


Permanent Sabbatical: *It's Academic*

Creating options for private sector academics to work less or retire early comfortably.



"I can either respond to my fears or to a reasoned logical account of my circumstances" – Ben (English Teacher)



Table of Contents

Executive Summary	2
The Issues	3
The Blackboard Jungle	3
It's a Vocation, not an Occupation	4
Beyond the treadmill	5
The Search for "Advice"	6
The Solution	8
Case Study	9
Personal Wealth Adviser (PWA)	10
Choosing VERVE as Your PWA	10
About the Author	11
About VERVE financial partners	11
Disclaimer	12

Executive Summary

In 2008 **VERVE** financial partners performed research into the financial well-being of private sector academics.

Their findings revealed the following common themes and challenges:

Many academics lead busy lives and do not adequately plan for financial independence.

The mental and physical demands of teaching combined with increased levels of administration make it important that academics are in a position to consider retirement or working less at 60 years of age.

Although incomes are less than their scholastic equals in the business sector many private sector academics are attracted to their work by vocational factors. They enjoy stable employment that is rarely impacted by economic downturns and earn above average incomes from an early age.

Private sector academics display a tendency to tailor lifestyles to their incomes. This provides significant opportunities for those aged over 45 to alter behavior and improve their ability to consider early retirement.

Traditionally financial advice has been provided in group situations such as seminar presentations by superannuation funds. Seminars have lacked relevance as many of the case studies used do not reflect the real life circumstances of private sector academics.

Academics are intelligent and appreciate autonomous advice that is delivered in a clear and concise manner. Many that have previously sought personal advice from a financial planner have been disappointed with the experience.

A Personal Wealth Adviser can establish an integrated, tailored approach to financial advice. The use of a fee for service model (rather than commission) means that fees are charged only for the services required.

The Issues

In 2008 **VERVE** financial partners interviewed a range of working and retired private sector academics to uncover their financial DNA.

Detailed below are some of the most common themes and financial challenges.

The Blackboard Jungle

Increased administration, daily work routines, after school curricula activities and personal commitments leave many private school academics little time to focus on their finances.

“All you hear about teachers is 16 weeks holiday a year. But it's very much a stop go existence. When you are there you really have no time to do much apart from pay the bills that have to be paid” – Robert (Head of Dept)

By neglecting financial matters academics may not be adequately addressing many wealth management issues. This can compromise their long-term financial well being.

“Most people are so dedicated to the job they don't really think about it much. I never thought about money until I had to retire” – Martin (Deputy H.M – retired)

It may mean that it takes more years of hard work to achieve financial independence than it should.

Sometimes financial independence is not achieved at all.

“I know of one teacher who never thought about retirement and it burnt him. He didn't have much and he is a fairly miserable person as a result” – Martin (Deputy H.M – retired)

It's a Vocation not an Occupation

Most private sector academics are passionate about their special field of knowledge and do not seek or have time to become financial experts. Many have turned their backs on higher paid opportunities outside of the education sector to pursue their vocation.

"Most teachers of my generation are teachers because they have a passion for some particular aspect of the curriculum"
– Robert (Head of Dept)

Structural changes in the sector have led to better pay and the creation of administrative roles within different departments. However additional demands and dealing with bureaucracy can detract from the reasons for becoming an academic.

"The administration detracts from the real reasons we are teachers. You therefore think how much longer do I want to do this for?" – Robert (Head of Dept)

Because of their educational specialisation and workloads they do not seek – or have the time – to become financial experts.

"I teach English not economics" – Ben (English Teacher)

Although not paid highly compared to people with similar qualifications in the business sector, private sector academics earn stable, above average incomes from a young age. Periods of unemployment brought about by economic downturns are rare.

Beyond the Treadmill

A timetable existence combined with student demands result in many teachers seeking to retire early.

'Teachers tend to think that kids get a bit harder as you get over the 55-60 mark. Kids can be a bit cruel. So you really need to retire early, or at least retire early from full time teaching'
– Martin (Deputy H.M – retired)

"I'm hoping that I can finish when I'm 60. I think it's very important to go out before you look as though you've gone past your use by date" – Robert (Head of Dept)

An ageing workforce will probably result in many private sector schools offering more flexible working arrangements in an effort to combat staff shortages in the next 5 years.

There will be opportunities for those who prepare properly to work less without compromising their lifestyle.

The Search for “Advice”

VERVE's research showed that many secondary school academics do not tend to seek specialised advice until they are seriously considering retirement.

“I sought advice 5 years before I retired and I thought then I should have done it 10 years earlier, perhaps more than that”
– Graham (Head of Dept – retired)

Few have a plan that incorporates retirement or working less in the future.

“People need to be aware of the warning signs. You need to renew and review to make sure you end up with a decent retirement. Most people just leave it, they treat it very lightly”
– Martin (Deputy H.M – retired)

Most advice tends to be of a general nature and provided by representatives of various superannuation funds.

Group seminar presentations often do not reflect realistic assumptions about private sector secondary school academics.

“The presentations are nice and well organised but they virtually tell you nothing. Nothing more than you could get from just reading a brochure” – Susan (Head of Dept)

When personal meetings have been conducted advisers have lacked the necessary skills and/or experience to relate to their audience.

“Very rarely do you find anyone who says “I've got a good financial advisor”
– Susan (Head of Dept)

Academics are intelligent, articulate and curious. Our research shows that they appreciate answers that are specific, clear of jargon and related to them.

However professional advice needs to be sought with sufficient time for any recommendations to have a material impact.

Ability to Control Retirement Plans



Most academics have indicated they would like to be in a position to consider retirement at 60 years of age. They should therefore seek advice in their late 40's to early 50's. It is during this period that academics can implement changes to their strategy that will have a material impact on their retirement date.

The Solution

Although there is skepticism about the value of personal financial advice private sector academics can benefit significantly by seeking professional tailored advice whilst continuing to work.

Workplace seminars have lacked relevance to their audience. Many of the presenters/advisers do not have the necessary skills to deal with their audience in group or individual meetings.

“The big industry fund presents regularly however some people want more detail and more service than they are getting”
– Martin (Deputy H.M – retired)

There is a realisation that due to their remuneration structure private sector academics need to be disciplined with their money and realistic about their retirement options.

A timetable existence however leaves little time to consider their position and seek advice about what is the most appropriate course of action to take in order to achieve their financial and lifestyle objectives.

They need a Personal Wealth Adviser (PWA).

A PWA is a highly qualified and experienced professional who is orientated towards their clients.

Working for professional fees their interest is in building long, mutually-rewarding relationships with clients whose wealth expands over time.

A PWA will assess their client's current position and provide guidance and benchmarks as to what is required in order to achieve their objectives. The PWA will regularly review the strategy and hold their client accountable for achieving their goals.

Case Study (based on a real life example)

David is employed as a Departmental Head in a private sector school in Sydney.

He is 55 years old, single and wants to consider retirement at 60 years of age.

David's salary package is \$107,000 per annum.

In the past David has found it hard to do much long term planning – mainly due to the demands of his position and when he did find time he found it difficult to work with the advisers he was referred to. David had secure cashflow, a variety of investments including superannuation and a mortgage. He was about to receive a sum of money from a close relative.

Some questions were raised regarding David's financial wellbeing.

“Will I have enough money by the time I'm 60 to retire?”

“Should I be paying off my mortgage?”

“Should I be putting more into superannuation?”

“What happens if I can't work for a period of time?”

“What do I do if my relative needs their money back?”

“How much do I want to leave for future estate beneficiaries?”

“What happens if I lack the physical or mental capacity to act for myself?”

Taking a former colleague's advice, David set up a meeting with a personal PWA to find answers and solutions to his questions.

To help him, the PWA:

1. Undertook a discovery process to find out David's attitude to money.
2. Confirmed his financial goals which included being financially independent by age 60
3. Undertook an analysis to confirm that with some direction setting and discipline David would be in a position to consider retirement in 5 years.
4. Recommended some changes to his strategy that will result in over \$16,000 per annum of benefits.

It does not end there.

David has since discussed his salary package arrangements with his PWA who made recommendations and will continue to monitor his progress towards his objectives.

David has laid the foundation for a successful financial future. He has answers to his questions, but more importantly, he has a PWA he can turn to and who will work with him through whatever financial issues life throws at him.

Personal Wealth Adviser

A Personal Wealth Adviser will offer a variety of benefits, including:

1. Project management – managing a team of experts while remaining focused on what is in your long term interests.
2. Discipline – helping you avoid wealth damaging biases and behavioral traits.
3. Longevity – they will be there for the long haul. The relationship between you and your PWA is ongoing and built on trust.
4. A deep understanding of your core values, goals and objectives

Choosing *VERVE* as Your Personal Wealth Adviser

Your choice of PWA is critical. You need to be comfortable delegating to them wealth management issues that directly affect your personal security and that of your family.

At *VERVE*, we will provide:

1. Strong relationships with other professionals such as accountants, insurance experts and estate planning lawyers.
2. A comprehensive understanding of the specific needs of private sector academics.
3. Client focus by limiting client numbers. This allows time to build a sound relationship, understand what is important to you and add significant value.
4. An alignment of interests by charging a fee for service rather than being commission based.

We find education professionals lack the time or desire to be confidently on top of their financial lives. They cannot always be confident their efforts are producing the right results. As their principal contact, they can trust us to lead them to considered decisions in all their financial matters.

About The Author

Bill Murray is a director of **VERVE** financial partners. His goal is to help clients use their wealth to achieve their most important life goals. He specialises in helping private sector academics.

Bill is a Certified Financial Planner, a status that requires comprehensive knowledge and continuing education. He has a Bachelor of Business Degree and is a Certified Practising Accountants.

He is a member of the Financial Planning Association and has been advising clients on financial independence for more than 20 years.

About **VERVE** financial partners

VERVE financial partners is a boutique firm with offices in Bondi Junction and Burwood. The number of clients is limited in order to ensure a high level of personalised attention and direct access to each partner's expertise.

Clients include private sector academics, professionals and high net worth individuals.

VERVE financial partners

Tower 2 Suite 1802
Level 18,
Corner Grafton & Grosvenor Streets
Bondi Junction NSW 2022

T: (02) 8362 2900

E: reception@vfpbondi.com.au

W: www.vervefp.com.au

Do you want to know more about the unique issues facing private sector academics and how to achieve long-term financial success?

VERVE financial partners would be happy to discuss your specific situation with you and help you work towards true financial independence.

DISCLAIMER

Material contained in this publication is a summary only and is based on information believed to be reliable and received from sources within the market. It is not the intention of **VERVE financial partners Pty. Ltd.** (ABN 821 12508728 AFSL 240687) that this publication be used as the primary source of readers' information but as an adjunct to their own resources and training. No representation is given, warranty made or responsibility taken as to the accuracy, timeliness or completeness of any information or recommendation contained in this publication and **VERVE financial partners Pty. Ltd.** will not be liable to the reader in contract or tort (including for negligence) or otherwise for any loss or damage arising as a result of the reader relying on any such information or recommendation (except insofar as any statutory liability cannot be excluded). This publication has been prepared for general information and not having regard to any particular person's investment objectives, financial situation or needs. Accordingly, no recommendation (express or implied) or other information should be acted on without obtaining specific advice from an authorised representative. Past performance is not indicative of future performance. For legal and taxation matters, we recommend you seek advice from a suitably qualified professional.

Disclosure:

In the event of any person subscribing for any financial services referred to in this publication, such subscription may result in **VERVE financial partners Pty. Ltd.** receiving a fee, commission or other benefit or advantage. Precise details of any such benefits can be obtained from **VERVE financial partners Pty. Ltd.** who are authorised representatives of SECURITOR Financial Group Ltd ABN 48 009 189 495 AFSL240687