

# MACQUARIE PACIFIC FUNDING



The cost of the 'Macquarie Pacific Funding' program can often be fully offset by the more productive use of funds in the business that would otherwise be used for up front insurance payment.

When insurance premiums are paid in full 12 months in advance, those funds are 'tied up'. The premium funding facility allows those funds to be spread over the period of insurance, thus creating a better cash flow situation.

To illustrate the concept, a cost benefit analysis is shown below which compares the income generated from the funds held in the business versus the cost of the premium funding facility. This is done on a number of assumptions that can be amended for each individual case. Essentially, it works by assuming you would have the full insurance premium available in month one, 9/10ths in month 2, 8/10ths in month 3 and so on.

Premium Funding Details		Amount		
Insurance premium amount		\$12,002.52		
Credit charges		\$904.25		
Total amount to be repaid		\$12,906.77		
Monthly instalment amount		\$1,290.68		
Number of instalments (months)		10		
Premium Funding Costs		Amount		
Credit charges		\$904.25		
Less: tax deduction at 30%		\$271.28		
<b>Net Funding Costs (B)</b>		<b>\$632.97</b>		
Month	Cash reinvested in business	Return on reinvestment @ 10%	Tax 30% paid on additional return	Net Benefit
Month 1	\$10,711.84	\$89.27	\$26.78	\$62.49
Month 2	\$9,421.16	\$78.51	\$23.55	\$54.96
Month 3	\$8,130.48	\$67.75	\$20.33	\$47.43
Month 4	\$6,839.80	\$57.00	\$17.10	\$39.90
Month 5	\$5,549.12	\$46.24	\$13.87	\$32.37
Month 6	\$4,258.44	\$35.49	\$10.65	\$24.84
Month 7	\$2,967.76	\$24.73	\$7.42	\$17.31
Month 8	\$1,677.08	\$13.98	\$4.19	\$9.78
Month 9	\$386.40	\$3.22	\$0.97	\$2.25
<b>Net Income Generated (A)</b>		<b>\$416.18</b>	<b>\$124.86</b>	<b>\$291.33</b>

**Net Benefit = Net Income Generated (A) less Net Funding Costs (B) = \$-341.64**

*The indicative forecasts provided in this model are based on general assumptions for illustrative purposes only, and are not to be taken as any guarantee of any future projected earnings. You should not make any decisions based on the information obtained using the model without firstly obtaining independent financial and taxation advice. Neither Macquarie Premium Funding Pty Limited nor Macquarie Bank Limited will be liable for any loss or damage caused by any reliance on information obtained through your use of this model.*

*\*Effective 1 July 2015 the income tax rate in Australia for businesses with annual turnover less than \$2million (when aggregated with the turnovers of associated entities) is 28.5%*