

# Policy: Affordability of Expenditure

## Purpose

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To provide trustee service staff, customers, and the key contact persons with clear concise advice that demonstrates the consequences and affordability of significant one-off expenditure. The advice forms the basis that allows informed decisions to be made, while knowing the likely impact on the customer's ongoing financial position.

Financial planning advice is provided to customers in a statement of advice that is compliant with Australian and Investment Securities Commission and industry best practice.

Trustee Services provides information on a customer's total expenditure needs. Financial Planning provides advice that includes the one-off expenditure showing the impact on the customer's financial assets over the assumed life expectancy.

The process entails determining the level of expenditure that is sustainable for the customer.

This may also result in Financial Planning identifying the potential for the early depletion of financial assets. This can then enable discussion and the early adoption of strategies or actions that minimise the risk and consequential disruption to the customer's future lifestyle. These disruptions may cause changes to future care and accommodation arrangements.

This policy also provides advice and the strategy for when a customer moves into an aged care facility to meet age care fees such as:

- Refundable Accommodation Deposit (RAD)
- Daily Accommodation Payment (DAP) or Refundable Accommodation Contribution (RAC)
- Daily Accommodation Contribution (DAC).

In this circumstance, the sale or lease of a customer's property also requires consideration.

It also avoids uninformed expenditure decisions, reducing the risk of not achieving an optimal financial outcome in managing the customer's financial assets while under a Financial Management Order (FMO).

Informed expenditure decisions are likely to provide the customer with a better quality of life from their available income and assets, when compared to the likely outcomes from uninformed decisions.

## Policy Statement

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NSW Trustee & Guardian financial planners provide advice to trustee services staff as to the affordability and impact of significant expenditure requested by or on behalf of the customer.

- 1 Financial Planning provides trustee services, customers, and key contact person with advice on the affordability of proposed significant one-off expenditure and the impact on the customer's ongoing financial position.
- 2 Financial Planning advice is recorded and contained in a Statement of Advice located in TRIM. The Statement of Advice states the customer circumstances, assesses the expenditure request, considers budget expenses, possible taxation implications, Centrelink entitlements, demonstrates the likely outcomes and provides support or recommendations.

- 3 Providing there is no significant change in the customer's circumstances, financial planning advice is valid for 12 months. Significant changes may include the increase to the expenditure proposed, value of financial assets, healthcare costs, or accommodation.
- 4 Where the one-off expenditure has not occurred, the commencement of the next budget period provides the trustee officer and customer the opportunity to confirm that the proposed one-off expenditure and budget is consistent with financial planning advice.
- 5 Any significant change in the customer's circumstance or where the trustee officer has a concern prior to one-off expenditure decision, warrants a referral to Financial Planning to review and confirm the advice.
- 6 Financial planning advice is not valid after 12 months and any support or recommendation provided for a one-off expenditure lapse. New advice is therefore sought if required.
- 7 When notified by trustee services of a significant change to a customer's circumstance or needs, financial planning reviews, updates, or confirms that the previous advice remains appropriate.
- 8 To assess the affordability of a motor vehicle, lifestyle asset, or real estate purchase, financial planners include not only the one-off capital expense but also any related ongoing annual expense. For instance, these on-going expenses may include council rates, strata fees, utilities, insurance, registration, running costs, repairs and maintenance.
- 9 Where the expenditure request is for a lifestyle asset, including motor vehicles, financial planners consider and allow for the replacement and potential cost increases over the customer's lifetime unless stated otherwise.
- 10 For the purchase of real estate, financial planning advice will state the purchase price and associated purchase costs. It will also list provisions made for repairs and renovations, furniture and furnishings, removalists, cleaners, and short-term accommodation expenses, that provides a total dollar amount supported as affordable.
- 11 An affordable expense is defined as:  
Given the customer's current circumstances and expectations, the financial assets remaining are enough to meet the expected on-going budget expenditure over the customer's lifetime.
- 12 Where one-off expenditure is not affordable (as defined), then to facilitate clarity in trustee staff decisions and their communications to customers, financial planners may support the expenditure. In these instances, the financial planner is required to demonstrate the likely financial impact, such as the time when budget expenses may need to reduce to the level of the Centrelink pension, when the sale of a residence is required, or a level of sustainable expenditure.
- 13 Affordability requests related to the health and well-being of the customer, including medical equipment, medical aids, and care costs are generally supported with the financial impact demonstrated by the financial planner. This allows informed decision making by trustee staff.
- 14 Expenditure is not affordable or supported by financial planners where the expenditure is not essential, the budget is not sustainable, or serious or critical depletion is identified.
- 15 When financial planners identify the level of expenditure is not sustainable and there is probable early depletion of funds, trustee services and the customer are notified.

## Scope

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- Trustee Services
- Property Branch
- Legal & Specialist Services

## Legislative context

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- [NSW Trustee and Guardian Act 2009](#)
- [Human Services \(Centrelink\) Act 1997](#)

## Definitions

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<b>AFSL</b>	Australian Financial Services Licence
<b>ASIC</b>	Australian Securities and Investment Commission
<b>Trustee officer</b>	Staff within Trustee Services
<b>DAC</b>	Daily Accommodation Contribution
<b>DAP</b>	Daily Accommodation Payment
<b>Financial assets</b>	Cash and Investments that are readily sold and converted to cash
<b>FMO</b>	Financial Management Order
<b>RAD</b>	Refundable Accommodation Deposit
<b>RAC</b>	Refundable Accommodation Contribution
<b>SoA</b>	Statement of Advice provided to customer or key contact
<b>TRIM</b>	means the records management computer application used by to record the creation, movement, management and disposal of corporate and customer records

## Document information

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<b>Title:</b>	Affordability of Expenditure Policy
<b>Owner:</b>	Senior Manager, Financial Planning
<b>Approver:</b>	Legal & Professional Services
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