

A photograph of an older man and woman, Mick and Dianna, standing in a garden. Mick is on the left, wearing a plaid shirt and white gloves, holding a wooden crate filled with fresh vegetables like carrots and leafy greens. Dianna is on the right, wearing a blue denim jacket over a grey t-shirt, looking at Mick with a smile. The background shows lush green foliage and a wooden trellis.

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.



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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

\$120,000

REDUCTION IN POTENTIAL
CAPITAL GAINS TAX

\$126,000

YEAR ONE SAVINGS ON
SUPERANNUATION FEES

\$3,256

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This case study is based on real clients. Names have been changed to protect privacy. This article contains general advice only. You need to consider with your financial planner (or adviser), your objectives, financial situation and your particular needs prior to making an investment decision. Insight Investment Services Pty Ltd and its authorised representatives do not accept liability for any errors or omissions of information supplied in this article.

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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