



FPE011
Debt Strategies



Subject outline

Debt Strategies

- (1) Section 1 – General information
- (2) Section 2 – Academic details

SECTION 1 — GENERAL INFORMATION

1.1 Core or elective subject

This is an elective subject for the Master of Financial Planning.

1.2 Delivery mode

This subject is delivered online.

1.3 Recommended prerequisites

Kaplan recommends the completion of the following Kaplan subjects prior to enrolling in this subject:

- FPC001 Economic, Legal & Ethical Context for Financial Planning
- FPC002 Applied Financial Planning
- FPC003 Superannuation and Retirement Advice
- FPC004 Insurance Advice
- FPC005 Estate and Succession Planning
- FPC006 Tax Considerations in Financial Advice
- FPC007 Client Engagement Skills

1.4 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.



SECTION 2 — ACADEMIC DETAILS

2.1 Subject overview

This subject introduces students to the concepts and principles of debt as it relates to wealth creation. An introduction is provided of the various types of debt used to acquire assets and the related taxation, regulatory and estate considerations. The subject then explores the relationship between debt and building wealth and examines the various aspects of geared investments. The subject aims to equip students with the ability to analyse cash flows, manage risk and use their knowledge to assess the performance of various types of debt strategies.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Examine the role and suitability of debt products in a wealth management strategy.
2. Compare the various types of debt products available.
3. Examine the cash flow and tax impact of various debt strategies.
4. Compare returns and risk profiles of various debt strategies.
5. Analyse different debt strategies to various investment scenarios.
6. Integrate relevant legislation related to debt products and strategies into client advice.
7. Recommend appropriate debt strategies.

2.3 Topic learning outcomes

Topic 1 — Introduction to debt products

On successful completion of this topic, students should be able to:

- explain the characteristics of short-term and long-term debt products
- explain the risk and return characteristics of debt products
- explain the correlation between debt and other asset classes.

Topic 2 — Overview of relevant regulation

On successful completion of this topic, students should be able to:

- understand regulation related to debt management and advice
- explain the regulations and disclosure documents that impact geared investments
- explain the requirements of the National Consumer Credit Protection Act 2009 (Cth).

Topic 3 — Building wealth with debt

On successful completion of this topic, students should be able to:

- explain the fundamentals of gearing
- analyse the use of gearing and its appropriateness for clients
- determine the role played by volatility, asset allocation and downside risk in gearing
- compare gearing to other wealth accumulation strategies
- explain which assets are best used in a geared portfolio
- discuss how risk can be reduced in a geared portfolio
- explain the income and capital gains taxation implications of gearing.

Topic 4 — Home mortgage debt

On successful completion of this topic, students should be able to:

- explain the features of a home loan
- explain the different types of home mortgage products available
- understand the criteria a credit provider will apply
- analyse the appropriateness of home mortgage products for different client scenarios
- determine the role the home mortgage plays in wealth accumulation strategies.

Topic 5 — Cash flow management

On successful completion of this topic, students should be able to:

- explain the different types of consumer lending products
- prepare and analyse a client's financial statements: budget, cash flow and net worth
- conduct appropriate inquiry and investigation to thoroughly understand their client's situation and establish a starting point for advice.



Topic 6 — Margin lending

On successful completion of this topic, students should be able to:

- explain the features and functionality of margin loans
- determine the factors to consider when selecting a margin loan facility
- identify the various types of LVRs
- explain a 'margin call' and how to calculate when a margin call will become due
- discuss how to manage risks associated with margin loans
- analyse the differences between an instalment warrant and margin lending.

Topic 7 — Debt and estate planning

On successful completion of this topic, students should be able to:

- explain the impact of debt on estate planning
- explain the impact of the use of debt strategies on beneficiaries
- analyse the tax implications on an estate.

Topic 8 — Risk management and tax considerations

On successful completion of this topic, students should be able to:

- explain the range of debt strategies available
- explain the risks of recommended debt strategies
- analyse the use of debt and its appropriateness for clients
- explain the taxation implications of debt strategies
- discuss how to manage risks associated with debt strategies

Topic 9 — Superannuation borrowing arrangements

On successful completion of this topic, students should be able to:

- assess the appropriateness of geared investments for a superannuation client
- discuss the mechanics of a limited recourse borrowing arrangement (LRBA) inside a superannuation fund
- identify the advantages and disadvantages of the LRBA structure
- analyse alternatives to the LRBA structure in gaining a leveraged exposure inside of a superannuation fund

2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject Learning outcomes assessed
Exam	This exam contains 50 multiple-choice questions and 5 short answer questions.	Week 6	1–5	50%	LO1, 2, 3, 5, 7
Assignment	This assessment contains 10 short-answer questions covering topics addressed in Topics 1–9.	Week 12	1–9	50%	LO1, 2, 3, 4, 5, 6, 7

2.5 Prescribed text

The prescribed text for this subject is listed below. You will be required to undertake readings from this text in order to complete the subject. This book can be purchased through recommended bookshops listed on the library page.

Taylor, S & Juchau, R, 2017, *Financial planning in Australia - Advice and wealth management*, 8th edn, LexisNexis Butterworths, Chatswood, NSW. ISBN 9780409347609.

2.6 Study plan

Week(s)	Topic name	Recommended student effort
1	Topic 1 Introduction to debt products	11
2	Topic 2 Overview of relevant regulation	11
3	Topic 3 Building wealth with debt	11
4	Topic 4 Home mortgage debt	11
5	Topic 5 Cash flow management	11
6	Exam (Weighting 50%)	14
7	Topic 6 Margin lending	11
8	Topic 7 Debt and estate planning	10
9	Topic 8 Risk management and tax considerations	9
10	Topic 9 Superannuation borrowing arrangements	9
11	Work on Assignment	6
12	Assignment (Weighting 50%)	6
Total hours		120 hours