**Generation Life Investment Bonds**

**Sample Statement of Advice Inserts**



March 2018

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# Important information

The product description and sample wording below have been prepared by Generation Life Limited (‘Generation Life’) ABN 68 092 843 902 AFSL 225408 **as a guide only** to assist you in developing your own Statement of Advice (SoA) when offering Generation Life investment bond products to your clients.

This information may not be considered complete as it does not consider your clients’ personal situation, needs or objectives – it is your responsibility to consider these aspects when formulating the SoA for your clients. Before making an investment decision or tendering of advice based on anything in this document, you need to consider, whether any general advice in this document is appropriate to the particular investment needs, objectives and financial situation of the person/s making the investment and/or receiving the advice.

This document may contain general advice in relation to financial products. Generation Life is not authorised to provide personal advice and accordingly has not considered any individual person’s financial situation, need or objectives. Generation Life is not responsible for any personal advice you provide, even if it is based on this document.

It is important to note that some product features may not be fully explained, some words or phrases have a specific meaning and rules may apply to the availability of certain features and options. For these reasons, this SoA should be used in conjunction with the terms and conditions set out in the Generation Life Investment Bonds Product Disclosure Statement (PDS)

Should you choose to use all or part of this template to fit with your particular SoA, this is at your discretion. The law applying to SOAs is subject to amendment and reinterpretation at any time. This document is based on information from the Generation Life Investment Bonds PDS.

The document contains references to financial products issued by Generation Life in its capacity as a life insurance company under the Life Insurance Act 1995 and as the issuer of the interests in Generation Life Investment Bonds. This document does not constitute an offer of interests in the Investment Bonds. Such offers will only be made in a copy of the PDS and anyone wishing to acquire interests in the Investment Bonds will need to complete the application form accompanying the PDS.

Generation Life believes that any advice and information in this document is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by Generation Life or any of its directors, employees or agents.

# Instructions

This document provides an example of wording that can be inserted into an SoA to explain the benefits of the product and why it has been recommended. Fees are not included in this template and should be included in the fee disclosure section of the SoA.

The wording is provided as a guideline and advisers should seek guidance from their own compliance area to ensure all licensee and ASIC requirements have been met.

You should read carefully any text taken from these samples and ensure that the context in which it is used is appropriate for your client’s circumstances.

Individual client information/circumstances should be inserted where <indicated> and advisers should ensure non relevant insertion <indicators> are deleted.

In some sections, there are several options for wording to allow advisers to tailor the advice to the client’s circumstances. Instructions for tailoring are shown in blue text and in [brackets]. Advisers should insert their own details or delete any sections that do not apply to the advice given, as well as delete the instructions. In some cases, advisers may need to modify or provide additional wording to suit the client’s unique circumstances.

The samples are not exhaustive and other circumstances and strategies for Generation Life Investment Bonds may not be covered by this document.

The ‘About investment bonds’ section can be inserted whole or in part into relevant sections of a SoA.

# Your needs, goals and objectives

This advice has been prepared specifically to address your stated needs, goals and objectives which are summarised as follows.

|  |  |
| --- | --- |
| Objective(click on blue link to proceed to the strategy) | Description |
| [Tax-effective wealth accumulation & personal tax management](#_Tax-effective_wealth_accumulation) | You would like to accumulate wealth over the long term through the establishment of a diversified investment portfolio within a tax advantaged investment environment.You would like to invest available funds in a manner which does not significantly complicate or impact on your personal tax planning |
| [Tax-effective income stream](#_Tax-effective_income_stream) | You are looking to establish a tax effective regular income stream. |
| [Reducing personal taxable income](#_Reducing_personal_taxable) | You would like to lower your taxable income position which may include to assist with income qualification thresholds for specific Government entitlements and rebates. |
| [Deferring tax on earnings](#_Deferring_tax_on) | You would like to defer personal tax payable to a date in the future. |
| Alternative or supplement to superannuation | You are looking for a tax effective investment alternative to superannuation that does not have restrictions such as contribution caps, age limits or ‘work tests’. |
| [Estate planning](#_Estate_Planning) | You would like to ensure the proceeds of your investment bond are distributed in accordance with your wishes in the event of your death or at a specified future date. |
| [Providing for a child’s future](#_Strategy_3_-) | You would like to set aside funds (initially and on an ongoing basis) for the purpose of providing for your children’s future. |
| [Education funding](#_Education_funding) | You would like to provide for a child’s future education costs in a tax-effective environment. |
| [Managing income tested pension entitlements or aged care fees](#_Managing_means-income_tested) | You are looking to improve your age pension entitlements while investing tax-effectively.You are looking to reduce the level of aged care fees while investing tax effectively. |
| [Manage income levels within a trust](#_Manage_income_levels) | You would like to manage distributable income levels from investments held within your private or family trust. |
| [Funding funeral costs](#_Funeral_costs) | You would like to tax effectively save and provide for funeral expenses with the flexibility to assign your investment to a funeral director as part of a pre-paid funeral arrangement. |
| [Creditor protection](#_Creditor_Protection) | You are looking for an investment that can potentially provide bankruptcy protection. |
| [Rebalance your investment](#_Rebalance_your_investment) | You would like to review the underlying investment strategy within your existing investment bond, ensuring that the funds are invested appropriately in light of your investment preferences, timeframe and risk tolerance. |
| [Making an additional contribution to your investment bond](#_Making_an_additional) | You would like to make an additional contribution into your investment bond, ensuring that the contributed amount is appropriate in light of your cash flow position and consistent with the rules governing the treatment of additional contributions. |
| [Making regular contributions](#_Regular_contributions) | You would like to structure a regular savings plan with the intent to streamline ongoing additional investments in a manner which does not impact upon your ability to budget effectively or breach any contribution rules surrounding further contributions to an existing investment bond. |
| [Dollar cost averaging](#_Dollar_cost_averaging) | You would like to average out the purchase price of contributions made over time to reduce the timing risk associated with making a singular, large lump sum investment. |

Please revise the above to define the needs, goals and objectives relevant to your advice in this instance.

# About investment bonds

[This section can be inserted whole or in part into relevant sections of a SoA]

Investment bonds (sometimes referred to as insurance bonds) are a long-term investment vehicle that can offer a tax effective way of accumulating wealth for some investors.

Investment bonds provide access to a range of underlying investment options which allow you to adopt an investment strategy consistent with your investment preferences and risk tolerance. Income and growth on the underlying investments is not distributed to investors, but is instead reinvested within the investment bond. This can also help with managing personal tax liability and income levels.

Investment bonds have been designed to be held for at least 10-years in order to provide the optimal maximum tax advantage. However, there is no requirement to hold the investment for that period, with access to funds available at any time.

An investment bond is a type of life insurance investment contract, which means there will be a bond owner (investor) and a life insured (which can also be the bond owner). Similar to superannuation, beneficiaries can also be nominated (including entities such as companies) to receive the bond’s proceeds in the event of the death of the life insured.

An investment bond can help with estate planning and providing for the next generation including children and grandchildren. In some cases, you also have the flexibility to transfer the investment bond as a whole to another person or entity in the event of the death of the bond owner or at a future nominated date.

An investment bond can provide a tax effective and social security friendly way of funding future funeral expenses through a special type of investment bond called a funeral bond.

The following general information describes the key advantages of investment bonds and highlights some important factors you should be aware of when considering our advice.

### Tax advantages

Investment bonds have tax advantages and are especially attractive to higher income earners.

Investment bonds are tax-paid investments. That is, the issuer pays the tax on the earnings at a maximum rate of 30%. The actual effective rate impacting your investment may be lower as a result of franking credits and tax offsets passed from the underlying investment options as well as certain tax deductions available to the issuer. Tax is paid by the issuer of the investment bond and earnings are not required to be included in your personal tax return.

For the current financial year, income tax rates (not including the Medicare Levy or any other levies which may apply) for an Australian resident, adult tax payer are as follows:

|  |  |
| --- | --- |
| Taxable Income | Income Tax (FY 2017/18) |
| $0 - $18,200 | Nil |
| $18,201 - $37,000 | 19 cents for each $1 over $18,200 |
| $37,001 - $87,000 | $3,572 plus 32.5 cents for each $1 over $37,000 |
| $87,001 - $180,000 | $19,822 plus 37 cents for each $1 over $87,000 |
| $180,001 and over | $54,232 plus 45 cents for each $1 over $180,000 |

Income from investments held in the name of a minor (under age 18) is generally taxed as follows:

|  |  |
| --- | --- |
| Taxable Income | Income Tax (FY 2017/18) |
| $0 - $416 | Nil |
| $417 - $1,307 | 66% of the income in excess of $416  |
| Over $1,307 | 45% of the total amount of income that is not excepted1 income. |

1Excepted income may include (but is not limited to) income derived from employment or some trust distributions.

There are no personal capital gains tax consequences in the event of switches in the underlying investment options, the receipt of any investment growth by the original investor or on the transfer of a bond to a subsequent investor.

The capital component of a withdrawal from an investment bond is free from personal income tax. The earnings component may be subject to taxation depending on when the withdrawal is made. There is no need to provide a tax file number and no annual tax reporting is required while you hold your investment, provided you don’t make a withdrawal within the first 10 years.

### 10-year advantage

[Does not apply to a funeral bond]

After holding your investment for 10-years, earnings won’t attract any personal tax liability - this is known as the ‘10-year advantage’. Importantly, unlike superannuation, you have access to your investment at any time, including before 10-years. The 10-year period begins on the date you first establish your investment.

If you make a withdrawal (partial or full) within 10-years of your initial investment date you will generally need to include a portion of the earnings generated by your Investment Bond as part of your tax assessable earnings for that year. The amount of earnings that need to be included as part of your tax assessable earnings will depend on the size of the withdrawal and how long after your 10-year starting date the withdrawal is made.

The portion of earnings that would be included as assessable income is determined as follows:

|  |  |
| --- | --- |
| **Year of withdrawal** | **Portion of earnings assessable**  |
| Within first 8 years  | 100%  |
| In year 9  | 2/3rds  |
| In year 10 | 1/3rd  |
| After 10-years  | None |

If you make a withdrawal before 10-years, you will receive a compensating tax offset (currently 30%) which you can use to offset any personal tax payable in the financial year that the withdrawal was made.

If your marginal tax rate is below 30%, the tax offset can be used to reduce tax payable on other income you may have earned. This means you will only pay the difference between your marginal tax rate (if above 30%) and the 30% tax already paid by the investment bond on the earnings. The 10-year period can be re-set in certain circumstances (see the 125% opportunity below).

You should seek advice from a taxation specialist to confirm the implications of investing within an investment bond in your personal circumstances.

### Additional contributions and the 125% opportunity

[Does not apply to a funeral bond investment]

Unlike superannuation, investment bonds give you much greater flexibility on how much you can contribute to your investment. With an investment bond, there are no limits on the amount you can invest in the first investment year. In each subsequent investment year, additional contributions of up to 125% of the previous investment year’s total contributions can be made without re-setting the 10-year advantage period.

These additional contributions benefit from being treated as if they were invested at the same time as your initial contribution. This means these additional contributions don’t have to be invested for the full 10-years to be included as part of the 10-year advantage.

Importantly, you can continue the benefits of the 125% opportunity by making additional investments beyond the 10-year advantage period.

It’s important to remember that if you do not make an additional contribution in a particular investment year you won’t be able to make further contributions in any subsequent investment year without restarting the 10-year advantage period.

Also, if your contributions in an investment year exceed 125% of the previous investment year’s contributions, your 10-year advantage period will also re-start. This is where Generation Life’s investment bonds with a regular savings plan facility and the ability to automatically increase the regular savings amounts each year can provide a simple and effective way to take advantage of the 125% opportunity.

It’s important that care is taken when deciding how much to contribute to an existing investment bond to ensure the tax advantages of this type of investment are retained.

### Estate assets

For the purposes of managing your estate, your assets are broken into two categories; estate and non-estate assets.

Estate assets are those which you personally own and have ultimate control over. The distribution of these is managed through your will. Non-estate assets are those that you do not legally ‘own’ (although you may have beneficial ownership) and cannot directly control. These assets cannot be directly distributed via your will.

Some typical examples of estate and non-estate assets are provided below:

|  |  |
| --- | --- |
| **Estate asset** | **Non-estate asset** |
| Direct property (held as tenants in common or owned individually) | Superannuation |
| Personal assets and possessions | Investment bonds (where beneficiaries are nominated) |
| Shares | Life insurance policies |
| Managed funds | Company assets |

Some assets may be classified as either estate or non-estate assets depending on how they are owned or the elections made by the owner(s). For example a superannuation benefit can be an estate asset where the nominated beneficiary is the individual’s estate.

**Using investment bonds for estate planning**

Estate planning is about ensuring that the right assets go to the right people at the right time as intended.

Investment bonds are an efficient and cost-effective way of providing for family and loved ones after your death. Any benefits paid to the recipients are tax-free, irrespective of how long you have held the investment bond. You control how your wealth is transferred.

Using LifeBuilder’s EstatePlanner feature together with, or as an alternative to, a will or a testamentary trust gives you the ability bypass the delays, uncertainties and costs sometimes associated with administering an estate.

With LifeBuilder’s Estate Planner feature your investment can be automatically transferred to an intended recipient(s) in whole either on your death (as the bond owner) or a future date. You can also control how much can be accessed by the intended recipient(s) after transfer.

### Investing for children

ChildBuilder is designed for anyone (parents, grandparents, family and friends) wanting to establish a tax-effective investment for a child’s future financial needs and goals. It’s simple, cost-effective and can also create inheritances for children and transfer wealth between generations without the uncertainties and complexities of wills.

ChildBuilder is particularly suited to parents or grandparents who want to ensure their wishes will be met and their wealth or inheritance will be passed onto a child or grandchild.

ChildBuilder is a child advancement policy that allows you to invest funds on behalf of a child without being exposed to the penalty tax rates which otherwise apply to investments held by minors. This type of investment bond is established by a single adult investor for a child under 16 years of age.

The adult bond owner nominates an age for the child (between 10 and 25 years of age) for the bond to be transferred into the name of the child (who is also the life insured). This is known as ‘vesting’. Until this time, the adult bond owner retains full control over the investment bond and can make investment switches, additional contributions or withdrawals as required.

For the duration, the balance of the ChildBuilder investment (and any additional contributions) enjoys the same taxation benefits noted earlier. On transfer (vesting), the balance of the ChildBuilder investment is not subject to stamp duty or capital gains tax and is transferred to the child in full.

### Funeral bonds

Funeral bonds can be used to tax effectively save and pay for funeral expenses. Like other investment bonds, a funeral bond’s earnings are taxed at a maximum rate of 30%. There is no requirement to report investment earnings in your personal tax return each year.

Generation Life’s FuneralBond can be assigned to a funeral director of your choice as part of a pre-paid funeral arrangement.

FuneralBond is also exempt (up to certain limits) from the social security assets test and deeming provisions for the income test that applies to the age pension, service pension and other means tested Government entitlements.

Funds can only be withdrawn after your death to pay for your funeral.

### Using private trusts to hold an investment bond

Investment bonds held within a trust structure such as a private, discretionary or family trust can assist in managing distributable income levels as well as in some cases reducing assessable income levels.

There are different types of trust structures available, including what are known as bare trusts.

Generation Life’s Bonds Custodian Trust provides a cost effective and simple solution to establishing a trust structure to hold a LifeBuilder investment bond. Additionally, the need for a separate trust bank account and additional tax reporting is removed, yet still providing full access and control over the LifeBuilder investment.

The Bonds Custodian Trust can assist with a range of strategy-based financial and estate planning outcomes by holding investment bonds inside a private trust structure. These strategies include reducing the impact of various income tested qualification thresholds that apply to Centrelink/Department of Veterans Affairs pensions and income-tested aged care accommodation or services.

As the LifeBuilder investment bond is held as the bare trust’s sole investment, it means that the trust will not derive annual taxable income or annual distributable trust income. As a result, there is no Centrelink assessable income generated. The trust (and its beneficiaries –being the LifeBuilder owner(s)) will also not be subject to any annual tax reporting or any on-going accounting or finance record keeping.

### Borrow against

LifeBuilder investment bonds (other than for funeral bonds) can be used as security against a loan. If your loan is used to generate income, interest and other loan-related costs may be tax deductible.

### Bankruptcy protection

Similar to superannuation, if you own an investment bond as an individual, you may receive protection from creditors in the case of bankruptcy (provided your intention was not to defeat creditors). Provided the life insured is the bond owner or the bond owner’s spouse (including a de facto partner), and provided the intention is not to deliberately avoid bankruptcy arrangements.

### Dollar cost averaging

Dollar cost averaging is an investment technique that helps you manage the risks associated with investing in a single upfront investment. With this strategy you progressively invest in selected investment options on a regular schedule, regardless of the investment price.

Generation Life’s dollar cost averaging facility lets you set a period to progressively on a (for example) monthly basis invest your initial and additional contributions (excluding regular savings plan contributions). Because your progressive investments will be applied for at varying prices, the cost of gaining exposure to the particular investment option(s) is ‘averaged’ over time.

### Portfolio re-balancing

Over time, markets and your circumstances change and your investment strategy needs to be adjusted to respond to these changes. The value of your investment in any particular investment option will change over time and this movement may cause your investment portfolio allocation to deviate from your set investment strategy.

Generation Life’s auto-rebalancing facility helps re-align your investment portfolio to your selected investment option weightings. It’s, in effect, a form of automatic switching. An auto-rebalancing facility provides a simple way for you to maintain your investment strategy.

### Investment bond transfers (change of ownership)

You can transfer ownership of your investment at any time subject to the restrictions noted below. The transfer of ownership normally occurs without personal tax or capital gains tax implications provided it is done for nil consideration (for example as a gift, or transferring ownership from single to joint names).

Importantly, the 10-year tax advantage is maintained and not re-set as a result of the transfer.

For tax purposes, the new investment bond owner simply steps into the shoes of the former owner. It’s important to understand that transferring your ownership will generally void the nomination of beneficiaries and any estate planning instructions previously provided.

With a ChildBuilder a transfer can only be made to a natural person (i.e. not an entity such as a company or trust) and only prior to the child reaching the vesting age.

The FuneralBond can only be transferred to a funeral director (as part of a pre-paid funeral arrangement). The funeral director will then become the legal owner of the investment, will be able to change the investment strategy and will receive all future communications.

# Who are investment bonds suitable for?

### Higher income earners

All earnings are taxed within the investment bond at a maximum rate of 30%, making this a tax effective investment solution for those with a marginal tax rate higher than 30%. Provided you hold your entire investment for at least 10-years, you pay no additional tax on your investment’s earnings and you won’t have to declare any income in your annual tax returns. This can also potentially minimise the impact of additional personal tax due to Government levies and surcharges.

**Those looking for an alternative to, or wanting to complement their superannuation**

Investment bonds are a tax effective way to save for your retirement. Unlike superannuation, there are no restrictions such as contribution caps, age limits or ‘work tests’ – investment bonds let you decide how much and when you want to contribute. You can make one-off investments or use the regular savings plan that lets you automatically increase contribution amounts annually. You also have access to your money at any time - ideal if you are looking to fund an early retirement, meet an unexpected expense or make a major purchase.

### For those wanting certainty over how their wealth will be managed on their death

You can nominate beneficiaries to receive the proceeds of your investment on your death, or arrange for someone else to continue holding your investment. EstatePlanner’s unique ‘Future Events’ feature gives you the control to arrange the automatic transfer of your investment at a future set date or on your death. Importantly, the investment’s tax status will be preserved for the future recipient as the 10-year advantage period isn’t re-set. For extra peace of mind, you can also control when the recipient can make withdrawals and limit the amount they can withdraw each year.

### Those looking to manage income levels within trusts

Private trusts, including family or discretionary trusts, can manage their distributable income by using LifeBuilder. While the trust remains invested in LifeBuilder there will be no income for the trust to distribute from its investment.

### People needing a regular income stream

By using the regular withdrawal facility, you can set up a tax-effective regular income stream. This can be particularly useful for early retirement where access to superannuation is not available.

### Age pension recipients and Aged Care residents

When held through a trust arrangement (such as our Bonds Custodian Trust) LifeBuilder may assist with means-income tested age pension entitlements and reducing aged care resident fees.

### People looking to qualify for other Government benefits

Because bond earnings aren’t required to be included in your tax return, it can also help you qualify for other Government benefits like the Commonwealth Seniors Health Card and Family Tax Benefits that are assessed on your taxable income

.

# Tax-effective wealth accumulation & personal tax management

### Client situation

[You have a current need to invest in managed funds for <insert required outcome> and want to minimise the tax to be paid on the earnings of your investments. You have a <short/medium/long> investment time horizon. Your current marginal tax rate is <insert client marginal tax rate> and this is expected to remain at that level for <x years>.]

[Your current marginal tax rate is <insert client marginal tax rate> which reduces the after tax returns on your investment earnings. You would like to accumulate in a tax effective’ environment a sum of money in order to fund <insert client objective – a deposit on a house for your children or grandchildren; supplementary retirement benefits; wedding expenses; establish a dedicated fund to pay your health insurance from a particular future date; or a special endowment on the birth of a child or grandchild etc.>]

### Recommendation

We recommend that you establish a Generation Life LifeBuilder investment bond in order to accomplish your <insert required outcome> goals. Investment bonds are tax-paid investments where tax on earnings is paid by the issuer at a maximum rate of 30% and earnings are not required to be included in your personal tax return.

Investment bonds generally provide a range of underlying investment choices across all asset classes and enable you to structure a portfolio which is consistent with your investment preferences. In consideration of your available funds and likely cash flow position going forwards, we recommend an initial contribution of <insert $ amount>. Our specific underlying investment recommendations for these funds are detailed in the ‘Recommended Investments’ section of this document.

### Reasons and benefits

* You do not need to include any earnings from the investment bond in your tax return unless a withdrawal is made within the first 10 years. Withdrawals are also free of personal income tax in the event of special circumstances such as death, disability, illness, and financial hardship. After 10 years, there is no tax payable on withdrawals from the investment bond.
* The maximum rate of tax paid by the investment bond on earnings is 30%. This compares favourably to marginal tax rates which can be up to 47%, including the Medicare levy.
* Additional contributions which satisfy the 125% Opportunity rule do not need to be invested for a full 10-year period before acquiring a tax paid status. This allows you to make an additional contribution to the investment each year of up to 125% of the previous year’s contribution.
* If you need to withdraw funds within 10 years, a full 30% tax offset can be used against either the required tax to be paid on earnings or if in surplus, other income.
* You can nominate to have one or more beneficiaries receive the proceeds of the investment tax free on the death of the last surviving life insured. Alternatively, you can also arrange for the investment to be automatically transferred to another party on the death of the nominated owner or a specified date in the future.
* The money invested in the investment bond is generally protected from creditors in the case of bankruptcy of the life insured.
* You have access to a wide choice of investment options. You can switch between investments without incurring personal capital gains tax.

**Potential risks and disadvantages**

* If you make a withdrawal within 10 years, you will have to declare the earnings in your tax return. Some or all of the earnings will be taxed at 30%, which may be more than your marginal tax rate.
* If an investment year is completed without any contributions made, no further contributions can be made without restarting the 10-year period.
* If more than 125% of the previous year’s contributions are made in the following investment year, the 10-year period will restart.
* Investment bonds do not pay income distributions, earnings are retained within the investment bond.

Please consult the Product Disclosure Statement provided in the appendix of this Statement of Advice for further details about the recommended strategy and specific investments.

[Return to “Your needs, goals and objectives” section](#_Your_needs,_goals)

# Tax-effective income stream

### Client situation

You are looking to set up a regular income stream for the purpose of <Insert client requirement>. You have advised us that you will require a regular payment of <insert $ amount> per <month/quarter/half year or year> commencing from <insert date>.

### Recommendation

Structure an income stream from your investment bond to <insert client objective>.

We recommend the use of a regular withdrawal facility for your investment portfolio to fund your income requirements going forward.

### Reasons and benefits

* An investment bond allows you to invest tax effectively over the long term
* By using a regular withdrawal facility, you can set up a tax effective regular income stream. This can be particularly useful for early retirement where access to superannuation is not available.
* Investment bonds have no rules restricting the frequency of making part withdrawals. Unlike superannuation, access to an income stream can be achieved prior to preservation age.
* Unlike superannuation pensions and other income stream products investment bonds are flexible enough to be structured to vary the income stream as required.
* The maximum rate of tax paid by the investment bond on earnings is 30%. This compares favourably to marginal tax rates which can be up to 47%, including the Medicare levy.
* Withdrawals are free of personal income tax in the event of special circumstances such as death, disability, illness, and financial hardship.
* You can nominate to have one or more beneficiaries receive the proceeds of the investment tax free on the death of the last surviving life insured. Alternatively, you can also arrange for the investment to be automatically transferred to another party on the death of the nominated owner or a specified date in the future.
* The money invested in the investment bond is generally protected from creditors in the case of bankruptcy of the life insured.
* You have access to a wide choice of investment options. You can switch between investments without incurring personal capital gains tax.

### Potential risks and disadvantages

* If you make a withdrawal (partial or full) within 10-years of your initial investment date you will generally need to include a portion of the earnings generated by your investment bond as part of your tax assessable earnings for that year. The amount of earnings that need to be included as part of your tax assessable earnings will depend on the size of the withdrawal and how long after your 10-year starting date the withdrawal is made. After 10 years, there is no tax payable on withdrawals from the investment bond.
* For funds withdraw within the first 10 years a full 30% tax offset can be used against either the required tax to be paid on earnings or if in surplus, other income.

[Return to “Your needs, goals and objectives” section](#_Your_needs,_goals)

# Reducing personal taxable income

### Client situation

By investing in investments that produce distributable income you will <insert relevant issue: increase your marginal tax rate; exceed the threshold for the Commonwealth Seniors Health Card/Study Assistance, Parenting Allowances and qualifying for tax offsets, such as the Low Income Tax Offset and Senior’s Australian Tax Offset etc.>. The level of your adjusted taxable income and deemed income exclude you from qualifying for <Insert benefit type>.

Your adjusted taxable income and deemed income can include:

* taxable income
* foreign income
* tax-exempt foreign income
* total net investment losses
* reportable fringe benefits
* reportable superannuation contributions
* certain tax-free pensions or benefits, and
* superannuation income stream benefits, including both taxable and non-taxable components
* ‘deemed’ income from account based income streams

You currently hold investment assets which produce <Insert $ income amount>.

To pass the ‘Income Test’ your income must not exceed <insert applicable $ threshold for client>.

Your current income exceeds the threshold by <insert $ amount> per annum.

It is possible to replicate these investments within a Generation Life Investment Bond. Investment bonds have the unique advantage in that they do not produce assessable income.

### Recommendation

We recommend that you liquidate the following assets:

<list assets>

<if applicable outline tax consequences>

We recommend that you invest the proceeds of the sale of assets in an investment bond in order to accomplish your < insert required outcome> goals.

An investment bond is a unique long term investment that allows you to take advantage of exclusive tax treatment. Investment bond returns are taxed in the hands of the issuing company after imputation credits and other tax offsets have been taken into consideration.

Investment bonds generally provide a range of underlying investment choices across all asset classes and enable you to structure a portfolio which is consistent with your investment preferences. In consideration of your available funds and likely cash flow position going forward, we recommend an initial contribution of < insert $ amount>.

Our specific underlying investment recommendations for these funds are detailed in the ‘Recommended Investments’ section of this document.

By doing this, it lowers your level of taxable income, and will assist in managing < insert appropriate issue - infringing income qualification thresholds for a range of government rebates and welfare benefits. These could include, Health Benefits, Senior’s Healthcare Card, Study assistance, Parenting Allowances, and qualifying for tax offsets, such as the Low Income Tax Offset and Senior’s Australian Tax Offset etc.> helping you achieve your aim of <insert required outcome >.

This will also help in reducing the amount of personal income tax you pay.

### Reasons and benefits

* An investment bond may help you access income tested tax offsets or benefits such as:
* Low Income Tax Offset
* Senior Australians Tax Offset
* Commonwealth Seniors Health Card
* Government’s Super Co-contribution
* Family tax benefits
* Earnings do not increase the Medicare levy or Medicare levy surcharge.
* An investment bond can reduce your adjusted taxable income and deemed income to allow you to apply for and receive the required Government benefit.
* You do not need to include any earnings from the investment bond in your tax return unless a withdrawal is made within the first 10 years. Withdrawals are also free of personal income tax in the event of special circumstances such as death, disability, illness, and financial hardship.
* After 10 years, there is no tax payable on withdrawals from the investment bond.
* The maximum rate of tax paid by the investment bond on earnings is 30%. This compares favourably to marginal tax rates which can be up to 47%, including the Medicare levy.
* Additional contributions which satisfy the 125% Opportunity rule do not need to be invested for a full 10-year period before acquiring a tax paid status. This allows you to make an additional contribution to the investment each year of up to 125% of the previous year’s contribution.
* If you need to withdraw funds within 10 years, a full 30% tax offset can be used against either the required tax to be paid on earnings or if in surplus, other income.
* You can nominate to have one or more beneficiaries receive the proceeds of the investment tax free on the death of the last surviving life insured. Alternatively, you can also arrange for the investment to be automatically transferred to another party on the death of the nominated owner or a specified date in the future.
* The money invested in the investment bond is generally protected from creditors in the case of bankruptcy of the life insured.
* You have access to a wide choice of investment options. You can switch between investments without incurring personal capital gains tax.

**Potential risks and disadvantages**

* If you make a withdrawal within 10 years, you will have to declare the earnings in your tax return. Some or all of the earnings will be taxed at 30%, which may be more than your marginal tax rate.
* If an investment year is completed without any contributions made, no further contributions can be made without restarting the 10-year period.
* If more than 125% of the previous year’s contributions are made in the following investment year, the 10-year period will restart.
* Investment bonds do not pay income distributions, earnings are retained within the investment bond.

Please consult the Product Disclosure Statement provided in the appendix of this Statement of Advice for further details about the recommended strategy and specific investments.

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# Deferring tax on earnings

### Client situation

Based on your current assessable income you have a marginal tax rate of <insert client marginal tax rate>. You want to invest for <insert required outcome> which will require a lump sum of money to be available in <insert number of years> years. You need to minimise the amount of tax paid on the investments both throughout the investment phase and when the funds are drawn down for use.

### Recommendation

Invest <insert $ amount> in an investment bond which is a ‘tax-paid’ investment designed to accumulate growth and not distribute income. An investment bond can be used in tax planning to defer investment income.

This works best for investors like yourself on a higher marginal tax rate by bringing to account (for tax purposes) any investment earnings to a future year (or over a series of future years) when you expect to be on a lower marginal tax rate.

### Reasons and benefits

* You do not need to include any earnings from the investment bond in your tax return unless a withdrawal is made within the first 10 years. Withdrawals are also free of personal income tax in the event of special circumstances such as death, disability, illness, and financial hardship.
* After 10 years, there is no tax payable on withdrawals from the investment bond.
* The maximum rate of tax paid by the investment bond on earnings is 30%. This compares favourably to marginal tax rates which can be up to 47%, including the Medicare levy.
* Additional contributions which satisfy the 125% Opportunity rule do not need to be invested for a full 10-year period before acquiring a tax paid status. This allows you to make an additional contribution to the investment each year of up to 125% of the previous year’s contribution.
* If you need to withdraw funds within 10 years, a full 30% tax offset can be used against either the required tax to be paid on earnings or if in surplus, other income.
* You can nominate to have one or more beneficiaries receive the proceeds of the investment tax free on the death of the last surviving life insured. Alternatively, you can also arrange for the investment to be automatically transferred to another party on the death of the nominated owner or a specified date in the future.
* The money invested in the investment bond is generally protected from creditors in the case of bankruptcy of the life insured.
* You have access to a wide choice of investment options. You can switch between investments without incurring personal capital gains tax.

### Potential risks and disadvantages

* If you make a withdrawal within 10 years, you will have to declare the earnings in your tax return. Some or all of the earnings will be taxed at 30%, which may be more than your marginal tax rate.
* If an investment year is completed without any contributions made, no further contributions can be made without restarting the 10-year period.
* If more than 125% of the previous year’s contributions are made in the following investment year, the 10-year period will restart.
* Investment bonds do not pay income distributions, earnings are retained within the investment bond.

Please consult the Product Disclosure Statement provided in the appendix of this Statement of Advice for further details about the recommended strategy and specific investments.

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# Alternative or supplement to superannuation

### Client situation

Superannuation benefits have been eroded by legislative changes that limit how much an individual can hold and contribute in their superannuation accounts, particularly for clients of medium to high net wealth such as yourself.

You like the idea of superannuation; however, you have stated [we have determined] that <insert client need –e.g. require an income stream for early retirement pre preservation age; require flexibility to withdraw a lump sum for special purpose or event prior to preservation age>.

### Recommendation

Invest and save in an investment bond. Like superannuation, investment bonds are long-term, tax-paid investments. Use the investment bond as an alternative to non-compulsory superannuation to supplement your superannuation in retirement.

### Reasons and benefits

* You do not need to include any earnings from the investment bond in your tax return unless a withdrawal is made within the first 10 years. Withdrawals are also free of personal income tax in the event of special circumstances such as death, disability, illness, and financial hardship.
* After 10 years, there is no tax payable on withdrawals from the investment bond.
* The maximum rate of tax paid by the investment bond on earnings is 30%. This compares favourably to marginal tax rates which can be up to 47%, including the Medicare levy.
* Additional contributions which satisfy the 125% Opportunity rule do not need to be invested for a full 10-year period before acquiring a tax paid status. This allows you to make an additional contribution to the investment each year of up to 125% of the previous year’s contribution.
* If you need to withdraw funds within 10 years, a full 30% tax offset can be used against either the required tax to be paid on earnings or if in surplus, other income.
* You can nominate to have one or more beneficiaries receive the proceeds of the investment tax free on the death of the last surviving life insured. Alternatively, you can also arrange for the investment to be automatically transferred to another party on the death of the nominated owner or a specified date in the future.
* The money invested in the investment bond is generally protected from creditors in the case of bankruptcy of the life insured.
* You have access to a wide choice of investment options. You can switch between investments without incurring personal capital gains tax.
* You do not have to wait until age preservation age (55 and up to 65 years) to withdraw from an investment bond. There is also no compulsion to withdraw from an investment bond or convert to an annuity at age 65.
* Investment bonds do not have an upper contribution limit or maximum account balance requirement.
* No contribution tax applies to investment bonds.
* The restrictions on using superannuation as security for a loan or in gearing strategies do not apply to investment bonds.
* All benefits are tax free to any beneficiary on death or disability and they do not have to be a dependant.

### Potential risks and disadvantages

* If you make a withdrawal within 10 years, you will have to declare the earnings in your tax return. Some or all of the earnings will be taxed at 30%, which may be more than your marginal tax rate.
* If an investment year is completed without any contributions made, no further contributions can be made without restarting the 10-year period.
* If more than 125% of the previous year’s contributions are made in the following investment year, the 10-year period will restart.
* Investment bonds do not pay income distributions, earnings are retained within the investment bond.

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# Estate Planning

## Strategy 1 - Nominating beneficiaries

### Client situation

You wish to invest funds for <insert client objective> but are concerned that in the event of your death access to the funds will be subject to will and estate procedures. You are also concerned that your will may be contested and may be open to creditors’ claims. You are concerned that will estate procedures, which usually entail ‘proving’ a will and obtaining probate, can be an expensive and time-consuming exercise.

### Recommendation

Investment bonds provide you with the ability to nominate beneficiaries who will receive the proceeds of the bond on the death of the life insured (which in most cases is the owner of the investment).

Nominating beneficiaries means the proceeds will be paid directly to the intended recipient and will not form part of your estate assets when you pass away.

Based on our discussions, we understand that you intend to nominate the following beneficiaries:

|  |  |
| --- | --- |
| **Name** | **Percentage** |
| <insert name> | <insert %age> |
| <insert name> | <insert %age> |
| <insert name> | <insert %age> |

[**Joint survivorship**

Because you have nominated multiple beneficiaries (and in the event that a beneficiary passes before your death), you have advised us that you would like to have the deceased beneficiary’s percentage benefit entitlements re-distributed automatically on an equal pro rata basis to the surviving beneficiaries.]

[**Down-the line nominations**

Because you have nominated multiple beneficiaries. You have advised us that in the event that a beneficiary passes before your death, you would like to re-allocate benefit proceeds from an originally specified beneficiary to pass ‘down-the-line’ (for example, from a nominated parent beneficiary, to his or her child, or estate representative) in the event of passing before the last surviving life insured.]

### Reasons and benefits

* The beneficiaries will receive the proceeds of the investment tax free.
* Proceeds pass outside of your will and legal estate avoiding possible challenges and claims.
* There are no delays associated with the granting of probate or the administration of your estate.
* You can nominate individuals, companies, trusts or charities to receive your bond’s proceeds on the death of the last surviving life insured.
* There is no restriction on the number of beneficiaries you can nominate or what percentage to allocate to each beneficiary. You can also remove or add a beneficiary, as well as change the benefit percentage allocations at any time.
* [You won’t need to remember to modify your beneficiary nomination in the event of the death of one of the beneficiaries]

### Potential risks and disadvantages

* If a beneficiary is not nominated, the benefit will be paid to your estate.
* If you set up multiple lives insured, the benefits will be paid to the beneficiaries on the death of the last surviving life insured.

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## Strategy 2 - Future event transfer

### Client situation

You wish to invest funds for <insert client objective> but want to arrange for the transfer of your investment bond on the occurrence of a future date to your named recipients being <insert “your death” or insert future date>.

[You also want to restrict the recipient’s ability to fully withdraw funds from the investment bond once transferred.]

### Recommendation

Investment bonds provide you with the ability to transfer your investment bond to nominated recipients on a specified date or event.

Nominating recipients of your transfer means the investment bond will be transferred to the intended recipient and will not form part of your estate assets when you pass away.

Based on our discussions, we understand that you intend to nominate the following recipients.

|  |
| --- |
| **Name** |
| <Insert transferee name> |
| <Insert transferee name> |
| <Insert transferee name> |

### Reasons and benefits

* The recipients will receive the transfer of the investment bond tax free.
* The transfer passes outside of your will and legal estate avoiding possible challenges and claims.
* There are no delays associated with the granting of probate or the administration of your estate.
* You can nominate individuals, companies, trusts or charities to have the bond transferred to on your death or nominated date.
* There is no restriction on the number of recipients to transfer your investment bond to.
* You can restrict the amount of funds that can be withdrawn annually by the recipients.

### Potential risks and disadvantages

* If the recipient passes before the transfer, the benefit will be transferred to the recipient’s estate.
* If you set up a transfer on death, the transfer will occur following your death and once the transfer has been completed.
* If you nominate a future date for the transfer and you pass away before that date, your investment bond will be held by your estate. Your estate will not be able to change or revoke your future event transfer request.
* If you restrict access to funds (following the transfer), the recipient will not be able to transfer the investment bond or use it as security for a loan.

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## Strategy 3 - Child advancement policy

### Client situation

You wish to invest funds for <insert client objective> but want to arrange for the transfer of your investment bond to a nominated child at a future date being the child’s <insert age> birthday.

[You also want to restrict the child’s ability to fully withdraw funds from the investment bond once transferred and provide for an annual payment schedule <insert $ amount or %age of the investment bond value>]

### Recommendation

Investment bonds with a child advancement policy provide you with the ability to automatically transfer (vest) your investment bond to a nominated child on the child’s specified birthday.

Based on our discussions, we understand that you intend to nominate the following child/children.

|  |  |  |  |
| --- | --- | --- | --- |
| **Child’s name** | **Current age (years)** | **Transfer/vesting age (years)** | **Amount ($)** |
| <Insert name> | <insert age> | <insert age> | <Insert $ amount> |
| <Insert name> | <insert age> | <insert age> | <Insert $ amount> |
| <Insert name> | <insert age> | <insert age> | <Insert $ amount> |

### Reasons and benefits

* Can be set up for anyone under 16 years of age and vest (transfer) ownership to them when they reach a specified age (between 10 and 25 years).
* The vesting is automatic and with no personal tax consequence, no stamp duty, and no additional fees or charges.
* When vested, the investment ownership transfers with the benefit of the 10-year tax advantage period not re-setting.
* You can pre-arrange how the child can access their funds, including setting an annual limit on how much can be withdrawn after the vesting date.
* You can also set the length of time that the annual withdrawal limit will apply for.
* Until the investment bond is vested, you retain full control and flexibility. You can change the vesting age or access your investment at any time, including making withdrawals for your own purposes or (for example) paying for a child’s education or maintenance expenses.
* You can also specify an intended purpose for the use of the investment bond once the investment has vested in the child. For example, a first home deposit, education or study expenses, or a first car.
* Your investment bond will survive your death and continue in the hands of your estate. The executors of your estate are legally bound to transact on this bond for the benefit of the ‘Life Insured’ (your nominated child) only. Your estate cannot remove the nomination of the child.

### Potential risks and disadvantages

* The ownership of the investment bond must be vested to the nominated child at an age between 10 and 25 years.
* You cannot change the child once they are nominated.
* If the child passes away before the vesting age, the investment will mature with the proceeds paid to you (or your estate) as a tax free payment.
* The nomination of intended uses is not binding on the child.

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## Strategy 4 - Joint Ownership

### Client situation

You wish to invest funds for <insert client objective> but are concerned that in the event of your death access to the funds will be subject to will and estate procedures. You are also concerned that your will may be contested and may be open to creditors’ claims. You are concerned that will estate procedures, which usually entail ‘proving’ a will and obtaining probate, can be an expensive and time-consuming exercise.

### Recommendation

Investment bonds provide you with the ability to be owned jointly with multiple owners.

Having an investment bond held in joint names means that the investment bond’s ownership will automatically pass to your surviving joint owner(s) in the event of your death and will not have to go through normal will and estate procedures.

### Reasons and benefits

* The joint owner will maintain ownership of the investment bond tax free.
* The arrangement passes outside of your will and legal estate avoiding possible challenges and claims.
* There are no delays associated with the granting of probate or the administration of your estate.
* You can nominate individuals, companies, or a trust as a joint owner(s).
* There is no restriction on the number of joint owners on your investment bond.

### Potential risks and disadvantages

* If there are multiple surviving joint owners they will be held as joint tenants, meaning the interests of the deceased owner automatically transfer to the surviving owner(s).
* The owners will have an undivided interest in the investment bond which means that ownership cannot be divided up.

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# Education funding

## Strategy 1 - Child advancement policy

### Client situation

You have <insert number of children/grandchildren> of ages <insert ages> you wish to establish a fund to pay <primary/secondary/tertiary> education and importantly maintain control over your investment enabling you to alter your investment strategy and re-direct funds if circumstances change.

You have a lump sum amount of <insert $ amount> to invest for this purpose.

You have surplus disposable income of <insert $ amount> to contribute regularly to this purpose.

### Recommendation

Invest an initial amount of <insert $ amount> and contribute <insert $ amount> on a <select monthly/quarterly, half yearly or annual> basis into a Generation Life ChildBuilder investment bond.

The investment bond’s flexible ownership options can facilitate specific education funding objectives without you losing control of the investment.

ChildBuilder is a child advancement policy which provides automatic vesting of the investment at a child’s nominated birthday. You can then structure this to finance secondary or tertiary education, career training etc. Should this not be appropriate at the time, the funds may be used for other purposes.

Your ChildBuilder investment bond’s ownership will vest (without personal taxation or capital gains tax consequences) in <children’s name/s> when <he/she/they> reach the vesting age (between 10 and 25 years) determined by you.

### Reasons and benefits

* Can be set up for anyone under 16 years of age and vest (transfer) ownership to them when they reach a specified age (between 10 and 25 years).
* The vesting is automatic and with no personal tax consequence, no stamp duty, and no additional fees or charges.
* When vested, the investment ownership transfers with the benefit of the 10-year tax advantage period not re-setting.
* You can pre-arrange how the child can access their funds, including setting an annual limit on how much can be withdrawn after the vesting date.
* You can also set the length of time that the annual withdrawal limit will apply for.
* Until the investment bond is vested, you retain full control and flexibility. You can change the vesting age or access your investment at any time, including making withdrawals for your own purposes or (for example) paying for a child’s education or maintenance expenses.
* You can also specify an intended purpose for the use of the investment bond once the investment has vested in the child. For example, a first home deposit, education or study expenses, or a first car.
* Your investment bond will survive your death and continue in the hands of your estate. The executors of your estate are legally bound to transact on this bond for the benefit of the ‘Life Insured’ (your nominated child) only. Your estate cannot remove the nomination of the child.

### Potential risks and disadvantages

* The ownership of the investment bond must be vested to the nominated child at an age between 10 and 25 years.
* You cannot change the child once they are nominated.
* If the child passes away before the vesting age, the investment will mature with the proceeds paid to you (or your estate) as a tax free payment.
* The nomination of intended uses is not binding on the child.
* The recommended investment strategy may not earn enough to meet the (child/children/grandchild/grandchildren)’s education costs.

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## Strategy 2 - Investment bond held through a trust

### Client situation

You have <insert number of children/grandchildren> of ages <insert ages> you wish to establish a fund to pay <primary/secondary/tertiary> education and importantly maintain control over the investments enabling you to alter your investment strategy and re-direct funds if circumstances change.

You have a lump sum amount of <insert $ amount> to invest for this purpose.

You have surplus disposable income of <insert $ amount> per annum to contribute regularly to this purpose.

### Recommendation

Invest an initial amount of <insert $ amount> in an investment bond in the capacity of trustee for <insert children’s name/s> as beneficiaries.

Contribute <insert $ amount> on a <select monthly/quarterly, half yearly or annual> basis.

At the time of the required funding, you as the ‘trustee’ investment bond <owner/s> can simply control draw-downs for education purposes.

### Reasons and benefits

* Ownership of an investment bond by a child can overcome punitive taxation treatment from the marginal tax rates for minors/children when they own investments.
* Holding an investment bond within a trust structure with you as the trustee enables you to maintain control of the investment until the funds are required.

### Potential risks and disadvantages

* If you make a withdrawal (partial or full) within 10-years of your initial investment date you will generally need to include a portion of the earnings generated by your investment bond as part of the trust’s distributable income for that year.
* The amount of earnings that need to be included as part of the trust’s distributable income will depend on the size of the withdrawal and how long after your 10-year starting date the withdrawal is made.
* The recommended investment strategy may not earn enough to meet the (child/ children/ grandchild/ grandchildren)’s education costs.

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## Strategy 3 - Investment bond transfer

### Client situation

You have <insert number of children/grandchildren> of ages <insert ages> you wish to establish a fund to pay <primary/secondary/tertiary> education and importantly maintain control over the investments enabling you to alter your investment strategy, re-direct funds ortransfer ownership if circumstances change.

You have a lump sum amount of <insert $ amount> to invest for this purpose.

You have surplus disposable income of <insert $ amount> per annum to contribute regularly to this purpose.

### Recommendation

Invest an initial amount of <insert $ amount> in an investment bond.

Contribute <insert $ amount> on a <select monthly/quarterly, half yearly or annual> basis.

Transfer its ownership for nil consideration to <insert child/children’s names> at the time the education expenses commence.

This usually will result in no personal tax or capital gains tax implications for either party.

### Reasons and benefits

* You do not need to include any earnings from the investment bond in your tax return unless a withdrawal is made within the first 10 years. Withdrawals are also free of personal income tax in the event of special circumstances such as death, disability, illness, and financial hardship.
* After 10 years, there is no tax payable on withdrawals from the investment bond.
* The maximum rate of tax paid by the investment bond on earnings is 30%. This compares favourably to marginal tax rates which can be up to 47%, including the Medicare levy.
* You can transfer ownership of the investment bond (including a child over the age of 16 years at any time and generally with no capital gains tax impact if transferred for nil consideration.
* Additional contributions which satisfy the 125% Opportunity rule do not need to be invested for a full 10-year period before acquiring a tax paid status. This allows you to make an additional contribution to the investment each year of up to 125% of the previous year’s contribution.
* If you need to withdraw funds within 10 years, a full 30% tax offset can be used against either the required tax to be paid on earnings or if in surplus, other income.
* You can nominate to have one or more beneficiaries receive the proceeds of the investment tax free on the death of the last surviving life insured. Alternatively, you can also arrange for the investment to be automatically transferred to another party on the death of the nominated owner or a specified date in the future.
* The money invested in the investment bond is generally protected from creditors in the case of bankruptcy of the life insured.
* You have access to a wide choice of investment options. You can switch between investments without incurring personal capital gains tax.

### Potential risks and disadvantages

* If you or the transferee makes a withdrawal (partial or full) within 10-years of your initial investment date you will generally need to include a portion of the earnings generated by the investment bond as part of the owners tax return for that year.
* The recommended investment strategy may not earn enough to meet the (child /children /grandchild / grandchildren)’s education costs.

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## Strategy 4 - Child owning investment bond

### Client situation

You have <insert number of children/grandchildren> of ages <insert ages> you wish to establish a fund to pay <primary/secondary/tertiary> education and importantly maintain control over the investments enabling you to alter your investment strategy and re-direct funds if circumstances change.

You have a lump sum amount of <insert $ amount> to invest for this purpose.

You have surplus disposable income of <insert $ amount> per annum to contribute regularly to this purpose.

### Recommendation

Invest in an investment bond in the <name/s> of your <child/children> by investing an initial <insert $ amount>.

Contribute <insert $ amount> on a <select monthly/quarterly, half yearly or annual> basis.

### Reasons and benefits

* Ownership of an investment bond by a child can overcome punitive taxation treatment from the marginal tax rates for minors/children when they own investments.
* Positive tax outcomes can be achieved by investing in the name of a child where their income would otherwise be taxed at up to 66%. Generally, children under 18 years of age are subject to high income tax rates on taxable investment income earned over $416. From a tax perspective, children are in effect treated as high-income earners.

### Potential risks and disadvantages

* By establishing an investment bond in a child’s name you will vest full control in your child.
* Until a child reaches 16 years of age, the child is only able to exercise rights (such as withdrawals) in respect of the investment bond with the consent of a parent or guardian.

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# Managing means-income tested pension entitlements or aged care fees

### Client situation

[You are looking to minimise your social security/Department of Veterans Affairs assessable income for the purposes of increasing your entitlement to the age/veterans affairs pension.]

[You are looking to reduce your income-tested fees for aged care purposes.]

### Recommendation

Invest <Insert $ amount> in an investment bond and transfer the investment into a bare trust structure as the sole asset type.

### Reasons and benefits

* [The Age Pension is means tested based on the value of assessable assets held (excluding principal place of residence in the case of a homeowner) and assessable or deemed income of financial assets.
* Having an investment bond transferred into a bare trust structure as the sole asset will assist in reducing the deemed income and can assist in increasing the level of income-tested Age Pension entitlement.]
* [Aged care fee levels are means tested based on the value of assessable assets held (excluding principal place of residence in the case of a homeowner) and assessable or deemed income of financial assets.
* Having an investment bond transferred into a bare trust structure as the sole asset will assist in reducing Aged care fee payments.]
* When an investment bond is held by a bare trust, it is assessed for income based on actual income and not deemed income - although the investment bond will still be counted for assets test purposes.
* An investment bond does not distribute ‘taxable income’ to investors unless a withdrawal is made within the first 10-years. Therefore, the trust does not generate any distributable income (provided there are no withdrawals made within the first 10-years and assuming the investment bond is the sole investment held by the trust).
* The bare trust provides a simple and cost effective ‘off the shelf’ trust structure,
* The bare trust is a ‘non-distributing’ private trust. The trustee of the bare trust has only a very limited role, powers and functions. This means only you (the owner of the investment bond) or your power of attorney can give instructions regarding the investment and distribution of the funds held within the trust.
* Using the bare trust means there is no additional ongoing administration, accounting or taxation reporting required.

### Potential risks and disadvantages

* If you make a withdrawal (partial or full) within 10-years of your initial investment date you will generally need to include a portion of the earnings generated by your investment bond as part of the trust’s distributable income for that year.
* The amount of earnings that need to be included in your tax return will depend on the size of the withdrawal and how long after your 10-year starting date the withdrawal is made.
* The bare trust can only hold an investment bond.

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# Manage income levels within a trust

### Client situation

### You are looking to manage distributable income levels from investments held within your private or family trust. <Insert any other client scenario information relevant>

### Recommendation

Invest <insert $ amount> in a LifeBuilder investment bond on behalf of the trust. LifeBuilder is a ‘tax-paid’ investment designed to accumulate growth and not distribute income.

### Reasons and benefits

* The Trust does not need to include any earnings from the investment bond in its tax return unless a withdrawal is made within the first 10 years. Withdrawals are also free of personal income tax in the event of special circumstances such as death, disability, illness, and financial hardship.
* After 10 years, there is no tax payable on withdrawals from the investment bond.
* The maximum rate of tax paid by the investment bond on earnings is 30%. This compares favourably to marginal tax rates of Trust beneficiaries, which can be up to 47%, including the Medicare levy.
* Additional contributions which satisfy the 125% Opportunity rule do not need to be invested for a full 10-year period before acquiring a tax paid status. This allows you to make an additional contribution to the investment each year of up to 125% of the previous year’s contribution.
* If the Trust needs to withdraw funds within 10 years, a full 30% tax offset can be used by the beneficiaries against either the required tax to be paid on earnings or if in surplus, other income.
* The Trust can nominate to have one or more beneficiaries receive the proceeds of the investment tax free on the death of the last surviving life insured, subject to the Trust’s Deed.
* The Trust has access to a wide choice of investment options. The Trust can switch between investments without incurring any capital gains tax at the Trust or beneficiary level.

### Potential risks and disadvantages

* If the Trust withdrawal within 10 years, the beneficiaries will have to declare the earnings in their tax return. Some or all of the earnings will be taxed at 30%, which may be more than their marginal tax rate.
* If an investment year is completed without any contributions made, no further contributions can be made without restarting the 10-year period.
* If more than 125% of the previous year’s contributions are made in the following investment year, the 10-year period will restart.
* Where the Trust is unable to/does not distribute withdrawals it makes within 10 years from an investment bond to its beneficiaries, it may be subject to tax of up to 45% (with no tax offset).
* On death of the life insured, proceeds would be paid in accordance with the trust deed provisions, or alternatively, the Trust may choose not to distribute the proceeds.

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# Funding funeral costs

### Client situation

You wish to provide for the costs of you funeral and ease the burden of your death on your family.

You are currently in receipt of <insert type of DSS/DVA Pension> and want to take advantage of the income and asset test benefits applied to funeral bonds.

You plan on entering into a pre-paid funeral arrangement with a funeral director.

### Recommendation

You can invest as much as you need to meet the reasonable costs of your funeral expenses, however there are some limitations.

As you are currently in receipt of <insert type of DSS/DVA Pension> and want to take advantage of the income and asset test benefits that apply to funeral bonds. We recommend you invest <insert $ amount> into a funeral bond to cover the cost of a single funeral. If you would like to cover the cost of your partner/spouse, then we recommend investing <insert $ amount> in each funeral bond.

If you are considering entering into a pre-paid funeral arrangement with a funeral director then we recommend you invest an amount to the value of the pre-paid funeral arrangement to take advantage of the <insert type of Centrelink and Department of Veterans Affairs pension> income and asset test benefits that apply to funeral bonds. You can transfer ownership of the funeral bond to the funeral director them as part of that arrangement.

### Reasons and benefits

* Like other investment bonds, a funeral bond’s earnings are taxed at a maximum rate of 30%.
* A funeral bond can be used to tax-effectively save and pay for funeral expenses.
* There are no age or health restrictions that apply to investing in a funeral bond.
* You are not required to report any investment returns in your personal tax return each year. It is also exempt (up to certain limits) from the social security assets test and deeming provisions for the income test that applies to the age pension, service pension and other means tested Government entitlements.
* Provided your contribution is within the allowable limit (for Centrelink and Department of Veterans Affairs pension purposes) this amount will reduce your assessable assets.
* There are no limits on the amount that you can contribute into a funeral bond if you have entered into a pre-paid funeral arrangement with a funeral director and transfer the funeral bond to the funeral director.
* If you have entered into or are considering entering into a pre-paid funeral arrangement with a funeral director, you can transfer ownership of the funeral bond to them as part of that arrangement. It’s important to note that if you transfer ownership, the funeral director becomes the legal owner of the funeral bond.
* You have access to a broad range of investment options.

### Potential risks and disadvantages

* If you don’t enter into a pre-paid funeral arrangement - for Age and Department of Veterans Affairs pension purposes - your total contribution amount cannot exceed the allowable limit amount. The allowable limit amount is currently $12,750 per person (2017/18 financial year), which is indexed annually each July.
* If you invest more than the allowable limit, the entire investment amount will be assessed under the social security deeming rules and will also be considered an assessable asset for the purpose of the assets test.
* If you transfer ownership, the funeral director becomes the legal owner of the funeral bond.
* If you’ve transferred ownership of your funeral bond investment to a funeral director (as part of a pre-paid funeral arrangement), the benefit will be paid directly to them. Otherwise, the benefit will be paid to your estate or if directed by the estate, to the funeral director.
* You cannot withdraw any money from your funeral bond prior to your death, as it is designed to be used to meet your future funeral expenses.

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# Creditor Protection

### Client situation

You are concerned creditors may make claims against your assets in certain circumstances during your life or after your death against your estate.

### Recommendation

Invest <insert $ amount> in an investment bond with yourself as the ‘Life Insured’. Investment Bonds are technically a form of investment-linked life insurance contract under the Life Insurance Act 1995 and as such are protected from creditor actions.

### Reasons and benefits

* Like superannuation, an investment bond and its proceeds enjoy creditor protection under current bankruptcy laws.

### Potential risks and disadvantages

* Creditor protection is only available to individuals where the life insured is the investor or the investor’s spouse (including a de facto partner).
* Creditor protection is unlimited, but you should be aware that anti-avoidance rules can be applied if investment bonds are used specifically to avoid known creditors in case of bankruptcy.

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# Making an additional contribution to your investment bond

### Recommendation

In order to increase your savings, we recommend you draw <insert $ amount> from <insert source of funds> and contribute it into your existing investment bond.

We understand the total contributions made in the previous investment year were <insert $ amount>. As such, the maximum you can contribute to your investment bond is <insert $ amount> in the current investment year.

If our understanding is incorrect and your total contributions in the previous year were more (or less) than the amount stated, you should inform us immediately so that we may make any necessary revisions to our advice.

### Reasons and benefits

* The recommended contribution is less than the maximum allowable contribution and will not reset the ‘10-year advantage period’ governing the tax paid status of any withdrawals from the bond.
* Additional contributions are not subject to withdrawal restrictions and may be accessed if the need arises.
* Investment bonds enjoy many taxation advantages when compared to alternative investment environments and the contribution of additional funds may improve your tax position.
* The additional contribution will be invested in a manner which is consistent with your investment objectives, timeframe and risk tolerance.

### Potential risks and disadvantages

* Each investment year, you can only make additional contributions into the investment bond of up to 125% of the previous investment year’s contributions.
* From the ‘10-year advantage’ rule perspective, all additional contributions will be treated as if they were invested at the same time as your original contribution, which means they do not have to be invested for the full 10-years to acquire the tax paid status.
* The 125% opportunity applies for the life of your investment. This means you can take advantage of this well beyond the 10-year anniversary.
* If an investment year is completed without any contributions made, no further contributions can be made without restarting the 10-year period.
* If more than 125% of the previous year’s contributions are made in the following policy year, the 10-year period will restart.

Please consult the Product Disclosure Statement provided in the appendix of this Statement of Advice for further details about the recommended strategy and specific investments.

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# Regular contributions

**Recommendation**

We recommend you commence investing <insert $ amount> per <month/quarter/half year/year> into your existing investment bond.

A regular savings plan establishes a strong savings discipline and reduces the timing risk of investing in one transaction, by spreading out your investment entry points and averaging out your investment cost bases.

We also recommend that you increase your regular savings amount each year by <insert percentage amount up to 125%> to take advantage of the 125% tax opportunity.

Contributions made via a regular savings plan facility are subject to the same contribution rules noted earlier in this document. That is, they cannot exceed 125% of the previous investment year’s contributions without resetting the 10-year period which determines when withdrawals become fully tax paid.

### Reasons and benefits

* Regular savings plans establish a strong savings discipline and can help you to maintain an effective personal budget which allocates a portion of your cash flow to ongoing wealth accumulation.
* Investment bonds allow you to invest over the long term and making regular contributions via a regular savings plan help to compound growth within this tax advantaged investment environment.
* Regular contributions allow you to take advantage of the ‘dollar cost averaging’ strategy. Dollar cost averaging simply refers to the ‘averaging out’ of purchase prices over time which reduces the timing risk associated with singular, large lump sum investments.
* Regular savings plans direct debit your nominated bank account with your financial institution of choice. You nominate how your funds are to be spread across the investments within your portfolio.
* A lower ongoing investment amount per investment option is required as part of a regular savings plan.
* An investment bond allows you to automatically increase contributions by 125% of the previous investment year’s contributions. This allows you to automatically maximise ongoing contributions while staying below the level of contributions which would reset your ten year period.
* You can stop (or adjust) your regular savings plan at any time. If your circumstances or cash flow position should change, you remain flexible.

### Potential risks and disadvantages

* Each year, you can make additional contributions into the investment bond of up to 125% of the previous year’s contributions without re-setting the ‘10-year advantage period’.
* From the ‘10-year advantage’ tax perspective, all additional contributions will be treated as if they were invested at the same time as your original contribution, which means they do not have to be invested for the full 10-years to acquire the tax paid status.
* The 125% opportunity applies for the life of your investment, meaning you can take advantage of this well beyond the 10-year anniversary.
* If an investment year is completed without any contributions made, no further contributions can be made without restarting the 10-year period.
* If more than 125% of the previous investment year’s contributions are made in the following policy year, the 10-year period will restart.
* As a regular savings plan is funded via direct debit, you should ensure your nominated bank account retains a balance sufficient to meet these regular drawdowns.

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# Dollar cost averaging

**Client situation**

You would like to reduce market investment risk associated with investing a single lump sum amount.

**Recommendation**

We recommend that you progressively invest this amount over <insert number between 1 and 12> equal instalments.

### Reasons and benefits

Progressively investing in instalments allows you to take advantage of the ‘dollar cost averaging’ strategy. Dollar cost averaging simply refers to the ‘averaging out’ of purchase prices over time, which reduces the timing risk associated with singular, large lump sum investments.

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# Rebalance your investment

Over time, markets and your circumstances change and your investment strategy needs to be adjusted to respond to these changes.

[After reviewing the underlying investments within your investment bond, we recommend a rebalance of your investment portfolio to better align it with your risk tolerance and investment preferences]

[We recommend the use of an auto-rebalancing facility for your investment portfolio to better align it with your risk tolerance and investment preferences.]

Our recommendations in this regard are detailed in the ‘Recommended Investments’ section of this Statement of Advice.

### Reasons and benefits

* Regular reviews of your investment portfolio are necessary to ensure the underlying investments are performing as expected and ensure that your asset allocation is in line with your agreed long term risk profile.
* Rebalancing the underlying investments periodically ensures your asset allocation is not over or under weight and that investment risk is spread across all asset sectors.
* Actively rebalancing your investment portfolio will allow you to take advantage of existing and expected market conditions.
* Switching investments within your investment bond will not incur capital gains tax.

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### Potential risks and disadvantages

* Transaction or switching fees may apply on the redemption of existing investments and purchase of new investments. Please refer to the section titled ‘Fees and charges’ within this Statement of Advice for detailed information.
* A buy/sell spread may apply upon switching investments within your investment bond. This is the difference between the entry and exit price of the investment option.
* Please refer to the ‘Recommended Investments’ section of this Statement of Advice for a summary of the transactions necessary to implement the rebalance.

Please consult the Product Disclosure Statement provided in the appendix of this Statement of Advice for further details about the recommended strategy and specific investments.

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# Recommended products

We recommend the use of Generation Life’s [LifeBuilder/ChildBuilder/FuneralBond] to meet your [wealth accumulation/investment/estate planning] needs.

[LifeBuilder/ChildBuilder/FuneralBond] is an investment bond for people looking to save or invest for the medium to long term and provides a unique and simple solution for investment, tax planning and estate planning needs.

[LifeBuilder/ChildBuilder/FuneralBond] provides access to a range of investment options, but unlike traditional investment products such as unit trusts, earnings from the investment bond are taxed in the hands of Generation Life, rather than the investor.

[LifeBuilder/ChildBuilder/FuneralBond] is a product owned by Generation Life Limited which compares very favourably when benchmarked against other products in the market. It is widely used by many independent financial advisers and offers a high level of service.

### Reasons and benefits

* Tax paid investment – Generation Life pays the tax on your investment earnings on your behalf at a tax rate of up to 30% rather than your marginal tax rate. This means you don’t have to report LifeBuilder investment income to the Australian Taxation Office (ATO) while your money remains invested.
* A large range of investment options - There are 37 investment options for you to choose from. These provide you access to quality investment managers and a mix of different asset classes (including indexed options) to help you meet your individual investment needs.
* Switching is easy - If you change your mind, or your circumstances change over time, you can easily switch between funds within your account without incurring any personal capital gains tax.
* Low minimum balance – You can start an investment with as little as $1,000. Having a low minimum balance to start investing means you can easily access the benefits of your investment and start planning for your future today.
* Flexible contribution options – You can easily invest by direct credit, direct debit, regular savings plan, or by cheque. You can also choose the regular savings plan automatic annual escalation increase facility to fast track your savings and potential investment earnings.
* Access your money at any time – [LifeBuilder/ChildBuilder] allows you to save with the freedom to access your money whenever you need it through either one-off withdrawal requests or using the regular withdrawal facility.
* Grow your wealth through borrowing – A LifeBuilder investment can also be used as security for a loan (subject to your lender’s requirements).
* Great savings options for children – LifeBuilder provides easy options to save for your children. Children who are at least 10-years of age can invest, with earnings taxed at 30% rather than at the penalty tax rate for minors. Alternatively, Generation Life’s ChildBuilder (a child’s advancement policy), allows you to invest on behalf of a child and have the ownership automatically transferred to that child when they reach a nominated age.
* A simple way to provide for your family– LifeBuilder allows you to nominate beneficiaries so that when you (as the life insured) pass away, the proceeds go straight to your beneficiaries rather than going through the estate. This means your loved ones don’t need to pay tax on the amount they receive. You can alternatively use the Future Event facility to transfer your investment bond in whole to nominated recipients on your death or nominated date, with the added benefit of being able to restrict.
* Planning for funeral costs – FuneralBond lets you plan and save for your funeral costs tax-effectively with a minimum of ongoing paperwork and administration. Being assets and income test exempt can also help with improving or qualifying for various Government pensions and entitlements.

### Potential risks and disadvantages

* Please refer to the ‘Fees and charges’ section of this Statement of Advice which provides further information on the costs associated with this product.
* We strongly recommend that you read through the Product Disclosure Statement (PDS) for this product which has been provided to you with this Statement of Advice. The PDS contains detailed information in relation to the features, fees and investment options.

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