



# The Moonshine Plan

A trading strategy for generating a retirement income  
from WhiskyInvestDirect.com

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*The Moonshine Plan is a do-it-yourself trading strategy which pays out the profits made through investing in modern, professional, whisky maturation. It is not a 'financial product'; it is a way of trading maturing whisky stocks in such a way as to make it mimic a financial product — in this case a sort of annuity, albeit one with a variable annual payout. You should recognise that some years will return less than the average. Also the long term average in the future might be less (or more) than the long term average of the past. The Moonshine Plan should not be your only plan for a retirement income.*

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# The Moonshine Plan

*This Moonshine Plan assumes your familiarity with 'Investing in Scotch whisky maturation', where the case for making an investment in whisky is explained. Download your free copy from:-*

[http://banners.whiskyinvestdirect.com/en/Investing\\_in\\_Scotch\\_Whisky\\_Maturation.pdf](http://banners.whiskyinvestdirect.com/en/Investing_in_Scotch_Whisky_Maturation.pdf)

## Introduction

As a response to negligible annuity rates for 60 year old men, WhiskyInvestDirect's co-founder — Paul Tustain — is organising his own tax-efficient retirement income in what he calls his 'Moonshine Plan'.

As well as planning some retirement income, he benefits from retaining ownership of his capital so it can pass to his estate beneficiaries. Also, because it is not bound up in a formal annuity, he retains flexibility, and can cash in his plan and do something different if opportunities present themselves. You could do the same.

'Moonshine' was do-it-yourself whisky which was popular during American prohibition [of the production and consumption of alcohol] in the 1930s.

Many of the original moonshiners found that what they did for themselves suited them better than what was available through official channels — which, of course, was nothing.

In much the same way we are encouraged that this plan will deliver better returns than traditional annuities over the medium to long term, assuming the law of averages will apply.

## Plan advantages

These are the main features of the Moonshine Plan:-

- Your cost of investment will be soundly anchored in the commodities markets. You are not paying an inflated price for a financial asset which has been chased up by several million investors.
- Your return is not based on rock-bottom gilt yields, but on the appreciation of tangible, marketable consumer goods, which improve with age and have a long term history of doing so.
- Currently it looks reasonable to predict an average annual, sustainable return on capital of up to 7.0%, which ought to be both broadly inflation-proof and — for most people — tax free. This compares very favourably with normal commercial annuities which suffer badly when there is inflation, and also incur income tax.
- In addition to the income stream it generates, the plan projects a gross real value profit of up to 21.8% over what you paid in, which enhances your capital should you choose to benefit from the flexibility on offer and close down the plan.
- Your whisky will remain your property, will form part of your estate, can be sold at any time, and can be passed to your heirs.

The plan aims to produce a repeating annual capital gain, which you extract as if it were income. It is not usually correct to budget for a capital gain, but whisky makes it a little more reasonable, because it reliably improves with age.

Please note however that this plan is a framework. A number of things might cause you to have to change some of the details. For example, there might be insufficient of a particular style of whisky available in any given year – even as new make. Or possibly you will elect to sell some stock early if you are informed of an attractive bid by a blender. You should anticipate having to adapt your plans.

## How to do it

To make this plan work you decide on a capital sum which you are comfortable to invest for each of the next 8 years. In year 1, using approximately three quarters of your chosen annual capital amount, you buy a set number of litres of whisky. You will do the same for each of the next 7 years.

The remaining quarter of the annual capital sum will fund the storage. It's usually a bit less than that, but you should budget for a quarter. You will need slightly more if you load your portfolio with grain spirit, because grain spirit is cheaper, so storage costs a higher percentage. Less storage budget will suffice if you go overweight on the malts.

Spreading out your purchases over 8 years reduces the risk of you overpaying for your whisky by buying it all in one go.

Some people will choose to kick-start their plan by buying the first few years' worth of whisky at once, which they can do because WhiskyInvestDirect stores whiskies distilled over several years. Doing this reduces the final storage cost, although of course 1, 2 and 3 year old whiskies are more expensive than new-make spirit, so there would be some upward adjustments to amounts invested in each of the older whiskies. Try to get similar numbers of litres of each whisky style in each year.

You pay in for eight years. From the ninth year onwards you stop paying in (including the storage) and the plan starts paying for its own storage and should leave some surplus for you. You simply sell the oldest whisky — which is now 8 years old — and re-invest by buying the same number of litres of new-make spirit, which is usually very much cheaper than 8 year old. You use sufficient of the surplus cash generated from your sale to pay the storage on all your remaining maturing whisky, and simply withdraw the balance.

If you choose to you can suspend the sales and withdrawals whenever you want. This might be because you think the market is in glut, causing temporarily low prices, and you want to hold on for a better price at a 12 year old exit, or it might be because you have made capital gains elsewhere

in your portfolio in the year in question, and wish to avoid a tax bill. Or it might be for any other reason, because you are in charge.

Because you are selling tangible goods into a consumer marketplace your cash generation is likely to broadly reflect changes in the Retail Prices Index, and so has a good chance of retaining purchasing power for many years.

You are not locked in. Unlike a normal annuity, should you decide that other things offer you better value in terms of capital preservation and income generation, you are free to sell at any time and move on.

Using the available historic data on whisky pricing it is a reasonably cautious prediction that you could generate up to 7.3% per annum. Furthermore your cashing out value should exceed your sum invested, providing a once-off real capital gain of up to 27.4%.

Returns illustrated in our attached data sheets should — on average — rise broadly in line with consumer prices, as they are based on the selling price of a consumer good.

## Discounted storage fees

We have not yet developed specific software for the Moonshine Plan, but in good time for your first withdrawal we will be implementing a lower cost for storage, whereby in return for your proven long term commitment, regular deposits over the charging period, and re-investment of the 8 year old sale proceeds, you will benefit from a discounted storage charge – by 2p per LPA per year from the prevailing standard charge. We will re-credit 2p per LPA per year to the accounts of operators of the plan. Our standard storage charge is currently 15p per LPA per year, so the current effective rate will be 13p after this re-credit, though for the moment you will see the full 15p charge applied.

## Conservative projections

It is important to explain the conservative style of the datasheet performance projections. In these illustrations we are projecting whisky

selling prices at 8 years old which are materially lower than current market prices for eight year old whisky. This is because we are only assuming average annual rates of return, not average historic sale prices. Because in real terms new make spirit is currently materially cheaper than it was a few years ago, the application of average rates of return over 8 years only grows to a lower exit price than is currently being fetched in the real world by 8 year old whisky.

Putting that into numbers, the 2015 market broking price for 8 year old grain whisky is listed as £3.60 per LPA. Using the long term average of performance, we project from a lower starting point using growth rate 'a', to a price for 8 year old grain whisky of only £3.037 per LPA. Similarly the 2015 market broking price for 8 year old malt whisky is listed as £6.20 - £6.40 per LPA. We project a price for 8 year old malt whisky of £3.996 per LPA.

Both projections look conservative and cautious. In effect we are anticipating a significant fall in the prices fetched for 8 year old spirit. Clearly, if exit prices simply hold steady the plan will significantly outperform the following datasheet illustrations.

*The following data are for illustration. The projections extrapolate well-respected 3rd party historic whisky broking price records (The Scotch Whisky Review – Alan S Gray) published since 1980.*

*The published prices were converted to 2015 monetary values according to the UK Retail Prices Index. The data sheets adjust for the 2015 advertised storage costs at WhiskyInvestDirect of 13p per annum per LPA. The monetary returns are therefore specified in terms of 2015 money values. Nominal returns can reasonably be expected to be higher if there is significant inflation, to compensate for lower money values. There is an assumption that the cost of storage remains approximately constant in real terms.*

*Using Growth rate 'c' the data illustrate the long term average return from the historic price data, which means 1980 to 2015. We also illustrate the higher growth rate 'a' reflecting the price improvement which has occurred during the better than average recent decade (2006 to 2015). Both seem reasonable choices for the illustrations.*

*There is no guarantee as to the actual rates of return. They might be better, or worse, than those illustrated.*



# The data sheets

## WhiskyInvestDirect : Moonshine Plan : Sample projections

Whisky style ('Grain' or 'Malt')	Malt	Growth rates (average per annum)				Grain	Malt
Annual funding		a	2006	to	2015	14.61%	10.97%
Investment	1,000	b	1996	to	2005	11.47%	5.03%
Tax Relief	-	c	1980	to	2015	13.81%	8.05%
Net invested	1,000						
Growth rate : a, b or c	a						
New make cost per litre	2.15						
Historic maturation appreciation pa	10.97%						
Storage (£/yr/LPA)	0.13						
Commission rate	1.75%						
Gross investment (incl storage) over 8 years	10,316						
Projected annual income	758						
Running real yield after expenses	7.3%						
"Cashing-in" gross real value from yr 8	13,143						
"Cashing in" gross real value profit	+27.4%						

Whisky "Projected value" is calculated by using one of a number of Growth Rates extracted from historical pricing data over the periods 2006-2015 ('a' decade), 1996-2005 ('b' decade) and 1980-2015 ('c' Long term)

Cost variables					Grain	Malt
New make (£/LPA)					1.02	2.15
Storage (£/yr/LPA)					0.13	0.13

Plan year	1	2	3	4	5	6	7	8	9+	9+
Age of (oldest) whisky (yrs)	0	1	2	3	4	5	6	7	8	8
Projected value when this old (£/LPA)	2,150	2,386	2,648	2,938	3,260	3,618	4,015	4,455	4,944	4,944
LPA bought (new make)	465	465	465	465	465	465	465	465	465	465
LPA sold (8 year old)	-	-	-	-	-	-	-	-	465	465
New balance (LPA)	465	930	1,395	1,860	2,325	2,790	3,255	3,720	3,720	3,720
Invest in new make (£)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Tax relief (£)	-	-	-	-	-	-	-	-	-	0
Storage (annual)	60.45	120.90	181.35	241.80	302.25	362.70	423.15	483.60	483.60	483.60
Trading cost (annual)	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	57.73	57.73
Total expenses (annual)	1077.95	1138.40	1198.85	1259.30	1319.75	1380.20	1440.65	1501.10	1541.08	1541.08
Sold whisky proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2298.98	2298.98
Running total invested	1077.95	2216.35	3415.20	4674.50	5994.25	7374.45	8815.10	10316.20	n/a	n/a
Income generated	0	0	0	0	0	0	0	0	757.91	757.91
"Cashing-in" value (at end of year)	1,109	2,341	3,707	5,223	6,905	8,772	10,844	13,143	13,143	13,143

## WhiskyInvestDirect : Moonshine Plan : Sample projections

Whisky style ('Grain' or 'Malt')	Malt	Growth rates (average per annum)				Grain	Malt
Annual funding		a	2006	to	2015	14.61%	10.97%
Investment	1,000	b	1996	to	2005	11.47%	5.03%
Tax Relief	-	c	1980	to	2015	13.81%	8.05%
Net invested	1,000						
Growth rate : a, b or c	c						
New make cost per litre	2.15						
Historic maturation appreciation pa	8.05%						
Storage (£/yr/LPA)	0.13						
Commission rate	1.75%						
Gross investment (incl storage) over 8 years	10,316						
Projected annual income	325						
Running real yield after expenses	3.1%						
"Cashing-in" gross real value from yr 8	11,513						
"Cashing in" gross real value profit	+11.6%						

Whisky "Projected value" is calculated by using one of a number of Growth Rates extracted from historical pricing data over the periods 2006-2015 ('a' decade), 1996-2005 ('b' decade) and 1980-2015 ('c' Long term)

Cost variables					Grain	Malt
New make (£/LPA)					1.02	2.15
Storage (£/yr/LPA)					0.13	0.13

Plan year	1	2	3	4	5	6	7	8	9+	9+
Age of (oldest) whisky (yrs)	0	1	2	3	4	5	6	7	8	8
Projected value when this old (£/LPA)	2,150	2,323	2,510	2,712	2,931	3,167	3,422	3,698	3,996	3,996
LPA bought (new make)	465	465	465	465	465	465	465	465	465	465
LPA sold (8 year old)	-	-	-	-	-	-	-	-	465	465
New balance (LPA)	465	930	1,395	1,860	2,325	2,790	3,255	3,720	3,720	3,720
Invest in new make (£)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Tax relief (£)	-	-	-	-	-	-	-	-	-	0
Storage (annual)	60.45	120.90	181.35	241.80	302.25	362.70	423.15	483.60	483.60	483.60
Trading cost (annual)	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	50.01	50.01
Total expenses (annual)	1077.95	1138.40	1198.85	1259.30	1319.75	1380.20	1440.65	1501.10	1533.36	1533.36
Sold whisky proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1857.91	1857.91
Running total invested	1077.95	2216.35	3415.20	4674.50	5994.25	7374.45	8815.10	10316.20	n/a	n/a
Income generated	0	0	0	0	0	0	0	0	324.55	324.55
"Cashing-in" value (at end of year)	1,080	2,248	3,509	4,872	6,344	7,936	9,655	11,513	11,513	11,513

## WhiskyInvestDirect : Moonshine Plan : Sample projections

Whisky style ('Grain' or 'Malt')	Grain	Growth rates (average per annum)				Grain	Malt
Annual funding		a	2006	to	2015	14.61%	10.97%
Investment	1,000	b	1996	to	2005	11.47%	5.03%
Tax Relief	-	c	1980	to	2015	13.81%	8.05%
Net invested	1,000	Whisky "Projected value" is calculated by using one of a number of Growth Rates extracted from historical pricing data over the periods 2006-2015 ('a' decade), 1996-2005 ('b' decade) and 1980-2015 ('c' Long term)					
Growth rate : a, b or c	a	Cost variables					
New make cost per litre	1.02	New make (£/LPA)					
Historic maturation appreciation pa	14.61%	Storage (£/yr/LPA)					
Storage (£/yr/LPA)	0.13	Grain					
Commission rate	1.75%	Malt					
Gross investment (incl storage) over 8 years	12,726	New make (£/LPA)					
Projected annual income	887	Storage (£/yr/LPA)					
Running real yield after expenses	7.0%	Grain					
"Cashing-in" gross real value from yr 8	15,503	Malt					
"Cashing in" gross real value profit	+21.8%						

Plan year	1	2	3	4	5	6	7	8	9+	9+
Age of (oldest) whisky (yrs)	0	1	2	3	4	5	6	7	8	8
Projected value when this old (£/LPA)	1,020	1,169	1,340	1,536	1,760	2,017	2,312	2,649	3,037	3,037
LPA bought (new make)	980	980	980	980	980	980	980	980	980	980
LPA sold (8 year old)	-	-	-	-	-	-	-	-	980	980
New balance (LPA)	980	1,960	2,940	3,920	4,900	5,880	6,860	7,840	7,840	7,840
Invest in new make (£)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Tax relief (£)	-	-	-	-	-	-	-	-	-	0
Storage (annual)	127.40	254.80	382.20	509.60	637.00	764.40	891.80	1019.20	1019.20	1019.20
Trading cost (annual)	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	69.57	69.57
Total expenses (annual)	1144.90	1272.30	1399.70	1527.10	1654.50	1781.90	1909.30	2036.70	2088.37	2088.37
Sold whisky proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2975.82	2975.82
Running total invested	1144.90	2417.20	3816.90	5344.00	6998.50	8780.40	10689.70	12726.40	n/a	n/a
Income generated	0	0	0	0	0	0	0	0	887.45	887.45
"Cashing-in" value (at end of year)	1,146	2,459	3,964	5,688	7,665	9,930	12,527	15,503	15,503	15,503

## WhiskyInvestDirect : Moonshine Plan : Sample projections

Whisky style ('Grain' or 'Malt')	Grain	Growth rates (average per annum)				Grain	Malt
Annual funding		a	2006	to	2015	14.61%	10.97%
Investment	1,000	b	1996	to	2005	11.47%	5.03%
Tax Relief	-	c	1980	to	2015	13.81%	8.05%
Net invested	1,000	Whisky "Projected value" is calculated by using one of a number of Growth Rates extracted from historical pricing data over the periods 2006-2015 ('a' decade), 1996-2005 ('b' decade) and 1980-2015 ('c' Long term)					
Growth rate : a, b or c	c	Cost variables					
New make cost per litre	1.02	New make (£/LPA)					
Historic maturation appreciation pa	13.81%	Storage (£/yr/LPA)					
Storage (£/yr/LPA)	0.13	Grain					
Commission rate	1.75%	Malt					
Gross investment (incl storage) over 8 years	12,726	New make (£/LPA)					
Projected annual income	728	Storage (£/yr/LPA)					
Running real yield after expenses	5.7%	Grain					
"Cashing-in" gross real value from yr 8	14,949	Malt					
"Cashing in" gross real value profit	+17.5%						

Plan year	1	2	3	4	5	6	7	8	9+	9+
Age of (oldest) whisky (yrs)	0	1	2	3	4	5	6	7	8	8
Projected value when this old (£/LPA)	1,020	1,161	1,321	1,504	1,711	1,948	2,216	2,523	2,871	2,871
LPA bought (new make)	980	980	980	980	980	980	980	980	980	980
LPA sold (8 year old)	-	-	-	-	-	-	-	-	980	980
New balance (LPA)	980	1,960	2,940	3,920	4,900	5,880	6,860	7,840	7,840	7,840
Invest in new make (£)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Tax relief (£)	-	-	-	-	-	-	-	-	-	0
Storage (annual)	127.40	254.80	382.20	509.60	637.00	764.40	891.80	1019.20	1019.20	1019.20
Trading cost (annual)	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	66.73	66.73
Total expenses (annual)	1144.90	1272.30	1399.70	1527.10	1654.50	1781.90	1909.30	2036.70	2085.53	2085.53
Sold whisky proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2813.51	2813.51
Running total invested	1144.90	2417.20	3816.90	5344.00	6998.50	8780.40	10689.70	12726.40	n/a	n/a
Income generated	0	0	0	0	0	0	0	0	727.98	727.98
"Cashing-in" value (at end of year)	1,138	2,432	3,906	5,583	7,492	9,664	12,136	14,949	14,949	14,949