

Astute accumulators

Case study: for financial advisers only

Objective

- Saving for a child's education or other mid to long term savings goals.

Assumptions

- Christine and Glen have two young children and they are concerned about funding the increasing costs of secondary education
- Christine and Glen would like to start an investment now which will have the potential to contribute to their children's secondary education
- The costs of running a young family mean they have limited money to invest
- Christine and Glen have a medium to long term investment time frame
- Christine currently earns \$220,000 per annum, whilst Glen currently earns no income as he takes care of the children
- Together, Glen and Christine have living expenses of \$110,000 per annum.

Possible investment strategy

Christine's adviser recommends the following investment strategy:

- Christine invests in 20 Interests in the Tree Project and uses a Macquarie Bank Limited Investment Loan to borrow 100 per cent of the investment amount at \$51,700 (including Goods and Services Tax (GST))
- Use the potential tax refund from the investment in the Tree Project for Christine and Glen to make other investments. For example, Glen can invest in 20 Blocks of Units in the Land Trust.

Glen and Christine have read the Macquarie Forestry Investment 2011 Product Disclosure Statement (PDS) and are comfortable with the terms and risks of the investment.

Potential benefits

By implementing this simple investment strategy, Glen and Christine have achieved the following benefits:

- opportunity to use the increased after tax cashflow to make further investments (or spend on children)
- an increase in investment base this year
- portfolio diversity by investing in an alternative asset class (that has low correlation with traditional asset classes)
- potential for Glen to earn annual income from any rental income earned from his investment in the Land Trust.

This investment strategy has the following effect on Glen and Christine's position for the 2011 year:

	With strategy	Without strategy
Christine's salary	\$220,000	\$220,000
Deduction from the Tree Project Investment*	\$51,700	Nil
Tax payable**	(\$52,746)	(\$75,850)
Living expenses	(\$110,000)	(\$110,000)
After tax cash position	\$57,255[#]	\$34,150

Cash and investments		
Tree Project Investment	\$51,700	Nil
Land Trust Investment	\$9,500	Nil
Cash available to invest	\$47,755	\$34,150
Total cash and investments	\$108,955[#]	\$34,150

- * Assumes the client is a member of the class of entities specified in the ATO Product Ruling, PR 2011/2.
- ** This is tax payable on the pre-tax income available to fund future expenses, after deduction of the forestry investment (if any). Assumes the client is an Australian tax resident and assumes 2011 tax rates and implications and the Medicare levy of 1.5 per cent is payable but ignoring the effects of a possible Medicare Levy surcharge payable. Also assumes the investor is not registered for GST.

This does not take into account any interest payable on the loan in 2011 and the future loan obligations created by the Investment Loan. This information is current as at 15 April 2011 and is provided by Macquarie Alternative Assets Management Limited ABN 30 103 237 181, AFSL 225758, (MAAML) as responsible entity for the Macquarie Eucalypt Project 2011 ARSN 149 549 940 and Macquarie Financial Products Management Limited ABN 38 095 125 694, AFSL 237847, (MFPML) as responsible entity for the Macquarie Timber Land Trust 2011 ARSN 149 549 575.

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