

# Announcement

## New innovations in tax optimised investing

19 May 2020

### An update from Grant Hackett OAM, Chief Executive Officer of Generation Life

Generation Life has continued to see an increase in new business over the last two months, since we started working remotely. We wanted to take this opportunity to thank you for your ongoing business and support.

I am pleased to announce that over the last month Generation Life has:

- Exceeded our highest number of applications ever received;
- Achieved our highest number of registrations for a virtual masterclass in the history of Generation Life, with over 1,000 Financial Advisers tuning into our recent Estate Planning session;
- Continued to meet service levels and improve our customer service function to ensure timely processing of all new applications, withdrawals and switch requests, while at the same time implementing a full remote working environment for all staff; and
- Improved our quarter end processing timeframes by 40% - giving you quicker visibility of your clients' holdings.

As a business, we are extremely well positioned for the long term during this period of market volatility and uncertainty, and I wanted to assure you we remain committed to maintaining the highest level of customer service we're proud to provide.

#### New innovations – tax optimised investing

I am really pleased to share the details of how Generation Life has started to launch our new tax optimised investment series. This is our new innovative phase of tax effective investing, which aims to deliver increased after-tax returns for your clients, without taking on additional investment risk.

#### What's the change?

In conjunction with our existing menu, Generation Life has begun holding underlying shares and other financial assets directly, rather than investing through a unit trust operated by an external manager for some of our investment options. The unique Investment Bond tax structure already allows each investment option to *offset realised capital losses against the income and realised gains* it generates, rather than just realised gains. **This helps reduce each investment option's taxable income every year.** The significant value add comes from our ability to more effectively manage the gain/loss trade-off.

This new tax optimised series, gives us the added ability to increase after-tax returns by reducing the tax leakage and reinvesting those tax savings. For example, we expect that the tax optimised Australian share options will have their tax payable reduced by 20% to 30% over the long term<sup>1</sup>. We have also seen the benefits of this through the recently launched Generation Life Tax Effective Australian Share Fund, which over the last 6 months to 30 April 2020 has provided an additional after-tax benefit of over 2.0% (compared to if it had invested through a unit trust structure)<sup>2</sup>.

## Generation Life - Tax Optimised Series

We have already transitioned 3 funds and we look forward to formally launching the full series in the coming months, which will include some of the most well-known and successful fund managers in Australia.

Please be sure to get in touch with your local Generation Life Business Development Manager to find out more about this exciting innovation and the benefits it will bring for your clients.

Please continue to take care of yourself and your loved ones.

All the very best,

**Grant Hackett OAM**  
**Chief Executive Officer, Generation Life**

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1. The indicative reduction in tax payable amount is based on the average after tax performance of an investment bond investing in a portfolio of Australian shares listed on the S&P/ASX 200 Accumulation Index compared to investing in the same portfolio indirectly through a unit trust structure for the period 1 July 1998 to 30 June 2018. This information represents backtested performance based on simulated data results from 1 July 1998 to 30 June 2018 with annual rebalancing on the first of each financial year and the effect of fees, charges and investment bond taxes. Backtested performance is hypothetical (it does not reflect actual trading) and is provided for informational purposes only to indicate historical performance had the fund been available over the relevant time period. There are limitations inherent in backtested results, particularly that returns do not reflect actual trading and may not reflect the impact that material economic and market factors may have had on a fund manager's decision-making had the fund manager actually managed the fund. Backtested performance also differs from actual performance because it is achieved through the retroactive application of portfolios designed with the benefit of hindsight. As a result, the portfolio theoretically may be changed from time to time and the effect on performance results could be either favorable or unfavorable. Past performance is not indicative of future performance.

2. Past performance is not indicative of future performance.

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