

Strategy advice: Midwinter's *Gearing Manager* module

Why has Midwinter developed *Gearing Manager*?

Gearing Manager has been developed in direct response to the following current issues:

1. The Global Financial Crisis - The GFC has had an adverse affect on virtually all investors, but none more so than leveraged investors. *Gearing Manager* assists advisers with clients in margin call territory or in the buffer zone above their maximum LVR now.
2. The Storm Financial debacle – Combined with the downturn in markets, Storm highlighted the need for industry parameters around safe or appropriate levels of debt, and the obvious lack of, or need for quality product-specific gearing advice software; and
3. Margin Lending regulation - To pre-empt regulation of Margin Lending under the Corporations Act – as recently announced by Treasurer Nick Sherry. *Gearing Manager* enables financial advisers to immediately satisfy their imminent Margin Lending reasonable basis requirements (under section 945A) and additional requirements where providing product replacement advice (under section 947D).

What types of clients will *Gearing Manager* assist?

- *Gearing Manager* is specifically designed for the following main types of Mum & Dad investors:
 1. ***Clients in margin call now or above their maximum LVR*** – *Gearing Manager* will provide solutions to get your client back below either their maximum LVR or a targeted LVR (set by the financial advice practice or the dealer group licensee);
 2. ***Existing margin loan investors who are worried about their gearing position*** – *Gearing Manager* enables advisers to simply highlight the risks of margin lending to their clients and to provide clear analysis of the impact of a market downturn. It also enables both financial advice practices and dealer group licensees to provide 'appropriate LVR parameters' both at the margin lending level and total gearing level.
 3. ***New margin loan investors*** - *Gearing Manager* enables advisers to simply highlight the risks of margin lending to their clients and to provide clear analysis of the impact of a market downturn. It also enables both financial advice practices and dealer group licensees to provide 'appropriate LVR parameters' both at the margin lending level and total gearing level.

What margin lending solutions are provided by *Gearing Manager*?

- *Gearing Manager* provides advisers with four solutions to either return the client to below their maximum LVR or a targeted LVR (set by the practice or dealer group) or to avoid a margin call situation. These are:
 1. Cash – the cash injection required to reduce the loan back to either the maximum LRV or targeted LVR, or the amount of cash that can be withdrawn before there is a margin call;
 2. Performance – the immediate increase in performance required by the assets being used as security to return the client to their intended position;
 3. Increasing asset security - Increasing assets used as security against margin loan;
 4. Reducing loan - Decreasing loan amount by selling off security assets.

Product-specific gearing advice

- *Gearing Manager* leverages Midwinter's enviable data and research team who provide quantitative research on the major Margin Lending providers, their current approved product lists (APLs) and loan-to-value ratios (LVRs). This means the adviser can choose the underlying Margin Lender and actual underlying investments to enable *Gearing Manager* to determine the client's current maximum LVR, total LVR and the solutions required to return to their intended position.
- Margin lending products covered by Midwinter's *Gearing Manager* include ANZ, BT, Colonial, CommSec, Leveraged Equities, Macquarie, NAB, St George and Suncorp.

Total Debt Management

- Gearing Manager enables financial advisers to not only understand the client's margin lending gearing position but to also manage the client's total debt position. This is especially useful for those clients who are double geared – that is, have borrowed against existing equity to invest and then entered a margin loan against that investment.
- Debt Management analysis allows financial advisers to look at the margin loan combined with other gearing strategies, including rental property and other investment loans.

Dealer Group Benefits

- BDMs, Compliance and Operations Managers from dealer groups, platforms or fund managers whose financial adviser clients should all be accessing Midwinter's Reasonable Basis – *Gearing Manager*.

Contact Details

Midwinter Financial Services Pty Ltd
Level 11, 99 Elizabeth St
Sydney NSW 2000
www.midwinter.com.au
info@midwinter.com.au
Tollfree 1300 882 938
ACN 121 020 620

To access your free trial of Midwinter's *Reasonable Basis* please click on this link – [Reasonable Basis Free Trial](#) - and call 1300 882 938 for your access code.

This is intended as general advice only and does not have regard to an investor's objectives, financial situation or needs. Before acting, investors should consider the advice in light of their own circumstances. Midwinter Financial Services (Midwinter)

ABN 94 610 697 565, AFSL No. 300688 has endeavoured to ensure that the information contained in this communication is accurate, but to the maximum extent permitted by the Law, disclaims all liability for errors or omissions.

All superannuation and taxation information is based on our understanding, and the continuation, of current taxation and superannuation legislation. The case studies included have been created to illustrate a specific concept only.

Justifying
your advice just
got a whole lot
easier with...

 reasonable basis