



Subject Outline

FPE011 Debt Strategies

Section 1 — General information

1.1 Administrative details

| Duration | Credit points | Level |
|--------------------------------|---------------|-------|
| One study period (12 weeks) | 6 | AQF9 |

1.2 Core or elective subject

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

1.3 Delivery mode

This subject is delivered online.

1.4 Prerequisites

There are no prerequisites for this subject. However please review the 'Assumed knowledge' section below to understand the prior knowledge Kaplan advises you should hold before enrolling in this subject.

1.5 Assumed knowledge

Whilst there are no prerequisites for this subject, Kaplan assumes that students have completed FPC009 Complex Financial Planning, or understand the content covered in this subject, prior to undertaking FPE011 Debt Strategies .

1.6 Course transition subject equivalence

Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

- there are no equivalences for this subject.

1.7 Work integrated learning

There are no placements, internships or work experience requirements associated with the undertaking of this subject.

1.8 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 focuses on creating and evaluating debt strategies to build wealth. Students reflect on the leading factors affecting various debt strategies to acquire assets and the related taxation, regulatory, superannuation and estate planning considerations. It examines the various types of debt used to acquire assets and the related taxation, regulatory and estate implications. The subject is designed to equip students with the ability to analyse cash flows, manage risk and apply their knowledge to assess the performance of various types of debt strategies.

Students follow a fictitious case study to apply their understanding of the above concepts, when analysing cash flows, manage risks and 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. Critically evaluate the role and suitability of debt products in a wealth management strategy.
2. Recommend solutions to debt using the various types of debt products available.
3. Compare and contrast the cash flow and tax impact of various debt strategies.
4. Evaluate debt strategies in consideration of various returns and risk profiles.
5. Compare and contrast different debt strategies to various investment scenarios.
6. Formulate and justify client advice regarding debt products and strategies, integrating relevant legislation.
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 regulations

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 | Multiple-choice and short-answer questions | Week 6 | 1–5 | 50% | LO1–LO3, LO5 & LO7 |
| Assignment | Short-answer questions | Week 12 | 1–9 | 50% | LO1–LO7 |

Please refer to our website <www.kaplanprofessional.edu.au> to review student policies relating to your assessment, including the *Kaplan Assessment Policy* and *Academic Integrity and Conduct Policy*.

2.5 Prescribed text

Taylor, S 2021, *Financial planning in Australia — advice and wealth management*, 10th edn, LexisNexis Butterworths, Chatswood, NSW, <ProQuest eBook Central>.



2.6 Study plan

| Week(s) | Topic name | Study load in hours |
|---------------------------------|---|---------------------|
| 1 | Topic 1: Introduction to debt products | 11 |
| 2 | Topic 2: Overview of relevant regulations | 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 minimum study load | | 120 hours |

| | |
|---|------------------|
| Additional study hours (if required), dependent on knowledge and personal commitments | 70 hours |
| Total study load, including additional study hours | 190 hours |