

Property Purchase

All details are input in Light Blue boxes

Name	Mr X
Taxpayer in?	UK (Excl Scotl) ▼
Value of property	240,000
Currently own property?	Yes ▼
If Yes, Existing Mortgage of	100,000

1. Input Client name & taxpayer status, & Property details; Value, ownership & any existing mortgage

2. Input value of pension fund

Will calculate;
• Level of pension contribution required bearing in mind previous inputs

3. Input costs of property purchase

Value of existing pension scheme:	80,000
Required pension contribution	£86,667
Expected expenses of purchasing property	10,000

Borrowing interest rate	5.00%
Pension contribution	0
Rent	9.00%

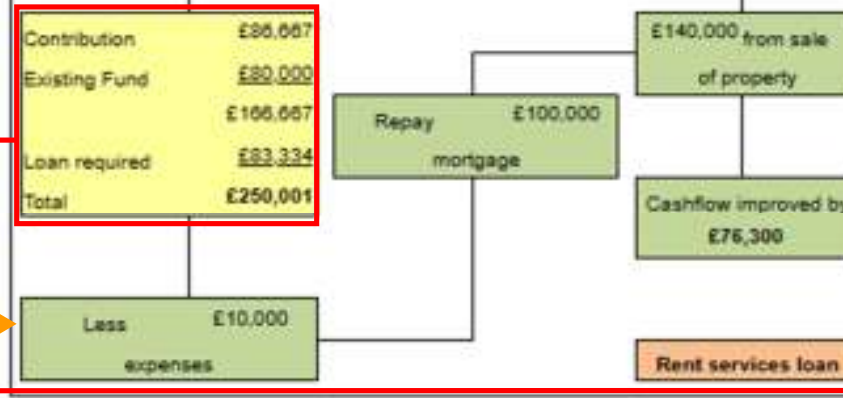
4. Select rate of pension tax relief; Corporation Tax or Income Tax dropdown list.

Will calculate;
• Amount of tax relief, and
• Effective net pension contribution

Pension contribution	Tax relief	Net contribution
£86,667	26.5% ▼ £22,987	£63,700

Year	Loan	Contribution	Interest	Rent	Loan O/s
1	£83,334	£0	£4,167	£21,600	£65,900
2	£65,900	£0	£3,295	£21,600	£47,595
3	£47,595	£0	£2,380	£21,600	£28,375
4	£28,375	£0	£1,419	£21,600	£8,194
5	£8,194	£0	£410	£21,600	£0

This shows loan required, and total fund available to purchase property including any costs.



This shows cash flow situation

5. Input - interest borrowing rate on loan
- Regular annual contribution amount
- Expected rent as % of property value

Will then calculate;
• Cashflow of paying off loan
• Expected loan repayment timescale

- If a pension contribution of £86667 is paid, tax relief at 26.5% will be received which results in a net cost of £63700
 - The pension contribution together with the existing fund of £80000 enables the pension scheme to obtain a maximum loan of £83334
 - This will, after deducting expenses, provide sufficient funds to purchase the property
 - From the property proceeds, after repaying any outstanding loan, there will be an amount available of £140000.
 - However, as net pension contribution paid is £63700, after deducting this amount from the sale proceeds, the cashflow situation has improved by £76300

This explains the effective cost of paying a pension contribution, and level of contribution required together with amount of loan needed to purchase the property allowing for costs.
 This also explains how cashflow situation can be improved.