

Case Study

February 23, 2018

Volume 1, Number 2



"We've worked hard all our lives and just want to stop worrying about money now we are retired."

Barry & Jane's Issues

01. Not enough income - cash flow problems.

02. Unable to draw down on funds.

03. Feeling stressed.

Barry & Jane

The Status Quo

Barry and Jane were retired after selling their market garden business. They used the \$900,000 proceeds of the sale to buy a mortgage free rental property with the expectation that the rental income of \$600 a week would supplement their National Super. Their problem was that although they could live on National Super and the income from their rental they didn't have access to funds for overseas trips or larger expenses. They had organised a revolving credit mortgage on their own home and were drawing down on that to fund their lifestyle. Not surprisingly cash flow became difficult due to mortgage repayments.

Resolution

After discussion, Barry and Jane sold the rental property for \$1.2 million. This cleared the revolving mortgage on their home. They invested \$1 million which has given them an average return after tax of 4.5% p.a. They are now able to draw down on their funds to take the occasional trip overseas and pay for larger expenses as they arise. Barry & Jane feel a lot less stressed now they are out of debt and have better access to funds.

ANNUAL INCOME CALCULATIONS BEFORE

National Superannuation	\$31,215.60*
Income from Investment Property	\$31,200.00
Total Income	\$62,415.60

ANNUAL INCOME CALCULATIONS AFTER

National Superannuation	\$31,215.60*
Income from Investment	\$45,000.00
Total Income	\$76,215.60

*Based on Superannuation Payment Rates for Married, civil union or de facto couple (both partners qualify) - M Tax Rate. Source: Work and Income New Zealand. April 2017.

SHERYL SUTHERLAND
INVESTMENT FIDUCIARY