

Forests grew trees – and super

Tim Blue
Agribusiness

FOR several years now, Steve Navra has been putting his money into forestry investments run by Great Southern, as a kind of de facto super scheme.

“I always imagined that I would be getting around to retirement when the schemes began to mature, in about 10 years,” he says from his offices in North Sydney.

“I have put several millions of dollars into them, and I am glad I have done so, as I think they will be good investments.

“My concern is with the short-sighted nature of what the Government is proposing, that is, dropping tax advantages for the newer non-forestry schemes — in my case, grapes.”

Cash flows with faster-growing crops such as grapes, olives and cattle begin as early as two years from the start date.

Navra had intended to use them to fund the longer-running forestry schemes.

“I suspect many people would have been doing much the same, and will now be deterred by the changes and turn away to other investments,” he says.

Navra has better insight into financial flows than many, thanks to his managed funds business — Navra Investments Ltd.

Whatever the outcome of lobbying by the Managed Investment Scheme (MIS) industry for an extension to existing tax arrangements, Navra is not waiting around.

“I intend to do a massive investment in grapes this financial year, perhaps \$1 million, while the schemes are available. I suspect it will be the



Growing concern: Steve Navra regrets the MIS changes

last time we will be able to do so.”

Talk from Canberra about changes to the tax regime contain no element of retrospectivity, Navra concedes. “I am quite happy to buy into vines, to spread of risk. And I see no suggestion of changes to the forestry schemes.”

As a cautionary note, Navra points to the talk about scrapping negative gearing several years ago.

“People were saying that cash flows were distorted and that it led to over-investment in housing, but it did lead to houses being built.

“Where would we be — at least in Sydney — if that construction had not taken place?

“Rents here are starting to go through the roof because of the undersupply of residential property.

“If the Government does not start

offering incentives again, it will not get any better. I think the same thing could easily happen with forestry, and that would be a shame.”

Timber still accounts for 70 per cent of Great Southern’s annual revenues of \$450 million, and profits of \$132 million. Its investors have been growing blue gums, for chipping and turning into paper in Japan.

Just this week, a move to establish a fine timber plantation in the Northern Territory gained approval from the ATO, with a draft ruling for tax breaks on this new stream of timber products in teak and mahogany for furniture and veneers.

Says Navra: “I think I have built the best kind of super that I can possibly imagine by investing in forestry, but I am not so sure that others will follow in my footsteps.”

planners who are seeking to transfer UK pension benefits without incurring hefty tax bill,” Crowley says.

Go SMSF

INVESTORS are pushing assets into as fast as they can to pick up on a window opportunity between now and July that allows as much as \$1 million to be transferred into super for later tax-free withdrawal. “Three times as many people as usual are transferring assets, especially into self-managed funds,” says Philip La Greca, technical services director of SMSF administrator Multiport.

Among the assets moving are commercial property, listed securities and managed funds, despite the capital gains tax that will be involved. Investment and residential property is ineligible to go into an SMSF.

Mac property

INVESTORS have picked up a distribution of 8c a unit, tax deferred, in Macquarie Direct Property Fund. The fund has a 29 per cent gain in its first year of operation. It has assets in such places as China, Hong Kong and Europe as well as Australia. Manager Richard Stacker suggests a mix in five years’ time will be 40 per cent offshore and 60 per cent domestic.

Reverse mortgages firm

CLAIMS that equity release schemes have been pushed too hard by financial advisers have been rejected by the industry group, Senior Australians Equity Release Association of Lenders (Sequal).

Last week Members Equity Bank advisers were selling reverse mortgages in order to pocket commission.

Sequal executive director Kieren Kierke says: “To criticise financial planners believe that financial planners use in recommending a reverse mortgage to an ageing client, and the research deals have undertaken in approving reverse mortgage products.”

Dell says the average loan size of a reverse mortgage is only \$53,300 and unlike a home equity loan, it does not require a drive adviser sales.

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