

TRY A CLASSIFIED AD

Farmers should look at retirement planning

Fix-it manual printed

WASHINGTON — A new publication from the U.S. Department of Agriculture tells how to determine if a house is suitable for rehabilitation, and, if it is, how to do it.

"New Life for Old Dwellings," was prepared by the Forest Products Laboratory maintained by USDA's Forest Service at Madison, Wis., in cooperation with the University of Wisconsin. The handbook promotes the double advantage of lower cost housing and conservation of natural resources.

The book has two sections. The first, an appraisal section, shows how to inspect a house and determine if the house is in good enough condition to renovate. The second, rehabilitation section, is a guide for planning and doing the actual renovating. This fully illustrated handbook should also be of interest to carpenters, contractors, lending institutions, and any others interested in improving or maintaining older homes within a community.

"New Life for Old Dwellings: Appraisal and Rehabilitation," Agriculture Handbook No. 481, is for sale by the Superintendent of Documents U.S. Government Printing Office, Washington, D.C. 20202, for \$1.70.

that the farmer's total deposits are \$45,000," Bowler goes on. "His actual investment, however, would have been \$33,750, the net, after subtracting tax savings of \$11,250 for the same period.

"Under this plan on January 1, 1945, the contribution is divided, with \$1,200 going to the annuity and \$300 into the fund shares. From January 1, 1946 through January 1, 1954, some \$720 goes to the annuity and \$780 into the mutual fund. From January 1, 1955 to January 1, 1974, the division is again \$1,200 and \$300."

In the hypothetical example, at the time of the farmer's retirement on December 31, 1974, the value of the funds would have totaled \$95,823, including capital gains and dividends accepted in shares. And, the annuity would have a guaranteed cash value amounting to \$43,955 - making the total value of his net investment of \$33,750.

"This is a meaningful gain on a net investment of \$33,750," Bowler concluded.

Farmers - owners and employees - have something new to look at in their financial planning: in 1975, they were given the opportunity to set up an Individual Retirement Account or IRA.

"The new Pension Reform Act made it possible for 43 million Americans to start their own individual tax-deductible retirement programs," observes W. Scane Bowler, chairman and chief executive officer of Pioneer Western Corporation, a national financial services organization which owns Western Reserve Life Assurance Company and the management company for the Pioneer mutual funds.

Bowler notes that a farmer is eligible for the IRA program if he is currently not covered under a qualified pension, profit-sharing, Keogh (also called "HR 10"), or similar formal retirement plan.

"Anyone entering an IRA plan may set aside up to 15 per cent of earned income, or \$1,500, each year without

paying income tax on it until he starts to draw from his retirement account 10, 20, or 30 years from now," he explains.

"The IRA plan is not unlike the Keogh plan for the self-employed, which many farmers have participated in for the past decade. However, the Keogh plan was not available individually to employees - unless set up by their employer.

"On the other hand, a self-employed farmer going into a Keogh plan must provide a fund for any full-time employee who has worked for three years. This is not required under IRA.

Bowler adds that a part-time farmer with a job elsewhere can set up an IRA for himself from his farming income, even though he may be under a retirement plan with his regular employer.

"There are various ways to fund an IRA but our company usually recommends a 'balanced' concept of accumulation. This is popular because part of the individual's return - often in excess of the net deposits - is guaranteed by an annuity and the balance invested in a mutual fund to potentially keep pace with inflation and provide possible capital growth," Bowler says.


He gives the hypothetical example of an eligible farmer who contributes to such a balanced type of IRA program over the past 30 years, "as if such a plan, obviously brand new, had been possible or available during the 1945-1974 period.

"In this sample case, the performance of an actual, well-known mutual fund over 30 years is utilized."

The hypothetical farmer is married, in the 25 per cent tax bracket and begins the program at age 35 and concludes it upon his retirement at 65. Although his income should vary widely over the period, for simple calculation we will assume an income of \$13,500. Thus he may contribute \$1,500 to his IRA plan annually.

"The \$1,500 contribution each year is invested in a modified premium fixed annuity and mutual fund shares from January 1, 1945, through January 1, 1974, so

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