generation life

What if your clients could build their wealth alongside super without restrictions on contributions?

THE SITUATION

Meet Anna.
45 years old. Successful, independent, future-focused and earns $250k a year. Anna made a $300k profit on an investment property, and has maxed out her super contribution limits and total super balance. Anna's looking for a tax effective solution that will allow her to either:

Option A - Invest the property proceeds, plus an extra $40k a year for the next 20 years

Option B - Transition into retirement after 10 years, with contributions ceasing after 10 years

THE INVESTMENT BOND SOLUTION

Through the use of an investment bond, Anna will earn an additional $335,510 compared to if she was to invest outside an investment bond.

$300k
Initial investment

$40k
Annual contribution

6%
Gross return[1] (before tax)

THE BENEFITS COMPARED

	INSIDE AN INVESTMENT BOND		OUTSIDE AN INVESTMENT BOND
Option A **Anna's investment result after 20 years**	**$1,100,000** Contributions over 20 years **$2,353,888** Total balance after 20 years	OR	**$1,100,000** Contributions over 20 years **$2,143,462** Total balance after 20 years
Option B **Anna's investment result after 20 years if she decides to transition into retirement after 10 years**	**$700,000** Contributions over 10 years **$30,000 p.a** Regular withdrawals after 10 years **$1,447,757** Total balance after 20 years	OR	**$700,000** Contributions over 10 years **$30,000 p.a** Regular withdrawals after 10 years **$1,263,602** Total balance after 20 years

Investment bonds, the most tax effective solution outside super

In July 2017, the Australian Government's changes to super meant that transfers from super to pensions are now capped at $1.6 million, previously there had been no limit. Concessional and non-concessional annual contributions limits have also decreased, meaning that if you're looking to grow your clients' wealth in a tax effective way, you may need to look elsewhere.

Why super is not enough anymore

Unlike superannuation, an investment bond has no restrictions around who can invest, how much can be invested or even when money can be accessed. To access funds there is no preservation age, retirement or purpose test required.

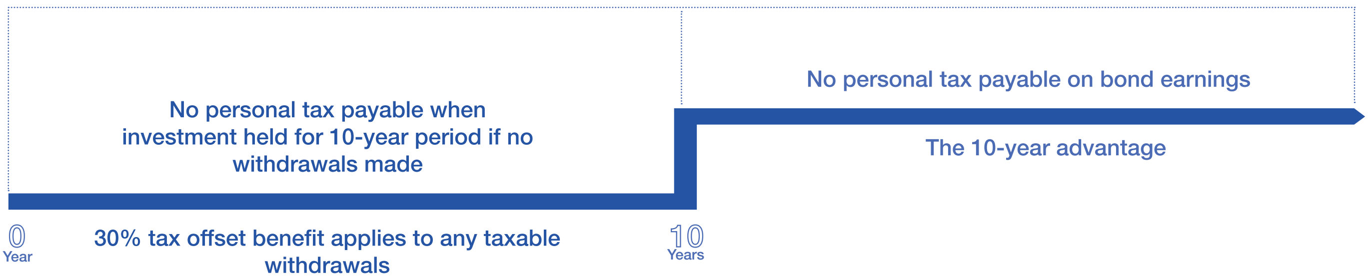
If your client leaves their funds in an investment bond for 10 years and makes no withdrawals, you will not only see their wealth grow, the entire proceeds of the bond (original investment, additional contributions and earnings) will be tax free on withdrawal.

What does this mean for your clients?

- Investment bonds offer a tax paid structure where tax is paid within the investment bond, rather than by your client as the investor.
- The maximum tax paid on an investment bond is 30%, although this can be even lower after franking credits and tax deductions.
- Any withdrawals from the investment bond are tax paid after 10 years.

125% opportunity

Unlike superannuation, an investment bond has no limit on how much can be contributed in the first investment year. Each investment year, additional contributions of up to 125% of the previous year's contributions can be made without resetting the 10-year advantage period. For tax purposes, these additional contributions benefit from being treated as if they were invested at the same time as the initial contribution.



Anna is 45 years old, has a marginal tax rate of 47% and earns $250,000 p.a.

Anna has recently sold down her investment property with net proceeds of $300,000 received.

Anna's superannuation contribution limits and total superannuation balance have been capped out but she wants to invest surplus income of $40,000 p.a. for the next 20 years to continue to build wealth alongside her superannuation.

Anna is looking to reinvest her property proceeds and surplus income in a tax effective manner.

A tax effective way for Anna to continue to build wealth alongside her superannuation, is to set up an investment bond for her property proceeds and surplus income. By using an investment bond, Anna has complete flexibility and control of her investment whenever she needs it.

Detailed benefits

Anna invests her investment property proceeds of $300,000 into an investment bond and contributes an additional $40,000 each year via a regular savings plan.

OPTION A: INVESTMENT RESULT AFTER 20 YEARS

Initial investment:
$300,000

Annual contributions for 20 years:
$40,000

Gross return[1]:
6% (before tax)

End result after 20 years

	Inside an investment bond	Outside an investment bond
Contributions	$1,100,000	$1,100,000
Total balance after 20 years	$2,353,888	$2,143,462

OR

OPTION B: INVESTMENT RESULT AFTER 20 YEARS IF ANNA TRANSITIONS INTO RETIREMENT AFTER 10 YEARS

Transition to retirement strategy

Initial investment:
$300,000

Annual contributions for 10 years:
$40,000

Gross return[1]:
6% (before tax)

End result after 20 years with a regular withdrawal of $30,000 p.a. after 10 years

	Inside an investment bond	Outside an investment bond
Contributions	$700,000	$700,000
Total withdrawals	$300,000	$300,000
Total balance after 20 years	$1,447,757	$1,263,602

Did you know

Pay no personal tax on your investment if you make no withdrawals in the first ten years. After that, you can consider the tax on your investment bond paid.

Investment bonds are the most tax effective investment solution after super, with no restrictions on when you can access your funds.

Investment bonds allow you to contribute up to 125% of your previous year's contributions and still maintain the valuable tax status.

No capital gains tax on switching or when ownership of the investment bond is changed.

The investment bond owner can select when and how their investment is passed on through our Future Event Facility.

The longer you hold an investment bond the more tax effective it becomes.

Find out how Generation Life's investment bonds can help you tax effectively build your clients' wealth outside your superannuation now.

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Outthinking today.

Generation Life is an Australian leader in investment bonds. We pride ourselves in providing an extensive investment menu with choice and quality for investors. We are the number one provider for net funds flows for the last four years[2]. Our investment bonds have received a Highly Recommended Rating from Zenith Partners for 10 consecutive years[3].

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1. Assumptions: 80% fully franked, 3.2% income and 3.2% growth.
2. Source: Strategic Insight Actuaries & Researchers - Dec 2017
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