Faculty of Commerce and Economics
School of Banking & Finance

GENC3003
PERSONAL FINANCIAL PLANNING

COURSE OUTLINE
SESSION 2, 2007
CONTENTS

Teaching staff ........................................................................................................................................ 3
  Who is the workshop leader? ........................................................................................................ 3
  When is the workshop time? ........................................................................................................ 3
  How much of the course do I need to attend? ............................................................................. 3
  Where do I get the lecture notes? ............................................................................................... 3
  Who should I contact if I have a question? ................................................................................. 3

Information about the course .......................................................................................................... 4
  What is the aim of the course? ...................................................................................................... 4
  What learning outcomes should I achieve in this course? ......................................................... 4
  Do you have any tips? .................................................................................................................. 4
  What expectations do you have of me? ......................................................................................... 4
  How much time do I need to allocate for this course? ............................................................... 5

Assessment ........................................................................................................................................ 5
  How will the course be assessed? .................................................................................................. 5
  Why have these methods of assessment been chosen? ............................................................... 5
  What are the key assessment dates for my diary? ........................................................................ 5
  What if I am a hopeless procrastinator with assignments? ....................................................... 6
  What if I have a disability or learning difficulty? ....................................................................... 6
  Do any of these assessments require me to use WebCT? ......................................................... 6
  How will I be notified of my results? ........................................................................................... 6

Learning Resources ........................................................................................................................ 6
  What is the prescribed text book for the course? ....................................................................... 6
  Is there a course website? ............................................................................................................ 6

Administration ................................................................................................................................ 7
  Will my situation be kept confidential? ....................................................................................... 7
  Are you giving us financial advice in the workshop? ................................................................. 7
  My finances are in a mess! Can you give me some financial advice? ........................................ 7
  Can you recommend some stocks, managed funds or other products? .................................. 7
  What if I need some advice or help with my study skills? ......................................................... 7
  What if I am facing personal challenges? .................................................................................... 8
  What if I have a disability or learning difficulty? ........................................................................ 8
  How do I apply for Special Consideration? ............................................................................... 8
  What if I need to undertake a Supplementary Examination? ................................................... 9
  What is plagiarism? ...................................................................................................................... 9
  What is Academic Misconduct? ................................................................................................. 10

Appendix ........................................................................................................................................... 11
  Workshop topics and required readings ................................................................................... 11
  Mid-Session Exam (20 marks) ..................................................................................................... 12
  Final Exam (30 marks) ............................................................................................................... 13
  Financial Plan Assignment (50 marks) ....................................................................................... 14
  Data Sheet (2007-08 Rates) ........................................................................................................ 23
TEACHING STAFF

Who is the workshop leader?

<table>
<thead>
<tr>
<th>Name</th>
<th>Consultation</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Hingston</td>
<td>By appointment</td>
<td><a href="mailto:andrew.hingston@unsw.edu.au">andrew.hingston@unsw.edu.au</a></td>
</tr>
</tbody>
</table>

Andrew graduated in 1998 from UNSW with B.Com (First-Class Honours in Finance). He subsequently worked as a financial paraplanner for RetireInvest and then as a financial planner for his own consulting firm. He is currently teaching, performing PhD research and manages a finance and superannuation IT services company.

When is the workshop time?

<table>
<thead>
<tr>
<th>Workshop time</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weeks 1-13</td>
<td>Wednesday 14:00-16:00</td>
</tr>
<tr>
<td>Week 14</td>
<td>Wednesday 14:00-16:00</td>
</tr>
</tbody>
</table>

The course consists of a weekly two-hour workshop. Attendance and participation in this workshop is an important component of the course.

How much of the course do I need to attend?

Your regular and punctual attendance at the weekly workshop is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

Where do I get the lecture notes?

The lecture notes will be available through the WebCT course website a few days before the workshop each week.

Copies of these notes will NOT be provided in class each week so you must download the notes from WebCT yourself.

Who should I contact if I have a question?

1. Carefully read this document to see if your question has already been covered.
2. Ask the workshop leader during the next workshop (if not urgent).
3. Please only email the workshop leader if it is a personal matter or extremely urgent. All other questions should be asked during the workshop.
INFORMATION ABOUT THE COURSE

What is the aim of the course?

To make wise, lifelong financial decisions through practical workshops that empower you to:

• analyse your current situation and needs;
• establish your own financial goals;
• develop a plan for the future; and
• choose appropriate products to achieve that plan;

What learning outcomes should I achieve in this course?

At the conclusion of the course you are expected to be able to:

1. Make a basic 5 year financial plan for yourself;
2. Purchase a house or investment property with greater confidence;
3. Plan your financial independence at age 60 through superannuation;
4. Put a savings plan in place for your anticipated expenses over the next 5 years and invest your saving appropriately;
5. Use insurance correctly to protect yourself against significant risks;
6. Brief a solicitor on how you would like your will to be drafted;
7. Increase your after-tax net income using some basic tax-effective strategies;
8. Regularly track your living expenses and make a budget;
9. Identify some key strategies for family members who are approaching retirement; and
10. Seek professional financial advice without being ripped off.

Do you have any tips?

• Buy the prescribed textbook. It is inexpensive and will be a valuable addition to your personal library. The exams are open textbook and it will be difficult to pass without it.
• Attend every workshop. Some of the things that you will learn in the workshops will prove to be invaluable in future years.
• Read the prescribed chapters before attending each workshop. Make good use of your bus and train trips.

What expectations do you have of me?

We expect you to do the following:

• to arrive on-time to workshops not later than 5 minutes past the hour;
• to behave in an “other-person centred” way during workshops;
• to manage your time and assessments well, submitting them well before the due
dates so that you have time to solve any technical problems that may occur; and

You are expected to conduct yourself with consideration and respect for the needs of
your fellow students and teaching staff. Conduct which unduly disrupts or interferes
with a class, such as ringing or talking on mobile phones, is not acceptable and
students may be asked to leave the class. More information on student conduct is
available at: www.my.unsw.edu.au.

How much time do I need to allocate for this course?

It is expected that you will spend at least five hours per week studying this course.
This time should be made up of reading, research, working on exercises and
problems, performing computer tasks and attending classes. In periods where you
need to complete assignments or prepare for examinations the workload may be
greater.

Over commitment has been a cause of failure for many students. You should take
the required workload into account when planning how to balance study with
employment and other activities.

ASSESSMENT

How will the course be assessed?

<table>
<thead>
<tr>
<th>Assessment type</th>
<th>More info</th>
<th>Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Session Exam (open textbook, multiple-choice, wk 1-6)</td>
<td>Page 13</td>
<td>20</td>
</tr>
<tr>
<td>Final Exam (open textbook, multiple-choice, wk 1-12)</td>
<td>Page 13</td>
<td>30</td>
</tr>
<tr>
<td>Financial Plan Assignment (individual)</td>
<td>Page 14</td>
<td>50</td>
</tr>
</tbody>
</table>

Total 100

Why have these methods of assessment been chosen?

The Final Exam and Mid-session Exam will be open textbook exams consisting of
multiple-choice questions. The goal of these exams is to broadly test whether you
have achieved the various learning outcomes discussed during the workshops. The
Financial Plan Assignment will provide you the opportunity to consider how the
financial planning strategies discussed in workshops apply to your personal
situation and provide you with some basic budgeting and planning skills.

What are the key assessment dates for my diary?

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Week</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Session Exam</td>
<td>Week 7</td>
<td>Wed 5/09/2007</td>
</tr>
<tr>
<td>Expense tracking checkpoint (via WebCT)</td>
<td>Week 7</td>
<td>Fri 7/09/2007</td>
</tr>
<tr>
<td>Final Exam</td>
<td>Week 13</td>
<td>Wed 24/10/2007</td>
</tr>
</tbody>
</table>
What if I am a hopeless procrastinator with assignments?
If you have a history of not submitting assessments on time then you should contact the Counselling Service at UNSW. This service is free and confidential and run by professional counsellors. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contact on 9385 5418.

What if I have a disability or learning difficulty?
Please identify yourself and explain your situation to the workshop leader by the end of week 4 of session. Your situation will be handled with discretion. The workshop leader may organise an alternative form of assessment to suit your individual situation.

Do any of these assessments require me to use WebCT?
Yes. The Financial Plan Assignment must be submitted online via the course WebCT website. You can log into the WebCT system at http://vista.elearning.unsw.edu.au/

How will I be notified of my results?
You can view your results via the “My Grades” section of WebCT. Your marks for each assessment will be uploaded as soon as they are finalised.

Email
The University provides an email account for enrolled students. Official communications regarding this course including notification of assessment times and dates may be sent to student email accounts. You are responsible for checking your official email account. Please note that you can easily divert your official email account to another email account at http://www.disconnect.unsw.edu.au.

LEARNING RESOURCES

What is the prescribed text book for the course?
Paul Clitheroe,
$29.95 from Dymocks and less from the UNSW Bookshop.

Is there a course website?
Yes. The course assessments have a significant online component using WebCT. You can access WebCT using your student number and Unipass by visiting:

http://vista.elearning.unsw.edu.au/

The WebCT website has detailed information and guides to help you make the best use of the various online learning features.
ADMINISTRATION

Will my situation be kept confidential?

Another student may discuss details about their personal financial situation in a workshop. This information is considered private and confidential and should not be discussed outside the workshop time.

The contents of your assignment (discussed below) may be used by the workshop leader for research purposes. However, your details will be kept anonymous to retain your privacy and confidentiality. You should indicate on your spreadsheet assignment on the “Personal” tab if you do not want to be involved in this research.

Are you giving us financial advice in the workshop?

No! The workshop content is of a general nature only. The workshop leader does not know anything about your individual situation and needs. Any financial concepts and strategies discussed in the workshop are for illustration purposes. You should obtain advice from a financial planner before proceeding with any strategies discussed in the workshop.

My finances are in a mess! Can you give me some financial advice?

No! The workshop leader is not able to give financial planning advice in a classroom context. You should contact The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contact on 9385 5418. Alternatively, you can find your nearest financial adviser by visiting the website of the Financial Planning Association of Australia (http://www.fpa.asn.au).

Can you recommend some stocks, managed funds or other products?

No! See the answer to the question above.

What if I need some advice or help with my study skills?

Additional learning support, tailored to the needs of FCE students, is available from the Education Development Unit (EDU) in the Faculty. The EDU offers a range of services for FCE students including:

- academic skills workshops run throughout the session;
- printed and on-line study skills resources e.g. referencing guide, report writing and exam preparation;
- a drop-in resource centre containing books and audio visual material that can be borrowed;
- a limited consultation service for students with individual or small group learning needs.

More information about the EDU services including on-line resources, workshop details and consultation request forms are available from the EDU website.

EDU Web: http://education.fce.unsw.edu.au
EDU Location: Room 2039, Level 2 Quadrangle Building
EDU services are free and confidential and are available to students of the Faculty of Commerce and Economics.

*Other UNSW support*

In addition to the EDU services, the UNSW Learning Centre provides academic skills support services for students. The Learning Centre is located on Level 2 of the Library and can be contacted by Phone: 9385 3890 or through their website: [http://www.lc.unsw.edu.au/](http://www.lc.unsw.edu.au/).

**What if I am facing personal challenges?**

Students experiencing difficult circumstances of an academic or personal nature are encouraged to contact the Counselling Service at UNSW. This service is free and confidential and run by professional counsellors. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contact on 9385 5418.

**What if I have a disability or learning difficulty?**

Please identify yourself and explain your situation to the workshop leader by the end of week 4 of session. Your situation will be handled with discretion. The workshop leader may organise an alternative form of assessment to suit your individual situation.

**How do I apply for Special Consideration?**

UNSW policy and process for Special Consideration is available from the following website: [https://my.unsw.edu.au/student/atoz/SpecialConsideration.html](https://my.unsw.edu.au/student/atoz/SpecialConsideration.html).

Specifically:
- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) - applications will not be accepted by teaching staff;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- Please note: a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

A photocopy of all material supporting an application for special consideration, as lodged with the Registrar, must also be provided to the workshop leader-in-Charge within seven (7) days of any event for which special consideration is sought.

You should be aware that 'minor' ailments are not eligible grounds for special consideration. Any unsubstantiated request for special consideration will be considered to be 'minor'.
You are expected to complete your work in a timely manner so that an illness in the last few days will not jeopardise the submission of your assignment. Such illness will not constitute grounds for special consideration.

**What if I need to undertake a Supplementary Examination?**

Please note the following policy of the Faculty of Commerce and Economics concerning supplementary examinations:

> “the lodging of applications for special consideration does not guarantee that supplementary assessments will be granted. ---- It is the responsibility of the students who apply for special consideration to be available for supplementary assessments during the specified period (holiday plans are not sufficient reason for non-availability).”

Supplementary exams may involve an oral examination as well as the written exam. If a student is granted a supplementary examination but does not attend that supplementary examination, he/she will not be granted further assessment except in exceptional circumstances.

Students are advised that if they are intending to travel overseas at the end of the session/year, they should consider taking out travel insurance which allows supplementary examinations as valid circumstances for canceling travel.

**What is plagiarism?**

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: http://www.lc.unsw.edu.au/plagiarism/index.html

Plagiarism is the presentation of the thoughts or work of another as one’s own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person’s assignment without appropriate acknowledgement;
- paraphrasing another person’s work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.
Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle
† Adapted with kind permission from the University of Melbourne.

What is Academic Misconduct?

Attention is drawn to the following extract from the University of New South Wales Calendar "Procedures":

"Students are reminded that the University regards academic misconduct as a very serious matter. Students found guilty of academic misconduct are usually excluded from the University for two (2) years. Because of the circumstances in individual cases, the period of exclusion can range from one session to permanent exclusion from the University. The following are some of the actions which have resulted in students being found guilty of academic misconduct in recent years:

1. taking unauthorised materials into an examination;
2. submitting work for assessment knowing it to be the work of another person;
3. improperly obtaining prior knowledge of an examination paper and using that knowledge in the examination;
4. failing to acknowledge the source of material in an assignment."

Code of Conduct

While casual conversation related to class material is acceptable, continued distractions caused by one or a group of students will not be tolerated. Such distractions reduce the ability of the workshop leader to deliver material and, furthermore, reduce the ability of students to comprehend the material. This provides for a less-than-optimal learning environment, which is not acceptable.
APPENDIX
Workshop topics and required readings

Workshop notes can be downloaded from the course website one week before the workshop and are removed from the website one week after the workshop.

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Required Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ten Steps to Financial Security</td>
<td>Clitheroe Ch 1</td>
</tr>
<tr>
<td>2</td>
<td>Your Budget&lt;br&gt;Savings&lt;br&gt;Buying Things</td>
<td>Clitheroe Ch 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 4</td>
</tr>
<tr>
<td>3</td>
<td>The Job Market&lt;br&gt;(Guest Lecturer: Carmel Wallington)</td>
<td>Clitheroe Ch 5</td>
</tr>
<tr>
<td>4</td>
<td>Owning a Home&lt;br&gt;Mortgages</td>
<td>Clitheroe Ch 6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 7</td>
</tr>
<tr>
<td>5</td>
<td>Insurance</td>
<td>Clitheroe Ch 8</td>
</tr>
<tr>
<td>6</td>
<td>Superannuation</td>
<td>Clitheroe Ch 9</td>
</tr>
<tr>
<td>7</td>
<td><strong>Mid-Session Exam - 20% (weeks 1 to 6)</strong>&lt;br&gt;Expense tracker checkpoint via WebCT (Friday 11.00pm)</td>
<td>Clitheroe Ch 10</td>
</tr>
<tr>
<td>8</td>
<td>Tax</td>
<td>Clitheroe Ch 11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 14</td>
</tr>
<tr>
<td>9</td>
<td>Ten Keys to Successful Investing&lt;br&gt;Investing in Shares</td>
<td>Clitheroe Ch 12</td>
</tr>
<tr>
<td>10</td>
<td>Managed Funds&lt;br&gt;Interest bearing Investments</td>
<td>Clitheroe Ch 15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 12</td>
</tr>
<tr>
<td>11</td>
<td>High-risk/High-return Investments&lt;br&gt;Investing in Property</td>
<td>Clitheroe Ch 16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 13</td>
</tr>
<tr>
<td>12</td>
<td>Retirement&lt;br&gt;Estate Planning&lt;br&gt;Choosing an adviser</td>
<td>Clitheroe Ch 18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 19</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clitheroe Ch 20</td>
</tr>
<tr>
<td>13</td>
<td><strong>Final Exam – 30% (weeks 1 to 12)</strong></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Computer workshop to work on financial plans&lt;br&gt;Financial Plan Assignment Due – 50% (Friday 11.00pm)</td>
<td></td>
</tr>
</tbody>
</table>
Mid-Session Exam (20 marks)
2.00pm Wednesday 5 September 2007 (Week 7)

- The **objective** of this assessment is to test whether you have achieved the learning outcomes set in workshop weeks 1 to 6.

- The exam will be held at the usual workshop time and place in week 7. The duration of the exam will be 60 minutes. You should arrive 5 minutes early.

- The exam will consist of **30 multiple choice** questions. Each multiple choice question will have five possible solutions. While more than one answer may be partly correct, you are required to select the *most correct* answer. Negative marks will **not** be awarded to incorrect answers.

- The exam will be open textbook. You are permitted to bring the prescribed textbook. You will **not** be permitted to bring any study notes, workshop notes or separate pieces of paper. You are permitted to have post-it notes, highlighting and your own handwriting in the textbook.

- Numerical questions will be based on the tax rates and figures for the current financial year. These are included at the end of this course outline and will be provided with the exam paper.

- The exam will cover all materials from workshops and the prescribed textbook chapters relevant to the learning outcomes expressed in workshop weeks 1 to 6. Less emphasis will be placed on weeks 1 and 2 because they are tested in the Financial Plan Assignment. The specific break-up of questions will be as follows:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ten Steps to Financial Security (Ch 1)</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Your Budget, Savings, Buying Things (Ch 2-4)</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>The Job Market (Ch 5)</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Owning a Home, Mortgages (Ch 6,7)</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Insurance (Chapter 8)</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Superannuation (Chapter 9)</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

- You should bring the following items to the examination: your student card; the prescribed textbook; an ordinary scientific calculator (no phones or pocket computers!); 2B pencil and eraser.

- You will be required to place your bag, books and mobile phone at the front of the examination room for the duration of the examination.

- If you have a special situation or need relating to this assessment then you should notify the workshop leader by email by the end of week 4 of session.

- You will be notified of your results after one week through WebCT.
Final Exam (30 marks)

2.00pm Wednesday 24 October 2007 (Week 13)

- The **objective** of this assessment is to test whether you have achieved the learning outcomes set in workshop weeks 1 to 12.

- The exam will be held at the usual workshop time and place in week 13. The duration of the exam will be 80 minutes. You should arrive 5 minutes early.

- The exam will consist of **40 multiple choice** questions. Each multiple choice question will have five possible solutions. While more than one answer may be partly correct, you are required to select the **most correct** answer. Negative marks will **not** be awarded to incorrect answers.

- The exam will be open textbook. You are permitted to bring the prescribed textbook. You will not be permitted to bring any study notes, workshop notes or separate pieces of paper. You are permitted to have post-it notes, highlighting and your own handwriting in the textbook.

- Numerical questions will be based on the tax rates and figures for the current financial year. These are included at the end of this course outline and will be provided with the exam paper.

- The exam will cover all materials from workshops and the prescribed textbook chapters relevant to the learning outcomes expressed in workshop weeks 1 to 12. Less emphasis will be placed on weeks 1 and 6 because they are tested in the Mid-Session Examination. The specific break-up of questions will be as follows:

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-6</td>
<td>Chapters 1 to 9 (no breakdown given!)</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Tax (Ch 10)</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Successful Investing, Shares (Ch 11,14)</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>Interest bearing, Property (Chapter 12,13)</td>
<td>6</td>
</tr>
<tr>
<td>11</td>
<td>Managed funds, High risk/return (Chapter 15,16)</td>
<td>6</td>
</tr>
<tr>
<td>12</td>
<td>Retirement, Estate Planning, Choosing Advisers (Ch 18-20)</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

- You should bring the following items to the examination: your student card; the prescribed textbook; an ordinary scientific calculator (no phones or pocket computers!); 2B pencil and eraser.

- You will be required to place your bag, books and mobile phone at the front of the examination room for the duration of the examination.

- If you have a special situation or need relating to this assessment then you should notify the workshop leader by email by the end of week 4 of session.

- You will be notified of your results after one week through WebCT.
Financial Plan Assignment (50 marks)

Required to track personal finances for: August and September

Expense tracker checkpoint due: 11.00pm Friday 7 September 2007 (Week 7)
Financial plan assignment due: 11.00pm Friday 2 November 2007 (Week 14)

- The objective of this assessment is for you to practice the skills of tracking your personal expenses and planning your personal finances based on your current situation and needs. Many people have found that the process of tracking their personal expenses for a few months revolutionises their personal financial situation.

- The assignment consists of two components which are both due at the end of week 14. The first component is to track your income and expenses for the month of August and September (25 marks) using an expense tracker spreadsheet provided on the course website. The second component is to create a financial plan that covers both your present situation and your expected situation after graduation (25 marks). Sample financial plans are also provided on the course website. You must submit your completed expense tracker spreadsheet and also a separate financial plan (MS Word or pdf) via the course website before the “Financial Plan Assignment due date” specified above.

- You must also submit your expense tracker spreadsheet via the course website with completed income and expenses for your first month at the “expense tracker checkpoint due date” specified above. No marks are awarded for doing this but 5 marks will be taken away from your final mark if you fail to submit your spreadsheet on this date. The purpose of this submission is to help you stay up-to-date with the entering of your income and expenses!

- This assignment includes a lot of personal information and your privacy will be respected by the Workshop Leader. You may choose to perform the assignment based on your own personal situation or the situation of an anonymous third party (you can also do it on your own situation and say that it is for an anonymous third party). However, you should note that performing the assignment based on a third party is more difficult and will not receive extra marks.

- An Excel “Expense Tracker” spreadsheet will be available on the WebCT course website under the section “Financial Plan Assignment”. You should record your income and expenses in this spreadsheet. If you already track your finances using finance software then you are still required to enter the data into the Excel spreadsheet provided (it is too difficult for me to mark assignments provided in other formats). Unfortunately, the spreadsheet is not compatible with OpenOffice Calc. If you do not have Excel at home, then you can track your expenses using other software (or on paper) and copy and paste the data into the Expense Tracker spreadsheet on a university computer before submission.

- If you are experiencing difficulties submitting via WebCT then you should email your assignment to the Workshop Leader before the due date deadline. You should check to see whether your home computer satisfies the requirements for WebCT vista (which includes installing the latest version of Java!).
• You will be notified of your results in this assessment before the end of the exam period through WebCT.

Financial Plan (25 marks)

• The length of your financial plan should not normally exceed 1000 words and should not be less than 500 words. This word length does not include tables. If you believe that your financial plan will be very helpful to you then you can submit one that is longer than 1000 words (however, no extra marks will be awarded for the additional content).

• Your plan should clearly identify your name and student number at the start of the document.

• Your plan should be divided into the following sections (new for this session so it may not be reflected in sample financial plans provided on website):
  1. **Current situation** – your age, where you reside, study and work status, current assets and liabilities, income and your current expenses (from expense-tracker), insurance, wills etc.
  2. **Goals and objectives** – a list of short, medium and long-term life and financial goals that are specific, measurable and achievable. It is preferable to set dates for each of your goals.
  3. **Financial strategy** – a list of general strategies for achieving your life and financial goals including discussion about income, expenses, investments, superannuation, insurance and estate planning. You should also include the names of specific products that you have decided to use. This is the most important part of your financial plan and should go into some depth about how you plan to achieve your objectives.
  4. **Reducing expenses** – identify some specific options to reduce your total living expenses by ten percent.
  5. **Budget** – your planned average monthly expenses (by category) for the next year. Also, a separate budget for after graduation (you may need to make assumptions about your situation at that point in time).
  6. **Plan of Action** – a specific list of tasks to implement your strategy with deadline dates for them to be achieved. This is like a “task list” that you can put up on the refrigerator for implementing your chosen strategies. Strategies tend to be more general while “actions” are what you specifically plan to do. This section is much shorter than the financial strategy section. If a financial strategy is to start a savings plan and save 10% of your income in order to achieve your savings goal of $30,000 in 4 years then the action plan item would be to obtain the application forms and send them (and also provide a date by which you plan to do it).

• Some sample financial plans are provided at the course website as a guide to an appropriate length, format, content and writing style. Please note that the six sections outlined above are new for this session and so previous financial plans will be laid out differently and have slightly different content. If you copy the content of the sample financial plan then you will be awarded a fail grade for this assignment.

• Marks will be awarded for the following attributes:
1. **Correctness** – The plan correctly applies the materials covered in the course to your individual financial situation and demonstrates an accurate perception of your situation and needs and a course of action consistent with the financial wisdom covered in the textbook and course notes.

2. **Conciseness** – The plan is written concisely, does not “waffle on” and is formatted clearly (use bullet points!).

3. **Compelling** – The plan is interesting to read, is attractively formatted and clearly identifies a clear, specific and compelling action plan.
   - Your plan should include objectives for while you are studying at university *and* objectives for post-graduation. You should use your judgment concerning which of these to focus on. If you are a first-year student living in a rented flat then you should focus more on financial goals while at university. If you are in your final year or have very little control over your financial situation while at university (for example, you are at College and spend very little) then you should focus more on your post-graduation situation and goals.
   - Please write concisely and format your document clearly. Bullet-point format is both permitted and preferred!
   - You should submit your financial plan as a Microsoft Word 2003 formatted document or PDF file via the WebCT Financial Plan Assignment page before the deadline (see above).

*Income and Expense Tracking*

- You are required to monitor your personal finances for the two months identified at the start of these assignment instructions.
- Some instructions for completing the spreadsheet are included at the end of this section on page 19.
- You must record your income and expenses for the first month, enter your information into the “Personal” tab and also answer the first two questions on the “Questions” tab and submit your spreadsheet via WebCT before the expense tracker checkpoint deadline.
- You should then continue entering your second month of data in the *same* spreadsheet, complete the remaining questions on the “Questions” tab and submit the completed spreadsheet via WebCT before the “Financial Plan Assignment” due deadline.
- You are responsible for entering your income and expenses into the spreadsheet early in case you experience technical difficulties.
- The Excel spreadsheet is not compatible with OpenOffice Calc (it does not seem to be compatible with Excel’s Data Validation and PivotTable Reports). If you do not have a copy of Excel on your home computer then you can record your details in OpenOffice Calc or other software (or on paper) then copy them into Excel on a university computer before submission.
- The spreadsheet must be submitted in Microsoft Excel 2003 format.
Cash versus Accrued expenses

- You are required to record expenses even if you did not actually pay for them in cash during the respective months. This is called “Accrual Accounting”. The idea is that an expense is incurred when you derive the benefit from something. This may actually occur at a separate time from when you actually pay for it.

- If you have significant annual or quarterly expenses then you should break that expenses into a “monthly amount” and record it on the first of each month as an “Accrued Expense”. For example, if you paid $600 for car insurance for the year in January, you should record $50 on the first day of the two months over which you are tracking expenses. You should select “Accrued” under the “Method” column of the spreadsheet.

- For quarterly bills it is usually best to record the expense as applying to the next three months rather than the previous three months (divide it by three). While this is not realistic, it can make tracking expenses much easier because you are not surprised by bills received after the end of the month that apply retrospectively for the last three months!!! The same principle can be applied to monthly bills (record it for the current or next month even though it relates to the previous month).

- If you pay for a large expense during either of your two months (like a holiday) then you may like to not record the full expense under that month. You may prefer to record an accrued figure spread out over a number of months. For example, I usually accrue any holiday expenses over 6 months.

- Accrual accounting has the effect of smoothing out monthly expenses while not letting you forget that they have occurred (i.e. spend a lot last month and then also spend a lot this month). It makes budgeting much easier and also gives you a better indication of whether your have earned more than you have spent in a given month.

For those people who live with their family

- This assignment is obviously much easier for people who still live at home because your parents are subsidising your true cost of living.

- You should pretend that you are “flatting” with your parents as “flat-mates” and that you are sharing all costs.

- The goal of this exercise is to help you understand how much it would cost if you were to move out of home and pay for these things yourself.

- You should assume that you are renting your room off your parents (either $120 per week or 1% of the market value of the house per year if you want to be more exact). This is an “accrued” cost of “renting” your share of the house from your parents who either own the home themselves or pay rent for it on your behalf.

- You should also find out all the bills that your parents pay from which you derive a benefit including contents insurance, electricity, water, telephone, internet, Foxtel and any other applicable bills. You don’t need to worry about strata fees, mortgage payments or any other fee that would usually be paid by a landlord and would be reflected in your rent (landlords do not pay for water, electricity etc!). If there are four people in the house then allocated 25% of the bill...
to yourself or whatever you believe is a “fair” proportion that you would pay with “flatmates”.

- You should enter the above expenses as “accrued” rather than “cash” because you don’t actually pay for them yourself in cash.

- Remember that for quarterly bills it is usually best to record it as applying to the subsequent three months rather than the previous three months to which it actually applies. See the note on this above.

- If you use the family car then you should also research to find out the costs of running the car and include an appropriate percentage to you based on your usage.

- Obviously, you will find that the above expenses will probably significantly exceed your income resulting in a loss. You should add up all these expenses for which your parents do not make you pay and enter one “accrued” transaction at the end of the month as “Income – Family money”. Remember to give them a big hug when you find out how much this is!!! ☺

College Students

- College fees for rent, food, electricity, internet, telephone and other bills are often bundled together into one college fee.

- It is acceptable for College students to enter one expense (College fee) that covers all of these bills. You will score higher marks if you do research and break up this bundled fee into amounts for electricity, telephone, internet etc based on the costs that are paid by students who are flatting (with a residual “college fee” amount reflecting the total monthly college fee less all these expenses).

- If your parents pay for your college fees then you should record the amount they pay as an “Income – Family money”.

Instructions for using the spreadsheet

- If you have never used Excel before then you may like to get a friend to show you the basics or go through the basic tutorials provided by Microsoft at:
  

- Download the spreadsheet from the course website under the “Financial Plan Assignment” section. Save it somewhere on your hard disk. Try not to use files from a floppy disk because they can easily become corrupted.

- Open the file using Microsoft Excel. A warning may appear saying that there are Macros in the spreadsheet. Please choose “Enable Macros” otherwise the spreadsheet won’t work properly.

- **Troubleshooting note:** The dates may be displayed incorrectly in your spreadsheet if you have failed to change the regional settings on your home computer to Australia. In Windows XP, go to Control Panel … Regional and Language options … then change the region to “Australia” and the language to be “English (Australia)”. 
• The spreadsheet is not compatible with OpenOffice Calc. You are welcome to enter your expenses into this application but you must copy and paste the data into MS Excel on a university computer before submitting it on WebCT.

**Personal Tab**

The first page that you come to should look something like this.

Please enter your details into the fields provided.

You can move between the fields using the <tab> key on the keyboard.

Some fields only allow you to make a selection from a drop down list. These fields have a down arrow next to them when you select the field (like the one in the picture). Use your mouse to select an option.

Notes appear when you click on some fields to give you more information.

The final question asks whether you will permit your anonymous data to be included in some research into spending patterns.

You can move in between the different pages by selecting the “Tabs” at the bottom of the page with your mouse.
Data Tab

This is where you enter your income and expenses.

Please do not leave blank lines! You must put an entry on each line otherwise it breaks the summary report!

Start by entering the date. Select a category and subcategory from the drop-down box.

Select a method depending on whether you paid by cash, credit, Eftpos or whether it is an accrued expense.

Enter the amount. Expenses should include a minus sign. Income figures should be positive and will be coloured blue.

Enter a brief description to help you remember what it was.

Report Tab

Do not click on this tab if you have any incomplete lines in your Data sheet or if any rows are incomplete since it may break the report. If you break the report then download a new spreadsheet from the website and then copy and paste your transaction data into it.

You can change or reveal things by clicking on the down arrows.

You can show and hide detail by clicking on the button. You get a summary when you hide details:
Questions Tab

There are some brief questions for you to answer on the Questions Tab. You should complete these before your final submission.

The questions only need one paragraph answers. Excel is not a word processor … do don’t try to write anything too long!

If you want to start a new line or paragraph then press <Alt> and <Enter> keys at the same time when typing your text.

The lines should expand to match the length of your answer.
## Data Sheet (2007-08 Rates)

**Resident income tax rates**

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $6,000</td>
<td>Nil</td>
</tr>
<tr>
<td>$6,001 - $30,000</td>
<td>Nil + 15% of each dollar over $6,000</td>
</tr>
<tr>
<td>$30,001 - $75,000</td>
<td>$3,600 + 30% of each dollar over $30,000</td>
</tr>
<tr>
<td>$75,001 - $150,000</td>
<td>$17,100 + 40% of each dollar over $75,000</td>
</tr>
<tr>
<td>$150,001 &amp; over</td>
<td>$47,100 + 45% of each dollar over $150,000</td>
</tr>
</tbody>
</table>

**plus Medicare Levy**

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $16,740</td>
<td>Nil</td>
</tr>
<tr>
<td>$16,740 - $19,694</td>
<td>20% of the difference between your taxable income and $16,740</td>
</tr>
<tr>
<td>$19,694 and over</td>
<td>1.5% of your taxable income</td>
</tr>
</tbody>
</table>

**plus Medicare Levy Surchage (if applicable)**

Individuals and families on higher incomes, who do not have private patient hospital cover for themselves and all of their dependants (including their spouse if they have one), may be liable to pay a 1% MLS for any period during the income year.

<table>
<thead>
<tr>
<th>Situation</th>
<th>Income threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$50,000</td>
</tr>
<tr>
<td>Family with 0-1 children</td>
<td>$100,000 total for family</td>
</tr>
<tr>
<td>2+</td>
<td>Add $1500 for each dependant child after the first one.</td>
</tr>
</tbody>
</table>

**Plus HECS repayments**

<table>
<thead>
<tr>
<th>HRI</th>
<th>Repayment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $39,825</td>
<td>Nil</td>
</tr>
<tr>
<td>$39,825-$44,360</td>
<td>4% of HRI</td>
</tr>
<tr>
<td>$44,361-$48,896</td>
<td>4.5% of HRI</td>
</tr>
<tr>
<td>$48,897-$51,466</td>
<td>5% of HRI</td>
</tr>
<tr>
<td>$51,467-$55,322</td>
<td>5.5% of HRI</td>
</tr>
<tr>
<td>$55,323-$59,915</td>
<td>6% of HRI</td>
</tr>
<tr>
<td>$59,916-$63,068</td>
<td>6.5% of HRI</td>
</tr>
<tr>
<td>$63,069-$69,405</td>
<td>7% of HRI</td>
</tr>
<tr>
<td>$69,406-$73,959</td>
<td>7.5% of HRI</td>
</tr>
<tr>
<td>$73,960 and above</td>
<td>8%</td>
</tr>
</tbody>
</table>

*HRI* = Taxable income plus any net rental losses, total reportable fringe benefits amounts and exempt foreign employment income.

### Superannuation employer contributions

<table>
<thead>
<tr>
<th>SGC</th>
<th>9% of salary</th>
</tr>
</thead>
</table>

The following people may not receive SGC:

- Part-time employees aged below 18 working less than 30 hours per week.
- Employees who earn less than $450 per month from the employer.
- Any employee aged 70 years or older.
- Casual employees who work outside ordinary hours.
- Contractors or self-employed people.

### Tax rates for employer contributions going into superannuation

| Tax rate | 15% |

### Superannuation Co-contribution

<table>
<thead>
<tr>
<th>Lower income threshold</th>
<th>$28,000 + indexed to inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper income threshold</td>
<td>$58,000 + indexed to inflation</td>
</tr>
</tbody>
</table>

$1.50 for every $1 contributed into your superannuation fund as a personal contribution (undeducted contribution) to a maximum of $1500 per year. The maximum of $1500 per year is reduced by 5c for every dollar of total income over $28,000. You must be a PAYG earner and lodge a tax return turn to get the co-contribution.

### Tax rates for withdrawing taxed superannuation

Superannuation can be withdrawn tax free from 1 July 2007 if you are aged 60 or over and are have permanently retired so ignore the discussion in the textbook.

### Maximum superannuation contributions per year

$50,000 in employer and salary sacrifice contributions taxed at 15% with balance taxed at top marginal rate. There is now a limit on undeducted contributions of $450,000 over any three year period after 1 July 2007.

Reasonable Benefits Limit (RBL)

These will be abolished from 1 July 2007 so ignore the discussion in the textbook.