocated annuities until she reaches 60. Integral to Matthews' retirement strategy, Hinwood says, are plans to realise capital gains in her family home, and move into the rental property within the next eight years. Depending on the final wind-up of the business, Matthews will decide what remaining funds move into her SMSF and how much goes into her personal share portfolio. Assuming interest rates continue climbing, Hinwood says he will recommend a rebalancing to overweight defensive assets in Matthews' portfolio.

sional planners to get a lot closer to their clients than would typically be the case in metropolitan Sydney or Melbourne. The by-product is greater client involvement across a broader range of activities.

“The difference between a country practice and a city one is that you're more likely to see clients on the street, at dinner or social functions, so it becomes a relationship beyond purely business,” Hinwood says.

In addition to offering business and financial input, Hinwood has also helped Matthews buy an investment property and a new car. Matthews recalls Hinwood going to great lengths to ensure she understood investment concepts.

“His recommendations were based around risk minimisation, and my confidence with the investment strategies he proposed grew gradually over time,” she says.

Having grown up on a dairy farm, Matthews had a very limited understanding of investing. Beyond land, the only other investment her parents ever talked about were bonds. She concluded that her best investment strategy was to have implicit faith in a planner whom she trusted to provide sound advice.

“I wanted someone to guide me through those