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Financial Planning Strategies

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Strategy 1 Overcoming Division 7A

Many private company shareholders are struggling with Division 7A loan account deadlines imposed by the Australian Taxation Office.

Background

Due to a recent change in the law, the Australian Taxation Office (ATO) has announced that taxpayers have an opportunity to take "corrective action" by 30 June 2008 with regard to Division 7A loans made in the 2002 to 2007 financial years. (Division 7A refers to Division 7A of the *Income Tax Assessment Act 1936*.) Where certain conditions are met, the deemed dividend arising under Division 7A will be ignored. "Corrective action" includes compounding interest being charged on the loan since the year it was made and making a minimum repayment. As a number of conditions apply we recommend that you discuss this opportunity with your tax adviser.

A shareholder may be keen to create a Division 7A loan when the tax rate paid by their company (i.e., 30%) is lower than the shareholder's marginal tax rate.

When a company makes a taxable profit, the company pays tax at the rate of 30%. When the company declares a dividend to its shareholders, tax is paid by the shareholders at their respective marginal tax rates less any franking credits (which is equal to the tax paid by the company on their share of the income).

So, rather than taking the option of paying a franked dividend to its shareholders and creating a situation where individual shareholders have to pay tax at their marginal tax rate, the private company makes a loan to the shareholders.

Until recently, if a taxpayer had a non-compliant loan made in a prior year (for example, commercial repayments were not being made), the company was automatically deemed to have paid an unfranked dividend in the year the loan was made under Division 7A. However, this may now be disregarded if corrective action is taken by 30 June 2008.

In respect of the 2008 financial year, companies with non-compliant Division 7A loans to shareholders as at 30 June 2008 that were made in the 2008 income year will be deemed to have paid an unfranked dividend equal to the total amount loaned to shareholders. The shareholders are then faced with a substantial increase in their income this year and will not be able to partially offset the tax payable on this dividend income with franking credits.

The general problem faced by a shareholder when it is suggested by their accountant that they should repay their Division 7A loan is that they don't have the cash. They have spent it.

Strategy

There are three potential options available to fix the problem of loans made in the current year:

- Shareholder(s) can repay in full their Division 7A loans in cash;
- Shareholder(s) can make their Division 7A loans compliant, which includes paying non-deductible interest and making annual minimum repayments; or
- The company can repay their Division 7A loans by declaring a franked dividend.

These options may also be available with respect to non-complying loans made in earlier income years. In these cases, the repayments required may significantly exceed the face value of the loan due to the accrual of compounding interest.

Let's consider these solutions in turn.

Repaying the loan or making the loan compliant

These solutions do work and are seen in action frequently. Shareholders repay or start to repay their Division 7A loans with funds that they have or personally borrow. Provided the shareholders are timely with their Division 7A loan repayments, they should not expect problems with the ATO.

However, shareholder(s) personally pay interest and obtain no tax deduction for these interest payments. Their company also has to treat the interest as a taxable item. From a tax planning perspective this doesn't make sense.

Declaring a franked dividend

The directors could declare a dividend. And if they do, the problem is solved. Well at least the Division 7A loan problem is solved.

This solution creates another problem. Unless action is taken very early, the shareholder(s) may discover that they are not at the 30% marginal tax rate – but rather the 45% marginal tax rate. Add the 1.5% Medicare levy and the "top-up tax" on payment of a franked dividend to a shareholder on a 46.5% marginal tax rate is 23.6% of the cash dividend paid.

Solution

If the company declares a fully franked dividend the immediate result is that there are no more Division 7A loan problems.

The shareholders now have a personal problem, in that they will now owe a considerable amount of tax. So how can we deal with this?

Assume that the total Division 7A loan is $210,000, made to one shareholder in the current income year.

The shareholder's total taxable income is $75,000 (the top end of 30% marginal tax rate), which results in tax payable of $18,225.

Step 1 – The company declares a fully franked dividend of $210,000, with franking credits of $90,000. While this eliminates the Division 7A loan, it also results in a taxable income of $375,000 ($75,000 + $210,000 + $90,000). If no further action was taken, the total tax payable by the shareholder (after allowing for the franking credits) would be $63,975.

Step 2 – The shareholder makes an investment of around $98,387 (excluding GST) in FEA Plantations Project 2008 (Project), thereby reducing his taxable income to $276,613 [$375,000 – $98,387]. After allowing for the franking credits, the tax payable is $18,225 ... the same as for an income of $75,000.

Step 3 – Because the shareholder did not have the cash to repay the Division 7A loan, the investor doesn't have it to make the investment (because the shareholder and the investor are one and the same). The investor obtains finance from Forest Enterprises Australia Limited (FEA) at 8.5% for a three year principal & interest loan, and any interest payable will then be deductible. A potential non-deductible debt has been transferred to a deductible debt.

	No Strategy	With Strategy
Position Summary		
Salary	$75,000	$75,000
Company Dividend (grossed up with franking credits)	$300,000	$300,000
Tax Deduction for FEA Plantations Project 2008		$98,387
Taxable Income	**$375,000**	**$276,613**
Taxation Summary		
Tax Payable on Taxable Income (including Medicare Levy)	$153,975	$108,225
Imputation Credit	($90,000)	($90,000)
Income Tax Payable	**$63,975**	**$18,225**
Tax Savings from Investment		**$45,750**
GST Refund from Investment		**$9,765**

The following table provides a summary of an investment in the Project using the three year finance option offered by Forest Enterprises Australia Limited.

Summary	
FEA Plantations Project 2008 (deduction of $97,650)*	31 Woodlots
Total Investment (including $9,765 GST)	$107,415
GST Refund (assuming investor is registered for GST)	$9,765
3 year P & I loan (at 8.5% with a 10% deposit)**	$96,673
Loan Payment per Month	$3,051

* This summary assumes the shareholder's investment in the Project comprises Option 1, Option 2 or Option 3 Woodlots (or a combination of these), however the shareholder may prefer their investment to partly consist of Option 4 Woodlots which are offered at an approximate 5% discount.

** This interest rate is indicative only. Finance is subject to approval by Forest Enterprises Australia Limited in its sole discretion.

The tax saved plus the GST refund are equal to more than the first 18 months of principal & interest payments on the investment loan.

Result

- The Division 7A loan is eliminated;
- A non-deductible debt becomes a deductible debt;
- An investment is made that provides potential harvest income during the term of the Project;
- A cost-effective loan is created with 8.5% per annum deductible interest;
- No assets other than the forestry investment are tied up as collateral; and
- The shareholder's investment portfolio may benefit from diversification into forestry and the negative correlation generally associated with forestry investments compared with other asset classes.

Strategy 2

A Tax Deduction Now, No Tax Later

The only substantial assets for most Australians are their family home and their superannuation. Maximising the benefits within a Self Managed Superannuation Fund is the main investing challenge for many Australians.

Background

This strategy relates to the tax benefits which a Self Managed Superannuation Fund (SMSF) may be able to obtain from an investment in FEA Plantations Project 2008 (Project).

When someone reaches preservation age within the superannuation regime, they can commence an income stream or pension from their SMSF without retiring. This is known as a Transition to Retirement Income Stream (TRIS).

Preservation ages are based on date of birth, and are as follows:

Date of Birth	Preservation Age
Prior to 30/6/60	55
1/7/60 – 30/6/61	56
1/7/61 – 30/6/62	57
1/7/62 – 30/6/63	58
1/7/63 – 30/6/64	59
After 30/6/64	60

Why would a client want to start a TRIS?

The answer is "tax" ... or, to be more precise, "tax savings".

When a TRIS is being received, the income earned by the SMSF from the assets (and which is used to provide the TRIS) is exempt from tax. Otherwise, tax is payable within the SMSF environment at 15%.

For the individual, there are also tax benefits. Prior to age 60, an individual may be exempt from paying tax on a portion of the pension they receive from a SMSF. A tax rebate of 15% (10% on capital gains) is attributable to the balance of the pension. However, after age 60, the entire pension is tax exempt.

Assume the following about an investor:

- 55 years old;
- Superannuation balance is $500,000;
- Salary is $50,000 per annum; and
- SMSF balance is expected to be $594,425 (i.e., an increase of $94,425) by the time the investor is 65 years old*.

* This assumes the fund earns 6.5% per annum after costs and the salary grows at 3% per annum. By way of illustration, if the investor's salary was $75,000 or $100,000, the increase in the SMSF balance, based on these assumptions, would be $141,978 or $155,230 respectively.

A person can make tax deductible contributions to their SMSF of up to $50,000 per annum if they are under the age of 50 and up to $100,000 per annum if they are between 50 to 74 years old.

After 30 June 2012, the higher figure ceases. In practice, contributions are made to the SMSF each year giving a tax deduction either to the person or to their employer.

Strategy

So where does an investment in a forestry managed investment scheme fit in to the TRIS regime?

When tax deductible contributions are received by the SMSF they are subject to tax at the rate of 15%. This tax can be offset by an agribusiness investment.

One tax management strategy for an SMSF is to "deposit" money into an investment each year that does not provide income until after the TRIS has commenced – such as a long term forestry investment that provides the potential for a number of harvest incomes.

People using this strategy should consider not only the quality of the investment and the manager, but also the timeframe before income is received – such as when thinning and clearfall harvests are to occur for forestry investments.

Solution

As an example, investing in Option 4 of the Project would provide potential harvest incomes in years 9, 13, 16, 18 and 25 of the Project which are tax exempt for members of an SMSF who have started a TRIS.

This particular tax management strategy provides not only tax exempt income within the SMSF, but also assists with funding the cash to enable the TRIS pension to be paid.

A variation of this would be for the SMSF to purchase an existing investment via the secondary market. Whilst the SMSF has not received a tax deduction for the investment, because the plantation rotation is midway, there is a shorter time period before harvest proceeds are received tax exempt. Refer to page 10 for more information on a strategy that involves the purchase of an existing forestry investment on the secondary market.

Result

A forestry investment within a SMSF has the potential to:

- Decrease contributions and income tax within the SMSF due to its tax-deductibility;
- Provide a potential long term income stream from harvesting;
- Provide a tax exempt income stream for members who have started their TRIS; and
- Decrease the risk within the SMSF's investment portfolio and increase the portfolio's asset diversification due to the negative correlation generally associated with forestry investments compared with other asset classes.

Strategy 3

Eliminate Capital Gains Tax

A key issue for investors is to manage their capital gains tax efficiently in order to maximise the retirement benefits they are able to receive from their investment portfolios.

Background

Consider an investment that is sold generating a capital gain of $70,000. After allowing for the 50% capital gains tax discount, $35,000 is required to be included in the investor's taxable income.

This is the outcome for the investor:

Other Income	$150,000
Capital Gains (after 50% capital gains tax discount)	$35,000
Adjusted Taxable Income	$185,000
Marginal Tax Rate (including Medicare levy)	46.5%

These calculations assume that the taxpayer has private health insurance and is not entitled to any allowances or rebates. Any entitlement to the low income rebate is not factored into these calculations.

Strategy

The first option available for the investor is to pay the capital gains tax, in this case $16,275.

The second option could be to invest $35,000 in FEA Plantations Project 2008 (Project). This would eliminate the taxable capital gain and enhance the investment portfolio through diversification and the negative correlation which forestry investment has with some other investment classes.

Solution

	No Strategy	With Strategy
Position Summary		
Other Income	$150,000	$150,000
Capital Gain of $70,000 (after 50% capital gains tax discount)	$35,000	$35,000
Tax Deduction for FEA Plantations Project 2008		($35,000)
Taxable Income	**$185,000**	**$150,000**
Taxation Summary		
Tax Payable on Taxable Income	$62,850	$47,100
Medicare Levy	$2,775	$2,250
Income Tax Payable	**$65,625**	**$49,350**
Tax Savings from Investment		**$16,275**

An investment in the Project can be financed using one of the flexible loan options offered by Forest Enterprises Australia Limited. For instance, investors may finance their forestry investment using a three year principal & interest loan at a rate of 8.5% per annum, using the forestry investment as security.

The following table provides a summary of an investment in the Project using the three year finance option offered by Forest Enterprises Australia Limited.

Summary	
FEA Plantations Project 2008 (deduction of $37,800)*	12 Woodlots
Total Investment (including $3,780 GST)	$41,580
GST refund (assuming the investor is registered for GST)	$3,780
3 year P & I loan (at 8.5% with no deposit)**	$3,780
Loan payment per month at 8.5%	$1,313

* This summary assumes the investment in the Project comprises Option 1, Option 2 or Option 3 Woodlots (or a combination of these), however, the investment may partly consist of Option 4 Woodlots which are offered at an approximate 5% discount. It is assumed the grower is registered for GST.

** This interest rate is indicative only. Finance is subject to approval by Forest Enterprises Australia Limited in its sole discretion.

The total of the GST refund and capital gains tax saving are equal to more than the first 15 months of principal and interest payments on the investment loan. The interest on the investment loan is tax deductible.

Result

- The capital gains tax has been eliminated;
- A cost-effective loan is created with 8.5% per annum deductible interest;
- A forestry investment is made that provides potential harvest income during the term of the Project;
- No assets other than the forestry investment is tied up as collateral; and
- The investor's portfolio may benefit from diversification into forestry and the negative correlation generally associated with forestry investments compared with other asset classes.

Strategy 4 Eliminate non-deductible debt

It is reported that many Australians are under pressure with increasing interest rates on their debt, such as credit cards or personal loans. In some cases the majority of their disposable income is being used to service the interest on these debts, which is generally non-tax deductible, leaving little left over to allocate towards their wealth creation.

Background

Many Australians may experience the problem of spiralling credit card debt. This problem arises due to a number of factors, including the ease with which credit cards are obtained, impulse consumer buying and increasing interest rates charged by credit card providers.

Consider the following two people struggling with eliminating their credit card debt due to other financial commitments and credit card interest rates:

	Emily	Rolf
Taxable Income	$90,000	$60,000
Marginal Tax Rate (including Medicare levy)	41.5%	31.5%
Tax payable on Income*	$24,450	$13,500
Credit Card Debt	$13,000	$8,000

*These calculations assume that the taxpayer has private health insurance and is not entitled to any allowances or rebates. Any entitlement to the low income rebate is not factored into these calculations.

Strategy

If Emily and Rolf make a forestry investment in the FEA Plantations Project 2008 (Project), they may then be able to use the tax savings they achieve through the investment to repay the debts on their credit cards.

Emily and Rolf's investment in the Project could be financed through a loan offered by Forest Enterprises Australia Limited with no deposit or loan application fees, and which uses the forestry investment as security. The interest on the loan will be tax deductible, as opposed to the non-deductible interest payable on the credit cards at present.

Solution

The following table demonstrates how an investment in the Project can help alleviate the credit card debts of Emily and Rolf.

No Strategy	Emily	Rolf
Taxable Income	$90,000	$60,000
Tax Payable on Taxable Income (including Medicare Levy)	**$24,450**	**$13,500**

With Strategy	Emily	Rolf
Taxable Income	$90,000	$60,000
Tax Deduction for FEA Plantations Project 2008***	($36,510)	($25,400)
Adjusted Taxable Income	$53,490	$34,600
Tax Payable on Adjusted Taxable Income (including Medicare Levy)	**$11,450**	**$5,500**
Total Tax Savings from Investment (Used to repay credit card debts)	**$13,000**	**$8,000**

*** This summary assumes the investment in the Project comprises Option 1, Option 2 or Option 3 Woodlots (or a combination of these). Calculations assume that the taxpayers have private health insurance and are not entitled to any allowances or rebates. Any entitlements to the low income rebate are not factored into these calculations.

The investment process for both Emily and Rolf would be the same.

As an example, the solution for Emily would produce the following results:

FEA Plantations Project 2008 (deduction of $37,800)	12 Woodlots
Total Investment (including $3,780 GST)	$41,580
GST refund (assuming the investor is registered for GST)	$3,780
3 year P&I Loan (at 8.5% with no deposit)*	$37,800
Loan Repayment per month	$1,313

* This interest rate is indicative only. Finance is subject to approval by Forest Enterprises Australia Limited in its sole discretion. It is assumed that Emily uses the three year finance option offered by Forest Enterprises Australia Limited.

The total of Emily's GST refund and tax saving exceed the first 12 months of principal and interest payments on the investment loan. This provides her plenty of time to save in order to meet the subsequent monthly loan repayments. The tax deductibility of the interest on the investment loan will assist.

Result

- The credit card debt has been eliminated;
- A cost-effective loan is created with a low 8.5% per annum deductible interest, as opposed to a higher credit card interest rate; and
- An investment is made which provides potential harvest income during the term of the Project.

Strategy 5

Have your superannuation plus additional money

With the changes to superannuation effective from July 2007, restrictions are now imposed on the amount that can be contributed into a superannuation fund as a deductible contribution. Alternative tax-effective wealth building strategies need to be considered.

Background

Under the current superannuation rules, individuals are unable to make annual contributions to their superannuation funds in excess of $50,000 for persons under the age of 50 years or $100,000 for persons aged from 50 to 74 years, without the excess amounts attracting taxation.

If the total tax deductible contribution exceeds the $50,000 or $100,000 limit (depending on age), the Australian Taxation Office will issue an assessment for tax at the rate of 31.5% for the amount of contributions paid in excess of the limit. This tax is on top of the 15% contribution tax paid by the superannuation fund.

Consider this example. Michael is a doctor in his early 50s, employed by two arms length employers. Each employer could have paid up to the maximum contribution possible to Michael's employee superannuation fund, thereby doubling Michael's ability to save through the tax effective avenue of superannuation.

As a result of the superannuation rule changes, Michael will have to pay additional personal tax in respect of contributions to his superannuation fund in excess of $100,000. However, an investment in FEA Plantations Project 2008 (Project) may help.

Strategy

Let's make a couple of assumptions: Michael has a taxable income of $250,000 and he makes his allowable tax deductible superannuation contribution of $100,000, leaving income on which to pay tax of $150,000.

What if we could reduce this to $50,000?

The tax saved would be $39,000, including the Medicare levy.

A deduction can be obtained this year by investing approximately $100,000 (plus GST) in the Project funded by a seven year principal & interest loan at 9.5% with a 10% deposit and no loan application fee.

Michael could make a similar investment in future years. The Project's potential future income received from the thinning and clearfall harvest will be assessable income.

Solution

	No Strategy	With Strategy
Position Summary		
Taxable Income	$250,000	$250,000
Superannuation Contribution	($100,000)	($100,000)
Tax Deduction for FEA Plantations Project 2008		($100,000)
Taxable Income	**$150,000**	**$50,000**
Taxation Summary		
Tax Payable on Taxable Income (including Medicare Levy)	**$49,350**	**$10,350**
Tax Savings from Investment		**$39,000**
GST Refund from Investment		**$10,080**

The investment made by Michael in the Project would produce the following results:

FEA Plantations Project 2008 (deduction of $100,800)*	32 Woodlots
Total Investment (including $10,080 GST)	$110,880
GST Refund (assuming investor is registered for GST)	$10,080
7 year P & I Loan (at 9.5% with a 10% deposit)**	$99,792
Loan Repayment per Month	$1,631

* This summary assumes the investment in the Project comprises Option 1, Option 2 or Option 3 Woodlots (or a combination of these). Calculations assume that the taxpayer has private health insurance and is not entitled to any allowances or rebates. Any entitlement to the low income rebate is not factored into these calculations.

** This interest rate is indicative only. Finance is subject to approval by Forest Enterprises Australia Limited in its sole discretion.

The total of Michael's tax saving and GST refund is equal to more than the first 30 months of principal and interest payments on the investment loan. This should provide him plenty of time to arrange his finances to meet the subsequent loan repayments. The tax deductibility of the interest on the investment loan will also assist.

Result

- An investment in forestry is made, providing the potential for harvest income around years 9, 13, 16, 18 & 25 of the Project; and
- Through adding an investment in the Project to his existing investment portfolio, Michael may benefit from asset diversification and the negative correlation generally associated with forestry investments compared with other asset classes.

Strategy 6 Tax Planning using the secondary market for forestry investments

One of the major changes to the forestry managed investment scheme market last year was the introduction of new rules providing tax certainty when investments are sold on the secondary market. These new rules have removed the risk of having past tax assessments revisited, subject to a compliant sale.

Background

When an investment in a forestry managed investment scheme is made and a tax deduction is claimed, it is necessary to hold this investment for at least four years before selling it on the secondary market.

If a sale is subsequently made, Division 394 of the *Income Tax Assessment Act* sets out what is to be included in the seller's assessable income for that year. (Please note the secondary market, as it is referred to by Division 394 of the Tax Act, is very specific and relates to forestry managed investment scheme interests only.)

If the forestry investment is sold within the four year period, the seller can expect to have their original tax assessment amended. The four year rule doesn't apply to subsequent purchasers of the investment.

Some managers, like FEA Plantations, have put in place a facility through which their investors may seek to sell their investments. There are also websites through which forestry investments can be bought or sold. Whilst FEA Plantations has been authorised to trade in the secondary market for two years now, the secondary market for forestry investments is still very much in its infancy.

Strategy

In this example, we are not concerned about receiving a tax deduction at the moment. We are more concerned about the amount of tax payable when income is received.

The figure that is very important is the market value of the forestry investment. This is for both the initial and the subsequent investor.

How do you value the investment? What can you buy this investment for?

Some agribusiness investments have ongoing fees. If these are not paid by a certain investor, then the manager – having incurred management and rental cost – can take that investor's interest in the project and sell it, usually through an auction. If an auction has been held recently for the same type of investment you are trying to value, and the investment was sold at the auction, then you have established a value.

As an alternative, the insured value of the forestry investment (i.e., the trees) provides a figure which can be used for assessing the value of the investment. Of course, if the investment is traded on the open market, then the sale price gives the market value figure for that specific investment.

For the initial investor, a sale of a forestry investment generates assessable income which is equal to the sale price.

For the secondary investor, the purchase price is a capital cost base and is not deductible. If there are ongoing costs that would have been deductible to the initial investor, these costs are deductible to the secondary investor.

Should a secondary investor receive income from thinnings, this amount is effectively treated as assessable income. (For the purposes of Division 394, thinnings include a selective harvest of immature trees to enable a better result when the mature trees are clearfall harvested.)

If the secondary investor eventually sells their forestry investment, an amount equal to what they have claimed as a tax deduction is included as assessable income.

In a simple example, the secondary investor purchases the investment for $10,000 and then claims $2,000 for expenses paid respective to the investment as a deduction. If the investment is subsequently sold four years later for $19,500 then, in effect, the treatment of the money is as follows:

Sale by Secondary Investor

Purchase Price of Forestry Investment	$10,000
Tax Deductible Expenses Paid	$2,000
Sale Price of Forestry Investment	$19,500

Tax Treatment of Sale

Return of Capital	$10,000
Assessable Income	$2,000
Capital Gain	$7,500
Taxable Capital Gain (with 50% CGT discount)	$3,750

The secondary investor can offset any capital losses against the gain and then apply the appropriate Capital Gains Tax discount.

And remember, with most forestry investments, you cannot sell your investment to your own self managed superannuation fund as it does not meet the definition of business real property.

Strategy

Let's assume our investor, Ashley, has a spare $10,000 each year to invest.

Each year, for a number of years, Ashley finds a seller that has owned an interest in a forestry managed investment scheme for at least four years, and purchases this interest. (Apart from not wanting the seller to lose any amounts claimed as tax deductions, our buyer also wants to minimise the time before harvest proceeds are received.)

Once the projects Ashley has invested in reach a certain age, Ashley should start to receive some money each year as a result of the thinning harvests undertaken by the managers. This income is required to be included in her assessable income.

These harvest incomes could be offset by any fees required by the managers to be paid each year. Alternatively, Ashley could invest in a new forestry managed investment scheme and obtain a deduction to offset this income.

Solution

For the purposes of this illustration only, we'll assume the clearfall harvest proceeds received by Ashley are $30,000 per annum. Ashley has also paid deductible expenses in respect to her forestry investments in the sum of $8,000 per year.

Therefore, Ashley's income becomes:

Annual Income as a result of CGT

Clearfall Harvest Income	$30,000
Deductible Expenses	($8,000)
Taxable Income	$22,000
Cost Base	($10,000)
Capital Gain - Purchase Price of Forestry Investment	$12,000
Taxable Capital Gains (with 50% discount)	$6,000

Income as a result of deductions

As Ashley has claimed expenses of $8,000 as a tax deduction, this portion of the clearfall harvest proceeds is assessable income in the year of receipt.

Ashley's harvest proceeds of $30,000 per annum will be assessable on the revenue account to the extent that Ashley has claimed deductions. The balance will be on the capital account, with the 50% discount on capital gains applying because she has held the investment for more than 12 months.

Therefore, Ashley is receiving $30,000 income each year, but only paying tax at her marginal tax rate on $6,000 of this income. Of course, the marginal tax rate applicable will depend on Ashley's other assessable income in each year.

Result

Ashley has diversified her investment portfolio, to include forestry investments purchased on the secondary market each year which has the following results:

- Forestry investments are purchased on the capital account;
- Continued deductions are available from ongoing expenses;
- A tax-effective annual stream of potential harvest incomes is generated; and
- Ashley's investment portfolio may benefit from more asset diversification and greater negative correlation which is generally associated with forestry investments compared with other asset classes.

To secure an investment in FEA Plantations Project 2008, contact your local FEA Marketing Manager or our Business Services Team on Freecall 1800 600 009, email marketing@fealtd.com or visit www.fealtd.com

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