Financial planning tools

1. Determine the capital required for funding your retirement.

If you want to retire at age 65 and you want to have an income to age 100, assuming a rate of return of 7.0% (net of all fees), and no Centrelink benefits, you will need the following capital sums:

Income per annum	Capital required
$35,000	$670,500
$40,000	$772,000
$45,000	$868,500
$50,000	$976,000

2. Build up off-farm assets.

All farming children have the expectation that they will receive **all farming assets** and, so the more land you buy, the larger the issue becomes.

However, they do not have the same attachment to non farm assets - these can be used for your retirement and non-farming children.

3. Fund your own pension through superannuation contributions.

Superannuation contributions are tax deductible and thus you get to keep more of your income to assist with growing your assets.

	Outside super	Inside super
Net Income	$20,000	$20,000
Net Tax	$ 6,000	$ 3,000 (15%)
Net Wealth Increase	$14,000	$17,000

4. Commence a superannuation pension.

Superannuation pensions will be completely tax free as an income stream after age 60 from 1st July 2007. This means that you could have an income stream of $50,000 per annum in retirement from superannuation paying no tax, versus paying tax of $6,450 per annum - having $43,550 in the hand - if the income is from investments outside superannuation. Or to put it another way - if you have assets inside superannuation you only need $868,500 to fund $45,000 per annum, whereas outside superannuation you need $976,000 to fund gross $50,000 and net $43,550 per annum in retirement. Which would you prefer to fund?

5. Consider transferring assets to superannuation to fund your pension.

It is worth considering whether some of the farm land could be transferred to superannuation and the lease from the land (to the next generation) could be used to fund your living expenses. The next generation could fund the purchase of the land from you (and your superannuation fund) by contributing to superannuation themselves and repurchasing the land. This way there is no tax involved when paying the debt off. (Be aware of capital gains tax and stamp duty implications on ‘sale’.)

6. Consider access to age pensions

Things to consider include:

- foregone wages
- loans to family members - lower balances with higher interest to assist in accessing the age pension (due to deeming)
- granny flat arrangements
- *Farm help* funding for advice