Mick and Dianna: Retiring Small Business Owners

With our advice Mick and Dianna had a capital gains tax saving of over $125,000, and now own their own home.

BACKGROUND

Mick and Dianna have owned a small business in a regional town for many years. They have built up a great business, weathering many changes to their manufacturing industry and the local economy but after receiving a good offer to sell the business, they decided the time was right to retire.

Dianna is 61 and a couple of years older than Mick who is 58.

Mick and Diana’s Goals

- Retire with income of $120,000 per year
- Renovate their home within a budget of $150,000
- Budget approximately $20,000 per year for travel

FINANCIAL POSITION

Superannuation Balances

- Mick: $270,000
- Dianna: $340,000

Business Income

- Sale of the business: $1.2million
- Business premises ownership: $2,650 rent / month

Salary

- Mick: $80,000 per annum
- Dianna: $80,000 per annum

Mortgage

- Joint: $120,000

VALUE OF ADVICE

Understanding Mick and Dianna’s goals allowed us to build strategies which:

- Enabled them to achieve their dream of outright home ownership.
- Generated a net income of $120,000 p.a in retirement, with the ability to access lump sums if required.
- Provided a cash reserve to pay for their renovations and access to additional funds for travel.
- Reduced the capital gain on the sale of the business, saving them $126,000 in tax.
- Saved them a combined total of $3,256 in product fees on their retirement funds in the first 12 months.
- Arranged an estate plan enabling the surviving partner to maintain the same lifestyle they did as a couple.

OUTCOMES

YEAR ONE RETIREMENT CASH FLOW	REDUCTION IN POTENTIAL CAPITAL GAINS TAX	YEAR ONE SAVINGS ON SUPERANNUATION FEES
$120,000	**$126,000**	**$3,256**

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Assumptions: 1. Increased return based on investment of term funds currently earning 0.60% into a managed fund (moderate asset allocation) with an assumed rate of 5.88% (which is the 7-year average for a CFS Moderate fund) **2.** Reduction of estate tax assumes a reversionary pension put into place for super funds, with all other assets left to David’s children to achieve estate equalisation. **3.** Savings on super fund fees assumes a change in fund. Fees reduced from 0.88% MER to 0.43% MER.

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