

Harts Financial Solutions Glossary of Terms

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Success in life often leads to financial complexity. Over time, you become connected to a range of advisers - accountants, stockbrokers, bankers and lawyers - each making vital contributions to your wealth management. However, without a well considered, over-arching plan, these inputs can be uncoordinated, leading to inefficiency, turbulence and risk.

Harts Financial Solutions starts with a clear strategy to strengthen, grow and protect your financial position. Once we have developed an effective action plan, we become the single, central collaboration point for all inputs in the service of your wealth management.

We stand beside you, actively guiding but not controlling your wealth management strategy. We maximise efficiencies, manage risks and ensure seamless collaboration with your other advisers.

We apply a robust science to your personal wealth management, giving you the confidence to concentrate on what started building your wealth in the first place.

Let Harts Financial Solutions help you take command.

Consider us your Private Wealth Pilot.

Glossary of Terms

Harts Financial Solutions Pty Ltd

(ABN 36 128 904 521)

Authorised Representative (AR 321342)
& Credit Representative (CR 416309) of

Harts Financial Group Pty Ltd

(ABN 80 128 903 962)

Combined Australian Financial Services
& Credit Licence (AFS&CL 324390)

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Glossary of Terms

A

Actively Managed Investments	Investments managed by professional investment managers who seek superior returns to an appropriate benchmark index by a combination of stock picking, market timing and tactical asset allocation decisions.
Analysis	A study conducted where each aspect of a client's financial position and the supporting client data is analysed and interrelationships between these aspects are studied.
Asset	The resources owned by a company, fund or individual. Cash, investments, money due, materials and inventories are called current assets; buildings and machinery are known as fixed assets; and patents and goodwill are known as intangible assets. Opposite of Liabilities.
Assets (defensive)	See 'defensive assets'.
Assets (growth)	See 'growth assets'.
Asset allocation	The process of selecting and weighting assets within an investment portfolio.
'At Risk' growth assets	See 'growth assets'.
Australian Securities & Investment Commission (ASIC)	The Commonwealth Government body responsible for regulation of companies and the securities and futures industries under the Corporations Law.
Authorised Representative	An individual who works for an Australian Financial Services license holder and is authorised to provide you with financial advice.
Available Cash	Is determined by subtracting net one-off bank account debits from a client's current cash holdings. This is calculated as part of the Liquidity Analysis. See 'Liquidity Position'.
Available Loan Redraw (ALR)	The amount of unused borrowings that a client currently has available through existing borrowing facilities.
Available Security	Are assets available to be used as security for the purposes of obtaining borrowings from a third-party financier.

B

Bank Cashflow (BC)	Is the sum of ongoing total inflows less total outflows from a client's bank account/s over the next 12-month period.
Benchmark	A standard against which the performance of various analyses is measured.
Beneficiary	A beneficiary is someone who has an entitlement to an asset, either immediately or in the future, such as under the terms of a will or a trust.
Benefit period	The benefit period is the length of time during which an Income Protection benefit is paid.
Blue chip	The shares of a leading company which is known for excellent management and a strong financial structure. The term has become a generic one for quality securities.
Borrowing capacity (unused)	See 'Available Loan Redraw'.
Borrowing capacity (maximum)	Is the maximum amount of borrowings that may be obtained given a client's Available Security.
Business asset	Assets which are owned by business entities. May include stock, equipment, goodwill and/or bank/loan accounts.

C

Capitalising of interest/costs	Is the process of using borrowed funds to pay for interest costs (or other costs). May be voluntary or where cashflow is insufficient or unavailable.
Capital gain/loss	An increase (or decrease) in the value of an asset.
Capital gain/loss (realised)	Where an asset has increased (or decreased) in value and has been subjected to a Capital Gains Tax Event (e.g. sold).
Capital gain/loss (unrealised)	Where an asset has increased (or decreased) in value and has not been subject to a Capital Gains Tax Event (e.g. sold).
Capital Gains Tax (CGT)	A tax on the increase in the capital value of investments, payable when the capital gain is realised. Certain concessions may be available so that increases that are due to inflation are not taxed as well. The taxation regime also allows current or previous year capital losses to be offset against current or future year capital gains.
Capital Risk	The risk of losing all or part of your capital.
Capital Risk (lower parameter)	A client's Capital Risk (lower parameter) is set at a \$ level based upon our estimate of the coinciding maximum volatility (i.e. Capital Risk Factor) of all growth assets during a typical ten year cycle.
Capital Risk (upper parameter)	A client's Capital Risk (upper parameter) is set at a level based upon our estimate of the coinciding maximum volatility (i.e. Capital Risk Factor) of all growth assets in a once in a lifetime, event such as the Global Financial Crisis of 2008 or the Great Depression of the 1920 and 30s. This calculation is based on a multiple of 2x the Capital Risk Factor which is then applied to the client's 'At Risk' growth assets.
Capital Risk Benchmark	Is expressed as a percentage loss of a client's Net Asset Position which they are willing to incur upon the occurrence of a relatively significant reduction in value of their 'At Risk' growth assets. The percentage used is specific to a client's Investment Risk Profile.
Capital Risk Factor	This factor is applied to each growth asset and is equivalent to the potential maximum reduction in that asset corresponding to a 'one in ten year' market correction.
Cashflow Limit (Lower)	Is the lower benchmark/limit calculated in a client's Cashflow Analysis. This limit is calculated by reducing the Upper Cashflow Limit by a specific amount. This amount is calculated as a percentage of Available Loan Redraw, Available Cash and Liquid Asset Coverage. The percentage used is specific to a client's Investment Risk Profile.
Cashflow Limit (Upper)	Is the upper benchmark/limit calculated in a client's Cashflow Analysis. This limit is calculated as a percentage of a client's variable personal exertion income and a percentage increase in interest above current interest rates on all loans held. The percentages used are specific to a client's Investment Risk Profile.
Cashflow Position	Relates to the overall cashflows of the client and their group of entities, calculated under the Cashflow Analysis. It is referred to as a client's Net Saving Capacity. See 'Net Saving Capacity'.
Client Attitude and Risk Profile (CARP)	This is the risk profiling tool used to identify a client's Investment Risk Profile. Through the identification of a client's attitudes to risk and financial concerns an Investment Risk Profile may be identified and is then used to establish the benchmarks for each of the financial analyses comprising of a client's Risk Management Matrix. See 'Risk Management Matrix'.
Client Fact Find	A series of documents used to collect a client's personal and financial details during the Client Fact Finding Consultation process. Their purpose is to ensure that we have a comprehensive understanding of a client's current financial position, attitudes to risk and financial concerns, goals and objectives.

Client Service Agreement (CSA)	This document details the fee structure and provides an estimate of fees for the provision of specific professional services, the scope of work to be completed and any other matters that require a client's confirmation. Refer to Initial Engagement Proposal and Ongoing Engagement Proposal .
Client Workbench (HUB24)	The HUB24 Client Workbench is a dedicated on-line support service for investors through the HUB24 Portfolio Service. It provides access to resources and provides support to investors to keep them informed on their investments.
Constitution	A document that governs the internal management of a company.
Corporate Actions	When a publicly-traded company issues a corporate action, it is initiating a process that will bring actual change to its stock (e.g. stock splits, dividends, mergers etc).
Corporations Law	A series of Acts of the Commonwealth Parliament regulating companies and the securities and futures industries in Australia. The Corporations Law is administered by the Australian Securities & Investment Commission (ASIC).
Critical Illness Insurance	A lump sum payment paid in the event that one or more critical illnesses specified in the terms of the policy are suffered, such as cancer, a heart attack or stroke.
Custodian	A financial institution that holds securities for safe-keeping on behalf of its customers, under a custodial agreement.
- Sub-Custodian	A financial institution employed by a Custodian to act as its agent, who is engaged to perform the custodial duties of the Custodian.

D

Death benefit nomination (binding)	A beneficiary nomination that is made on a superannuation account which is binding upon the superannuation trustee.
Death benefit nomination (non-binding)	A beneficiary nomination that is made on a superannuation account which is not binding on the superannuation trustee. The superannuation trustee may make its own determination as to who will receive the superannuation death benefit.
Death cover	See 'Life Insurance'.
Debt	An amount of money borrowed from a third party.
Debt to Equity Ratio	A measure of an individual's financial leverage calculated by dividing total liabilities by total assets. It indicates what proportion of equity and debt the individual is using to acquire their assets.
Defensive assets	Assets which seek returns that are predominantly income producing rather than capital in nature (i.e. capital growth).
Dependants	Dependants for tax purposes are a spouse, a de facto, children under 18 and anyone else who is financially dependent at the relevant date. Dependants for superannuation purposes are a spouse, a de facto, children of any age (whether an adopted, step-child or ex-nuptial child or not) and anyone else who is financially dependent at the time.
Distribution	A payment generally made from a trust structure. This payment may comprise of both tangible and non-tangible amounts and/or taxable and non-taxable amounts.
Diversification	The spreading of investment funds among asset classes in order to distribute and control risk. This is a fundamental law of investment, meaning simply 'don't put all your eggs in one basket'.
Dividend	The amount of a company's earnings which it pays to shareholders.
Dividend imputation	A tax rule under which the tax paid at the company level is credited to individual shareholders. With imputation, if the company has paid company tax, the dividends an individual may receive carry a tax credit which can be offset against their total tax liability.

Dividend (fully franked)	Dividends on shares with imputation credits attached. A company is able to declare that a percentage (up to 100%) of a dividend is franked depending on the amount of tax the company has already paid. If a company pays the full company tax rate, the dividends are fully franked. See 'dividend imputation'.
Dividend (partially franked)	A dividend that has an incomplete/partial imputation credit attached. See 'dividend imputation'.
Dividend (unfranked)	Share dividends paid by companies which are not subject to Australian tax or paid by Australian companies which don't, (but before the introduction of dividend imputation in 1986). Recipients of unfranked dividends are subject to tax at their normal marginal rate. See 'dividend imputation'.
Dividend yield	The return on a share investment, calculated by dividing the dividend rate (in cents per share) by the market price of the share.

E

Effective tax rate	Is the flat rate of tax paid on each dollar of income received. Sometimes referred to as 'average tax rate'.
Estate	Upon death, most assets of the deceased become part of their estate. The exceptions are superannuation benefits payable to dependants, assets held as a joint tenant, assets held in trust, and life insurance policies owned by others, which are subject to special treatments.
Exchange rate risk	The risk that a business' operations or an investment's value will be affected by changes in exchange rates.
Executor	This is the person appointed in a Will to distribute estate assets to beneficiaries. To do so, they must apply to a court for a grant of probate. The Will provides them with the instructions they need to make the distribution in accordance with the deceased's wishes. In the event of death where a Will has not been prepared, or if the Will that is prepared is invalid, the deceased is said to have died intestate. In that case someone, usually a person with some interest in the estate, will apply to the court for letters of administration. That gives the official approval to act as administrator and to deal with the assets of the estate as set out in legislation.
Explanatory Brochure (EB) (HUB24)	An important document that provides potential investors with information about HUB24's Portfolio Service. It is designed to assist potential investors in deciding whether to use the HUB24 Portfolio Service.

F

Family trust	The term family trust refers to a discretionary trust set up to hold a family's assets or to conduct a family business. Generally, they are established for asset protection or tax purposes.
Financial product	A financial product includes any of the following: interests in a managed investment scheme, derivatives, general insurance, life insurance, superannuation, basic deposit products and retirement savings accounts. For some purposes shares and debentures are also classed as financial products.
Financial Services & Credit Guide (FSCG)	A client must be given an FSCG by an Australian Financial Services and Credit licence holder or its Authorised Representative before they receive a financial service. In time critical cases, the services may be provided immediately and the FSCG must then be provided within 5 days. The FSCG explains the nature of financial services being offered, the fees charged and how the person providing the service deals with customer complaints.

Financial Review

A part of the Advice Process that facilitates a deep understanding of a client's current situation and identifies key issues & consequences, opportunities & threats, risks & benefits relating to their specific financial situation. It enables a client to better understand the risks and opportunities relevant to their financial situation so that you are able to make better and more informed decisions.

G

Gearing	a) A measure of indebtedness; i.e. the extent of borrowings as against the equity held by a person or company in an asset. b) The ability to increase exposure by investing in futures without making the underlying cash available. See also Leverage.
Gearing (positive)	See 'positive gearing'.
Gearing (negative)	See 'negative gearing'.
Growth assets	Assets which seek returns that are predominantly capital in nature (i.e. capital growth) rather than income producing.
Guardianship nomination	A nomination made within a Will to identify who is to become the guardian of any children (under 18 years of age) in the event that their parents predecease them.

H

HUB24	The Provider of the HUB24 Portfolio Service.
HUB24 Portfolio Service (MDA Service)	Is an advanced trading and reporting systems that enables investors to benefit from cost effective executions and management of trades within the guidelines of a professionally managed Non-Unitised Portfolio. It operates as a Managed Discretionary Account (i.e. a MDA Service).

I

Income Protection Insurance	Provides for up to 75% of income to be paid in the event of being temporarily unable to work due to injury or illness. Payments cease upon the earlier of the claimant returning to work or the pre-defined policy benefit period coming to an end. See 'benefit period'.
Investment Risk Profile	Is a preset profile which best represents a client's attitudes to risk, financial concerns, and tolerance to risk. A client's identified profile is used in setting benchmarks for the various analyses conducted during the Financial Review stage of the Advice Process.
Illiquid assets	The state of an asset that cannot easily be sold or exchanged for cash without a substantial loss in value. Illiquid assets also cannot be sold quickly because of a lack of ready and willing buyers to purchase the asset.
Imputation credit	Taxation credits which are passed on to shareholders who have received franked dividends in relation to their shareholdings. See also 'dividend imputation' and/or 'dividends (franked)'.
Initial Engagement Proposal	A proposal which outlines the proposed initial engagement work and cost. If accepted, this represents the initial Client Service Agreement .
Inflation	An increase in the level of prices of goods and services in the economy. It is typically measured by examining a basket of goods and services, e.g. by the Consumer Price Index.

In-specie transfers	An in-specie transfer is the distribution of assets in their present form, rather than selling the assets and distributing the net proceeds from that sale.
Investment Program (HUB24)	Will describe the nature and scope of the discretions that an investor will authorise their financial adviser or MDA Operator to exercise and any investment strategy that is to be applied in exercising those discretions. It may also contain information about any significant risks associated with the HUB24 Portfolio Service and the MDA Contract.

J

K

L

Leverage	a) A synonym for gearing (e.g. using derivative investments to over-invest a portfolio); or b) The use of an asset as security for a borrowing. See also 'gearing'.
Liabilities	Debts (plus, in the case of companies, dividends due to shareholders). Opposite of Assets.
Life Insurance	A lump sum payment paid in the event of death to either the deceased's estate or a nominated beneficiary.
Liquid assets	Assets held as cash, or in the form of securities which can be converted into cash quickly and with minimal capital loss (e.g. short-term bank bills). See 'Liquidity'.
Liquid Asset Coverage (LAC)	A parameter used in the Liquidity Analysis to calculate the Liquidity (lower limit). This parameter includes direct share and managed fund investments which are deemed to be liquid and quickly converted to cash. See 'liquid assets'.
Liquidity	The ability of an investment to be easily converted into cash with little or no loss of capital and minimum delay. An example of a highly liquid asset is a short-term bank bill or promissory note, while property is a relatively illiquid investment. For many securities, the degree of liquidity depends on the depth of the secondary market for that security.
Liquidity (Lower Limit)	The lower benchmark of the Liquidity Analysis. It is calculated by subtracting 1/3 of Liquid Asset Coverage from the upper Liquidity Limit. See 'Liquidity Position'.
Liquidity (Upper Limit)	The upper benchmark of the Liquidity Analysis. It is the required level of liquid assets and is calculated as a percentage of Net Loan Capacity. The percentage used is specific to a client's Investment Risk Profile.
Liquidity Position	Your Liquidity Position is determined by the Liquidity Analysis and is calculated by adding together Available Loan Redraw and Available Cash.
Loan Cashflow (LC)	Is the sum of ongoing total inflows less total outflows from loan account/s over the next 12-month period.
Loan Limit (Actual Total)	Is a client's actual maximum loan limit currently in place.
Loan Limit (Maximum)	Is a client's maximum potential loan limit that could be put in place based upon their Available Security. See 'Available Security'.

M

Main residence	A residence owned (individually or jointly) that is treated as your main residence for capital gains tax purposes. In general, your main residence is exempt from capital gains tax. A residence may still be considered your main residence for capital gains tax purposes even if you are not physically residing at this residence. In this instance, there is a requirement that you have physically resided at this residence within the last six years and you have not made an election over this period for any other residence to be treated as your main residence for capital gains tax purposes.
Marginal tax rate	The amount of tax paid on an additional dollar of income.
Managed Discretionary Account (MDA)	A Managed Discretionary Account (MDA) is an administration/portfolio service that offer greater flexibility/personalisation for Investors (and their Financial Adviser) whereby the portfolio of assets for a retail client are managed on a individual basis and the Adviser/Portfolio Manager/MDA Operator has the discretion to make investments without referring to the client before each transaction. This then allows for the portfolio of assets to be managed as if on a "wholesale mandate" or "discretionary" basis giving the Adviser/Portfolio Managers/MDA Operator the authority to make investment decisions on the Investor's behalf, allowing them to use their expertise to take advantage of dynamic market conditions in the most timely and efficient manner.
MDA Contract	Specifies the terms and conditions under which a potential investor agrees to invest.
MDA Operator	The MDA Operator is the entity that enters into a contract with the investor to provide an MDA Service. HUB24 is an MDA Operator.

N

Negative gearing	The purchase of an investment using borrowed funds, where the interest on the borrowing exceeds the income derived from the investment. For tax purposes, this negative net income can be offset against income gained from other sources. Negative gearing is most often associated with purchases of investment real estate, but can also apply in the case of shares or managed investments.
Net Asset Position	This is calculated by subtracting total liabilities of an individual from their total assets.
Net Investment Assets	Is a client's Net Asset Position less their main residence and other non-investment assets such as lifestyle assets and/or non-deductible offset accounts.
Net Loan Capacity	The sum of the current loan limits of all your existing loans, excluding credit card and margin loan facilities.
Net Saving Capacity	Is the outcome of a client's Cashflow Analysis and is the capacity to save over a 12-month period encompassing a client's personal cashflows as well as all entity related cashflows. It is calculated by adding all net Loan Cashflows and net Bank Cashflows for all client entities. This shows the cashflow strength of a client's position.
Non-Unitised Portfolio	Refers to both portfolios of actively managed Securities and portfolios of passive index Securities, constructed and maintained by the Manager.

O

Off-balance sheet leverage/debt	This is debt/borrowings that do not appear on a client's balance sheet. This can generally be achieved/obtained through the purchase of assets which themselves have internal gearing. In this instance, the debt/leverage will appear on the balance sheet of the product provider and not the investor in that product. These products may be structured so that interest rate risk is passed on to the investor by linking interest rate changes to the ongoing cost structure of the product.
Ongoing Engagement Proposal	A proposal which outlines the ongoing scope of work and costs for a period of time (usually up to 12 months). If accepted, this represents a Client Service Agreement . Typically, the proposal will be for a fixed-term and fixed fee.

P

Passively Managed Investments	Investments managed by professional investment managers who seek returns in line with an appropriate benchmark index (minus fees). Generally, have a low turnover of underlying investments.
Permanent disablement	Injury or illness resulting in an inability to ever return to work. Generally, requires two medical practitioners to sign off.
Personal advice	Financial advice that takes into account a client's personal objectives, financial situation or needs.
Personal exertion income	Salary or wages earned resulting from person exertion or effort.
Positive gearing	The purchase of an investment using borrowed funds, where the income derived from the investment is more than the interest on the borrowings.
Personal recycling capacity	Represents the client's ability to recycle debt or recycle income into lower taxed entities or the ability to use excess income to spend on non-deductible expenditure without adverse tax consequences (i.e. funding primary residence upgrades, school fees, holidays, and/or non-deductible superannuation contributions). This relates to all personal income less personal tax and non-deductible expenditure.
- Personal Debt Recycling Capacity	Demonstrates the clients' ability to convert bad debt into good debt, thereby reducing their non-deductible expenditure and increasing the personal saving capacity over time. It also leads to reductions in their effective tax rate.
- Personal Savings Recycling Capacity	Demonstrates the clients' ability to increase personal deductible debt while funnelling excess income to lower taxed structures to be invested into assets seeking capital gains. This leads to reductions in their effective tax rate thereby increasing their Cashflow Position over time.
Personal saving capacity	This relates to the saving capacity of individuals and demonstrates clients' ability to reduce their level of debt in their own names or fund increases in non-deductible debt.
Power of Attorney	A legal document giving one person (called a 'Donee') the power to act for another person (the 'Donor'). The Donee can have broad legal authority or limited authority to make legal decisions about the Donor's property and finance.
Personal Risk Insurance	The suite of available insurance products which may be used to mitigate personal financial risk. These products include Life insurance, TPD insurance, Income Protection insurance and Critical Illness insurance.
Portfolio Rebalancing	The process of comparing the composition of a benchmark portfolio with the composition of each client's portfolios. Where there is a difference of asset allocation percentages between the two, transactions are generated to bring the client's portfolio into line with the benchmark portfolio.

Power of Attorney (Enduring)	Is like a Power of Attorney but generally only becomes valid in the event of the Donor becoming mentally or physically incapable of administering their affairs. See 'Power or Attorney'.
Preservation age	Is the earliest age specified under Superannuation legislation (i.e. SIS Act) that an individual may be able to access their superannuation benefits on the condition that they meet a condition of release as outlined in the SIS Act.
Product Disclosure Statement (PDS)	The document that the issuer of a financial product must provide to potential investors of the product. It gives information about the issuer, benefits, risks and costs of the product and certain other information.

Q

R

Retail Client	Under the Corporations Act, a person who is not a Wholesale Client will be treated as a Retail Client. See Wholesale Client .
Retail superannuation	Are superannuation funds that are run by financial institutions for individuals.
Retained profits	Net earnings not paid out as dividends, but retained by the company to be reinvested in its core business or to pay debt. It is recorded under shareholders' equity on the balance sheet.
Risk	In its simplest sense, risk is the variability of returns. Investments with greater inherent risk must promise higher expected yields if investors are to be attracted to them. Risk can take many forms.
- Credit risk	Your capital and/or the interest earned on that capital may not be paid due to the default of the underlying bank or deposit taking institution.
- Diversification Risk	Lack of diversification across asset classes (e.g. shares, property, cash, fixed interest) over your entire portfolio of investments may result in more volatility of your portfolio return.
- Fund manager risk	The investment manager you invest with may not perform according to your expectations.
- Global risk	International factors as exchange rate fluctuations and movements in international stock markets may affect the value of your investment if they are priced in foreign currency. Additionally, these investments may not be hedged effectively or hedged at all from exchange rate fluctuations.
- Inflation risk	Your investments may not keep pace with inflation so that over time your money has less purchasing power.
- Interest rate risk	Movements in interest rates will reduce your returns or cause your investments to fall in value.
- Legislative risk	Changes to various legislations (i.e. superannuation, taxation, social security) may affect the ability of your investments to perform as expected.
- Liquidity risk	You may be unable to sell your underlying investments in a timely manner. For example, illiquid Securities that are rarely traded on the ASX or are restricted or suspended from trading may not be able to be sold, or property trusts where the underlying property asset requires a considerable amount of time to sell.

- Margin Lending risk	Investment losses will be magnified by the use of borrowing (i.e. margin loans) resulting in greater potential losses to investors. Margin loans will also be subject to borrowing costs which may reduce returns and margin calls by Margin Lenders. If the value of your investments continue to fall and you are unable to meet margin calls, this could result in significant losses to investors. The Margin Lender may also sell the assets in order to repay any margin calls and/or the margin loan, potentially resulting in losses through the forced sale of part or all of the underlying investments.
- Market risk	Movements in the market sector, due (for example) to interest rate movements, or economic factors may have a negative impact on your investment and/or on the returns generated by your investment. Market values may be volatile and loss of capital may occur.
- Sector risk	Risk associated with a particular industry's specific products or services due (for example) to changes in consumer demand or commodity prices.
- Specific Asset risk	Risks associated with the specific asset, for example certain managed funds may use leverage, undertake short selling or invest in sophisticated financial products (i.e. derivatives, futures, foreign exchange contracts and options), and such use may potentially cause losses that are large in proportion to the money invested in them.
- Timing risk	The timing of your investment decisions will expose you to periods of lower returns or capital losses.
- Use of sophisticated financial products	The use of sophisticated financial products, such as derivatives, foreign exchange contracts, short selling and options has the potential to cause losses that are large in proportion to the money invested in them. Such products may also have embedded leverage thereby potentially magnify further losses. The cost of using such financial products may also reduce returns.
Risk Management Matrix (RMM)	The RMM is unique to Harts Financial Solutions. Is the culmination of all the financial analyses conducted during the Financial Review stage of the Advice Process for a client. RMM is unique to each client and is used as a risk benchmarking tool for comparison against a client's financial position.
Risk Profile	See 'Investment Risk Profile'.
Risk Tolerance	See 'Investment Risk Profile'.

S

Salary Continuance Insurance	Is similar to Income Protection Insurance, but is only offered through a superannuation fund. See 'Income Protection Insurance'.
Superannuation fund	A special type of investment trust set up to take advantage of tax concessions for people who are saving for their own retirement or for employers to contribute to their employees' retirement.
Self Managed Superannuation Fund	Are funds established for a small number of individuals (fewer than 5) and regulated by the Australian Taxation Office. Generally the Trustees of the fund are the fund members (where there is a Corporate Trustee, the members are the directors of that company).
Service Details & Fee Schedule (SDFS)	This document details the services offered by Harts Financial Solutions, the advice process and the fee structure.
Stamp duty	A State Government charge levied on certain property and securities transactions.
Statement of Advice (SOA)	When a client receives personal advice from an Australian Financial Services (AFS) licensee or its Authorised Representative, they will be given an SOA as well as a Financial Services Guide. The SOA records the advice you have been given and explains the basis for the advice.
Strategic asset allocation	The process of selecting and weighting all of a client's strategic assets within an investment portfolio, and not just the traditional institutional assets such as direct equities.

Superannuation Guarantee Contribution (SGC) Is the minimum contribution (currently 9% of salary/wages) that an employer is required by law to make to individuals who earn in excess of \$450 per month and are aged between 18 and 70.

T

Temporary disablement A condition resulting from an employment injury which requires medical treatment and renders an employee, as a result of such injury, temporarily incapable of doing the work which they were doing prior to or at the time of injury.

TPD Insurance A lump sum paid in the event of suffering total and permanent disability and being unable to work ever again.

Trust See 'Family Trust'.

Trust deed A document setting out the terms and conditions of a trust.

Trustee An individual or entity who holds or manages assets upon trust for the benefit beneficiaries.

U

Under insured/insurance Where existing Personal Risk Insurance is inadequate to cover the existing financial risk it is designed to cover (e.g. where a client has identified that they/their family require a \$1.5m lump sum in the event of his/her death but only has \$1m life cover, they are under insured to the extent of \$500,000).

V

Volatility Volatility refers to the amount of uncertainty or risk about the size of changes in a security's value. A higher volatility means that a security's value can potentially be spread out over a larger range of values. This means that the price of the security can change dramatically over a short time period in either direction. A lower volatility means that a security's value does not fluctuate dramatically but changes in value at a steady pace over a period of time.

W

Waiting period The time between the filing of an Income Protection insurance claim and the payments made on the claim commences. Typically, the longer the waiting period on an insurance claim, the cheaper the policy will be.

Wholesale Client Under the Corporations Act, a Wholesale Client is an individual who:

- invests \$500,000 or more or
- can produce an accountant's certificate to confirm that they have net assets of at least \$2,500,000.

X

Y

Z





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