AdviceOS
MultiGoal Training Manual

August 2022

Midwinter Financial Services

Contents

Overview

MultiGoal is a goal optimisation tool that determines the degree to which a client can achieve their goals based on two factors:

1. their current financial situation, and
2. the priority they place against each goal

As the client's current financial situation is set, MultiGoal will allow users to focus on refining client's goals: assessing the impact of prioritising each goal and editing goals to present the best possible outcome.

The tool is designed to be used in front of clients as part of an educational and consultative discussion.

Goals that can currently be reviewed and prioritised include:

- Retirement saving
- Loan repayment
- Future home loan
- Holiday, car and other short-term expenses
- Risk protection
- Maintaining a cash buffer

MultiGoal can therefore be used to support discussion around questions including:

- Should the client save for retirement or payout their loan first?
- Can the client afford to go on a holiday if they want to be debt free by age 50?
- What impact does the cost of insurance premiums have on the client's ability to achieve other goals?
- Can the client comfortably retire at 60 rather than 65?

Most importantly, MultiGoal can solve the question around where a client should direct their surplus cashflow each year to best achieve their financial goals.

Accessing MultiGoal

To open MultiGoal, navigate to the *Advice Concepts* menu and select *MultiGoal*:
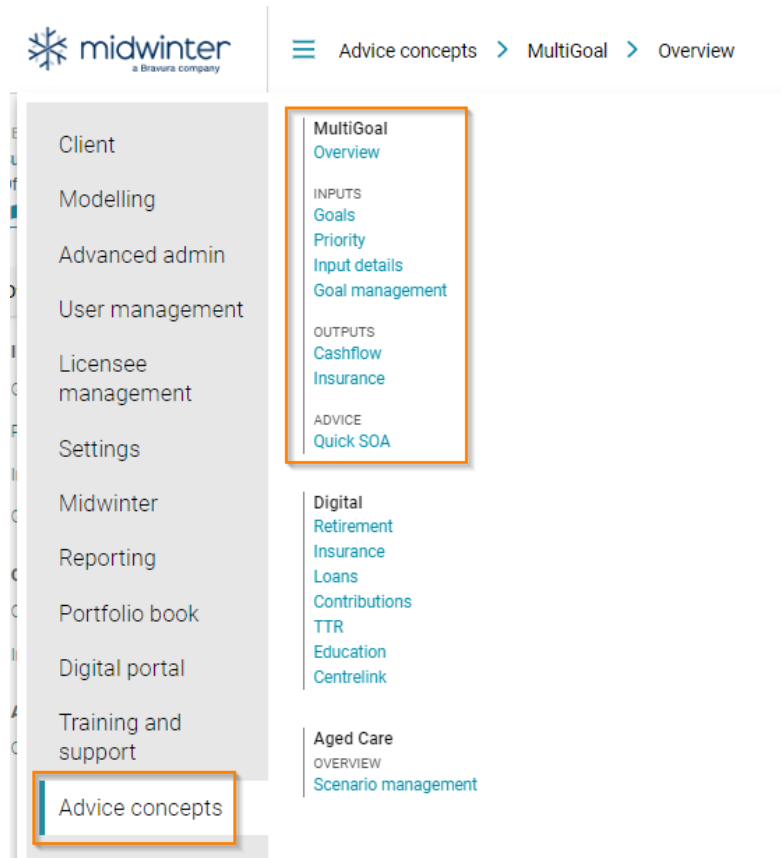
MultiGoal Philosophy

MultiGoal uses high level financial information to quickly provide strategic direction to a client. It is not concerned with what product(s) they select, so can be used either as a standalone diagnostic tool or as a basis for more detailed advice incorporating other strategies or products, once goal priorities have been discussed and clarified.

To generate the output, an algorithm runs through iterative calculations each year to determine:

- How much capital is required to progress each goal
- The distribution of surplus cashflow through each of the goals in order of their priority
- The end year position of each goal to form the basis of the calculation for the next year

It is therefore important that each goal is identified for the calculation to run effectively.

High level overview

The process flow to obtain a result in MultiGoal is as follows:

1. Add goals that the client wants to achieve
2. Enter some basic information regarding the client's current finances
3. On presentation of the goal attainment screen, prioritise the goals
4. Re-adjust the goals to optimise the goal outcome.
5. Adjust settings to fine tune the result
6. Follow the cashflow recommendations – noting when to start directing cashflow towards each goal.

What does attainment mean?

The "attainment" of a goal means different things depending on the goal but is uniformly expressed as a percentage and shows how close the client comes to meeting their goals:
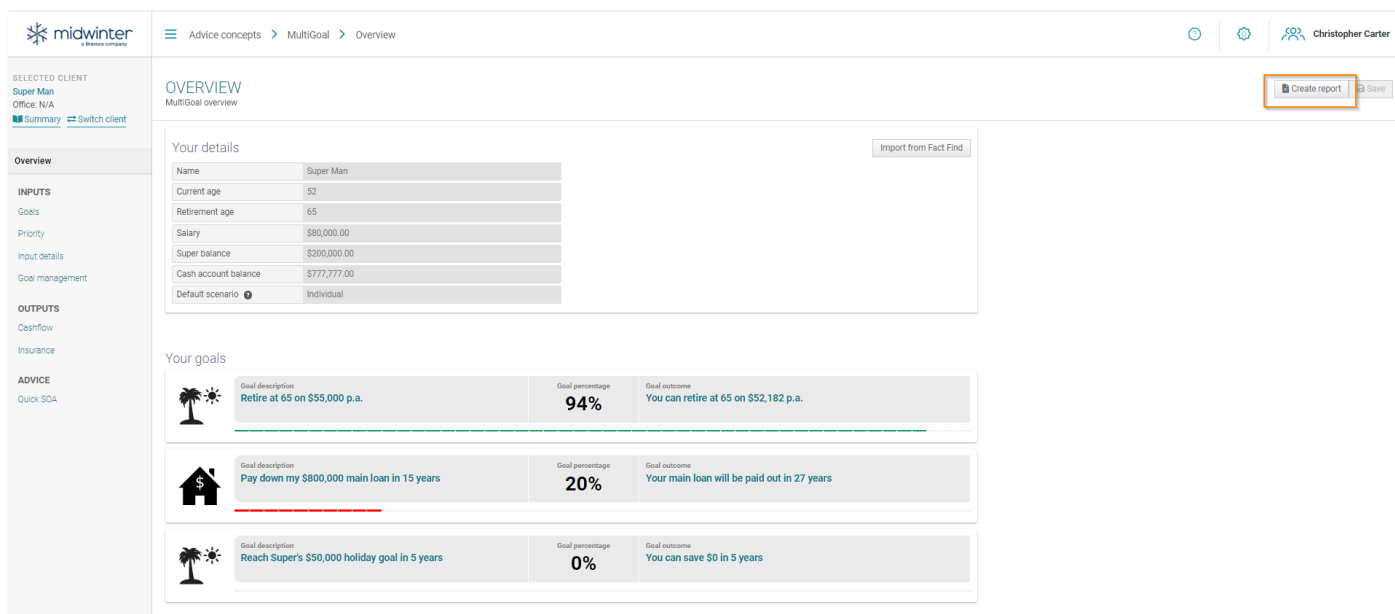
- Retirement goals
  - The proportion of target retirement income the client can maintain to life expectancy.
  - For example, if a client aims to retire on $100,000 p.a. and achieves savings to fund a retirement income of $80,000 p.a., they will attain 80% of this goal.
- Home loan repayment
  - The extent to which the client achieves their target loan repayment compared to the target date.
  - For example, if a client's loan has a term of 10 years, they target repayment in 5 years but only repay it within 6 years, they will attain 80% of this goal ((10-6) / (10-5)).
- Future home loan
  - The extent to which the client can achieve both their deposit goal and their repayment goal.
- Investment goals
  - The proportion of the target amount that the client achieves by the specified date.
  - For example, if a client aims to save $10,000 in 5 years' time and achieves savings of $8,000, they will attain 80% of this goal.

- Insurance goals
  - The proportion of time until retirement that a client can maintain their insurance premium expenses.
  - For example, if a client has 10 years to retirement and can maintain Life and TPD cover for 10 years but can only afford Income Protection and Trauma cover for 3 years, they will attain 65% of this goal (cover achieved for 26 years / (4 cover types * 10 years)).
- Cash buffer goals
  - The proportion of time until retirement that a client maintains their specified cash buffer.
  - For example, if a client has 10 years to retirement and can maintain their specified cash buffer at for 6 of those years, they will attain 60% of this goal.

The Overview Screen

This screen is an entry point to MultiGoal:

- Information relating to the user's active client will appear on screen.
- To change the client, search and select a new one.
- In instances where client information may have been updated, the user can click "Import from Fact Find" to populate new data.
- If a MultiGoal scenario has previously been entered, a summary of goals and their attainability will be presented as well (this will not appear on the users first run through for each client).
- A user can generate an advice document from this screen by clicking the 'Create MultiGoal SOA' button. Note that a more configurable SOA can be generated from the Quick SOA page.

Goals

On the Goals page the user can:

- Toggle goals on or off to suit the client situation.
- Enter the client's desired income in retirement in today's dollars.
- The home loan goal and the future home goal cannot be selected in the same scenario. Switch off one to select the other.
- A cash buffer goal is only available for pre-retirees.
- For insurance, options of low, medium and standard are available for selection:
    - Low – home loan only, no income cover
    - Medium – cover debts and half income
    - Standard – cover debts and all income.
- The Settings button on the insurance screen allows the user to configure specific insurance settings. For information on the default assumptions refer to the assumptions section of this guide.
- The user can add multiple investment goals. To configure these further, expand each investment goal to specify factors including the risk profile (which will determine the assumed rate of return), starting balance and fees. Checking "use cash account" will mean that any existing investments are not used to fund this goal.

Input Details

The input page allows the user to adjust fact find information and configure the strategy:

- Enter key financial information – note that superannuation and cash balances should each represent the consolidated amount saved.
- Add multiple loans:
  - Note that only the main loan can be targeted for optimised repayment.
  - For the loan term, users should use the maximum term rather than the term based on current repayments.
- Existing investment plans will be kept in place and used to fund investment goals. Any savings amount added will continue outside of goal optimisation so if the user would like to consider whether the client is best placed to continue this savings plan in the short term, do not note ongoing savings here.
- If the user retains insurance, note the level retained for each type of cover. The calculated needs will be reduced by this amount.
- Any existing contributions can be noted. Anything entered here will continue rather than being included in the client's surplus for optimisation.
- Once the above fields have been completed, add in the client's living expenses so that MultiGoal can calculate the annual surplus. Make sure to exclude tax, loan repayments, insurance, savings, and contribution plans as these have already been calculated based on previous inputs.
- Specify any purchases. These are non-negotiable purchases that will impact cashflow but do not form part of the optimization function.
- Surplus Allocation: In some situations (particularly as the client nears retirement) a client may have run out of places to direct their surplus cashflow. The user can specify where this surplus is directed in the absence of other goals.

Goal Management

The Goal Management Page will initially load all goals in a default order.

- As users discuss client priorities, the user can drag and drop goals to match their client's preferences and to find the optimal outcome.
- Edit goals by clicking the pencil.
- The 'Goal settings' button allows the reorder of goals in the same way as the drag and drop function.
- The user can change key assumptions by clicking on 'Advanced settings'. Some important settings that can affect client outcomes include the use of a TTR, access to Centrelink and pre and post-retirement risk profiles.
- The 'average surplus used' metric can be helpful to identify where cashflow has not been used and there may be potential to further improve the user's client scenario. Used in conjunction with the charts, this will help the user to identify where goals may be reprioritised.
- The 'Extra Surplus p.a.' field allows the user to explore the impact of reducing living expenses to make more surplus cashflow available.

Further notes about prioritising goals:

Note that a goal will not generally exceed 100%; the calculation engine is designed to move towards another goal once enough money has been saved. However, sometimes moving a goal to the top of the list will improve client outcomes of many goals based on your optimal use of cashflow.

Risk management is an important way of protecting a client's strategy – the user can use the reordering of goals to demonstrate how securing a strategy may not need to come at the expense of short-term goal attainment.

The user can use the pencil to edit goals including the target and timeframe for recalculation to consider how to balance out the client's objectives.

The Surplus Chart

The surplus chart will show the user where the surplus is distributed each year to best achieve the client's goals. It will change over time, with savings towards some goals commencing later in the projection, or not at all.

Insurance

Insurance needs are calculated in the background. The Insurance page provides both the needs analysis calculations as well as an average premium calculation to determine the impact of premiums on the client's cashflow.
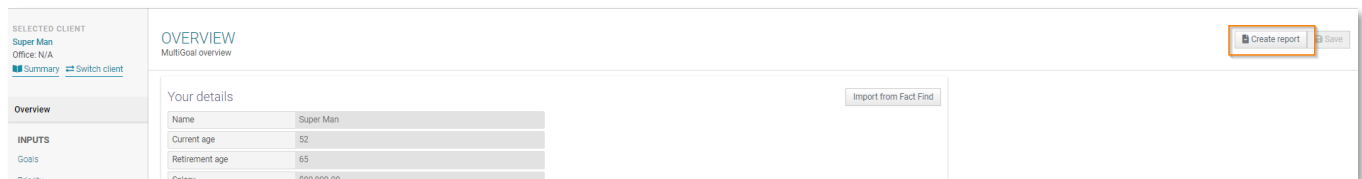
Cover level chart

Low — Medium — Standard
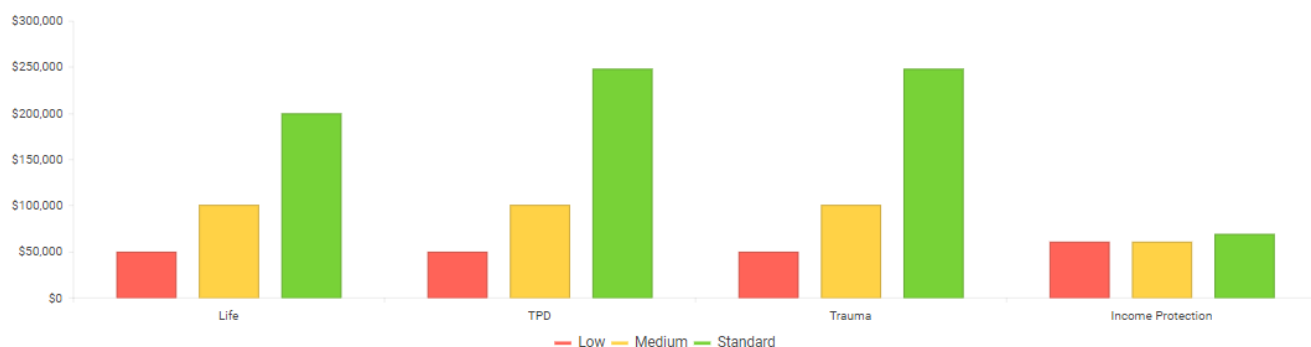
Cover amount details

		Selected insurance level	Standard

	Life	TPD	Trauma	Income Protection
Asset	-$977,777	-$977,777	-$977,777	n/a
Debt	$800,000	$800,000	$800,000	n/a
Living cost	$0	$266,037	$266,037	$68,400
Education cost	$30,000	$30,000	$30,000	n/a
Funeral cost	$10,000	$0	$0	n/a
Medical cost	$0	$50,000	$50,000	n/a
Family cost	$40,000	$40,000	$40,000	n/a
Sundry cost	$40,000	$40,000	$40,000	n/a
Total cover required	-$57,777	$248,260	$248,260	$68,400
Existing cover	$0	$0	$0	$0
Minimum cover adjustment	$257,777	$0	$0	$0
Total cover recommended	$200,000	$248,260	$248,260	$68,400

Generating a document

There are several points at which the user can create a report within MultiGoal:

- Overview: the 'Create MultiGoal SOA' button will generate an advice document from either the Midwinter template or a template that the user has customised themselves.
- Quick SOA: the user can generate an SOA from the final page on MultiGoal. This page allows users to customise the document to a greater extent, using PlanBuilder inputs.

Assumptions

These are some of the example assumptions which are made for the calculations. However, they may vary within the actual system. Some of the assumptions can be overridden by the user or by the system.

Insurance benefits and premiums
- Death, Terminal Illness and TPD cover have been rounded to increments of $1,000.
- Income Protection cover has been rounded to increments of $100.
- Premiums are an approximate industry average which are indicative only.

Cost of living
- All values are represented as 'present' value, meaning they are discounted by the inflation rate. This can be overridden in ***Goal Management > Advanced Settings.***

Income
- Salary is before tax, super or any other deductions.
- Salary grows based on AWOTE.

Centrelink benefits
- Age Pension entitlements are excluded by default but can be switched on in ***Goal Management > Advanced Settings.***
- No other Centrelink entitlements are available.

Investment returns
- Investment returns are based on risk profile as set in Goal Management > Advanced Settings unless otherwise set.

Fees
- Investment, contribution, administration or adviser fees have not been included in returns unless otherwise set.

Retirement
- By default that a TTR is not used. This can be changed in ***Goal Management > Advanced Settings.***
- Retirement begins on the last day of the financial year in which the client reaches retirement age.
- Superannuation is the only source of capital used to fund an account-based pension.
- If a Super balance exceeds the transfer balance cap, the amount under the cap is rolled to an account-based pension and the remainder in is retained in super.

Super contributions
- Super guarantee contributions are paid at a rate of 10.5% pa on the client's salary.
- Between 1 July 2022 and 1 July 2025, the percent of salary paid into Super will increase by 0.5% pa until it reaches 12% pa.

Loan repayments
- Repayments include both principle and interest components.
- The interest rate remains the same for the life of the loan.