



### Selwyn and Michelle - Business owners and building a parachute

Selwyn and Michelle have been business owners for 20 years and are in their early 50's. They currently value their business at \$500k, but are hopeful of a final value of \$1m when they are 60.

They would like to retire at age 60 as they expect having grandchildren overseas. They have a very good standard of living and want this to continue after they have sold their business.

They have taken financial advice and paid off their home mortgage by age 50 years. A year ago they started saving \$3000 per month into a diversified "whole of market" investment portfolio. They have \$50k as a "parachute" away from their business. They have family longevity as Michelle's mother is still alive at 90 years and so they feel they need to plan long term.

They asked me: **What is our likely retirement income depending on the varying final sale price of our business and our continued savings?**

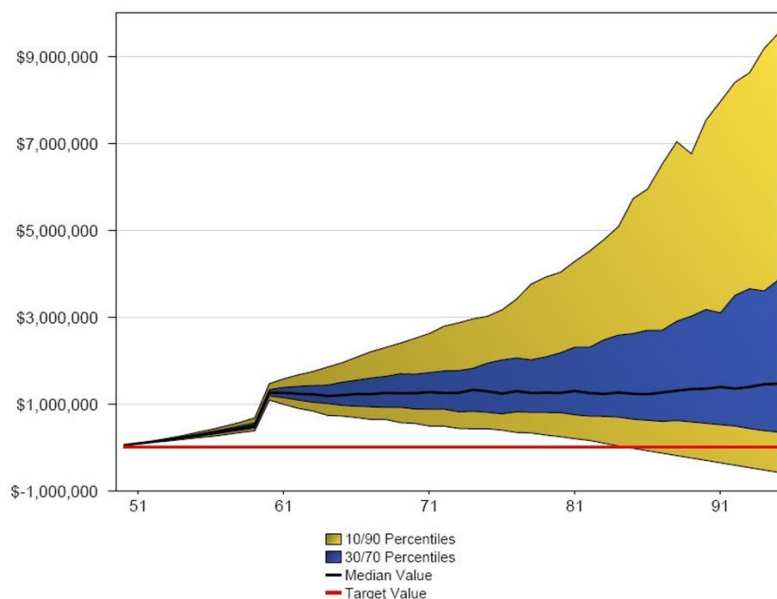
Probability modelling provides us with the answer to this question.

If the business reaches \$1m and savings continue, then they can retire on **\$84k** (today's dollars, net of tax including NZ Super) until the age of 95.

If business reaches \$1m but they didn't save, then they can retire on **\$56k** (today's dollars, net of tax including NZ Super) until the age of 95.

If they only maintain the \$500k business and savings continue, then they can retire on **\$65k** (today's dollars, net of tax including NZ Super) until the age of 95.

If they only maintain the \$500k business but didn't save then they can retire on **\$39k** (today's dollars, net of tax including NZ Super) until the age of 95.



**Disciplined saving makes a powerful difference to how well your "after business life" turns out.**