generation life

Outthinking today.

generation life

The new era of investment bonds

The revelations you don't know...

Presented by Laura Salsbury

Disclaimer

Generation Life Limited AFSL 225408 is the issuer of investment bonds (IB). The information in this presentation is strictly intended for the use of licensed financial advisers for their education and illustrative purposes. The information does not take into account the objectives, financial situation or needs of any individual and is not intended for use as financial or investment advice or a recommendation. While all reasonable care has been taken in preparing the information, it should not be relied upon as the basis of an investment decision or as a substitute for the application of the knowledge, skill and judgment of a licensed financial adviser in fulfilling their obligations to a client or prospective client. Generation Life Limited excludes, to the maximum extent permitted by law, any liability (including negligence) that might arise from this information or any reliance on it. Generation Life Limited does not make any guarantee or representation as to any particular level of investment returns. The relevant Product Disclosure Statement is available on Generation Life's website (genlife.com.au), and should be obtained and its contents considered before making a decision about whether to acquire or continue to hold an IB.

The Zenith Investment Partners ("Zenith") Australian Financial Services License No. 226872 rating (assigned September 2020) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at www.zenithpartners.com.au/regulatory-guidelines-funds-research.

The ratings issued in September 2019 for the Generation Life LifeBuilder are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.

Investment Tax Structures

The opportunity of investment bonds

Investment Bond

Taxation:

- Max 30%
- Average 10% – 20% at Generation Life in a diversified portfolio

Opportunity:

- Tax Free transfers
- Creditor protection
- Estate planning
- Tax Advantages in first 10 years
- No limit on contributions
- No limits on the number of Investment Bonds you can own

Individual

Taxation:

- Personal Marginal tax rate

Limitations:

- Estate asset
- Available to creditors

Company

Taxation:

- 30%

Limitations:

- Tax deferral only
- Gross-up of franking
- Division 7A
- Annual reporting
- Willing participants
- Estate planning

Private Trusts

Taxation:

- Personal Marginal tax rate or 30%

Limitations:

- Must distribute earnings
- Annual reporting
- Willing participants
- Trustee obligations
- Estate planning complex

Superannuation

Taxation:

- Accumulation 15%
- Drawdown 0%
- Death tax to non-SIS dependents
- Section 293

Limitations:

- $25k p.a. concessional
- $100k p.a. non-concessional
- $1.6M TSB
- SIS Legislation
- Estate planning
- Preservation age
- Anti-detriment

Investment bonds vs superannuation over time

Investment bonds have experienced no legislative changes for 19 years

Investment bonds

1830's - 1900
Friendly societies began to operate in Australia, introduced in response to a common need to provide medical and other welfare-based services

1970's
Investor demand grew for 'unbundled' single premium life insurance policies – similar to today's unit-linked policies, no tax on earnings

1982
Tax on earnings from withdrawals within 4 years and 125% rule introduced

1983
Tax on earnings from withdrawals now 10 years, 20% tax rate introduced

1995
State based legislation transferred to the Life Act 1995

2001
Friendly society and life office tax rates aligned at 30%

Superannuation

1983
Changes to tax for super lump sum arrangements

1987
Occupational Superannuation Standards Act 1987 introduced

1988
RBL tapered scale introduced

1992
Superannuation Guarantee introduced

1994
SIS Act introduced

1996
Superannuation surcharge starts

1999
- Changes to inhouse rules
- Preservation of all new money

2002
- Super guarantee changed to 9%
- Divorce & super splitting

2003
Government co-contribution introduced

2005
Superannuation supercharge ends

2007
- Tax on super withdrawals removed for people aged 60+
- Reasonable Benefit Limits replaced by caps on contributions
- New tax components for all benefits
- Limited recourse borrowing rules

2009
Concessional contributions cap halved

2012
- Small account balance threshold increased
- Reduced tax concessions for individuals with income above $300,000

2013
- Changes to taxation of excess concessional contributions
- Low income superannuation contribution changes
- Age limits on SG removed

2015
Deeming rules applied to account-based income streams

2016
Preservation age increases from 55 to 60

2017
- $1.6M transfer cap
- Reduced concessional and non-concessional contribution caps
- Qualifying age for pensions incrementally increases to 67yrs
- Anti-detriment rules removed

Key features of investments bonds

Max tax rate of 30%

No distributions and access to funds at anytime

Tax paid after 10 years – tax advantages pre 10 years

125% advantage

Tax free transfers

No personal CGT on switching

No tax file number required

Creditor protection

Can be structured as a non-estate asset

5 core uses of Investment Bonds

Alternative to superannuation
The most tax effective investment solution after super

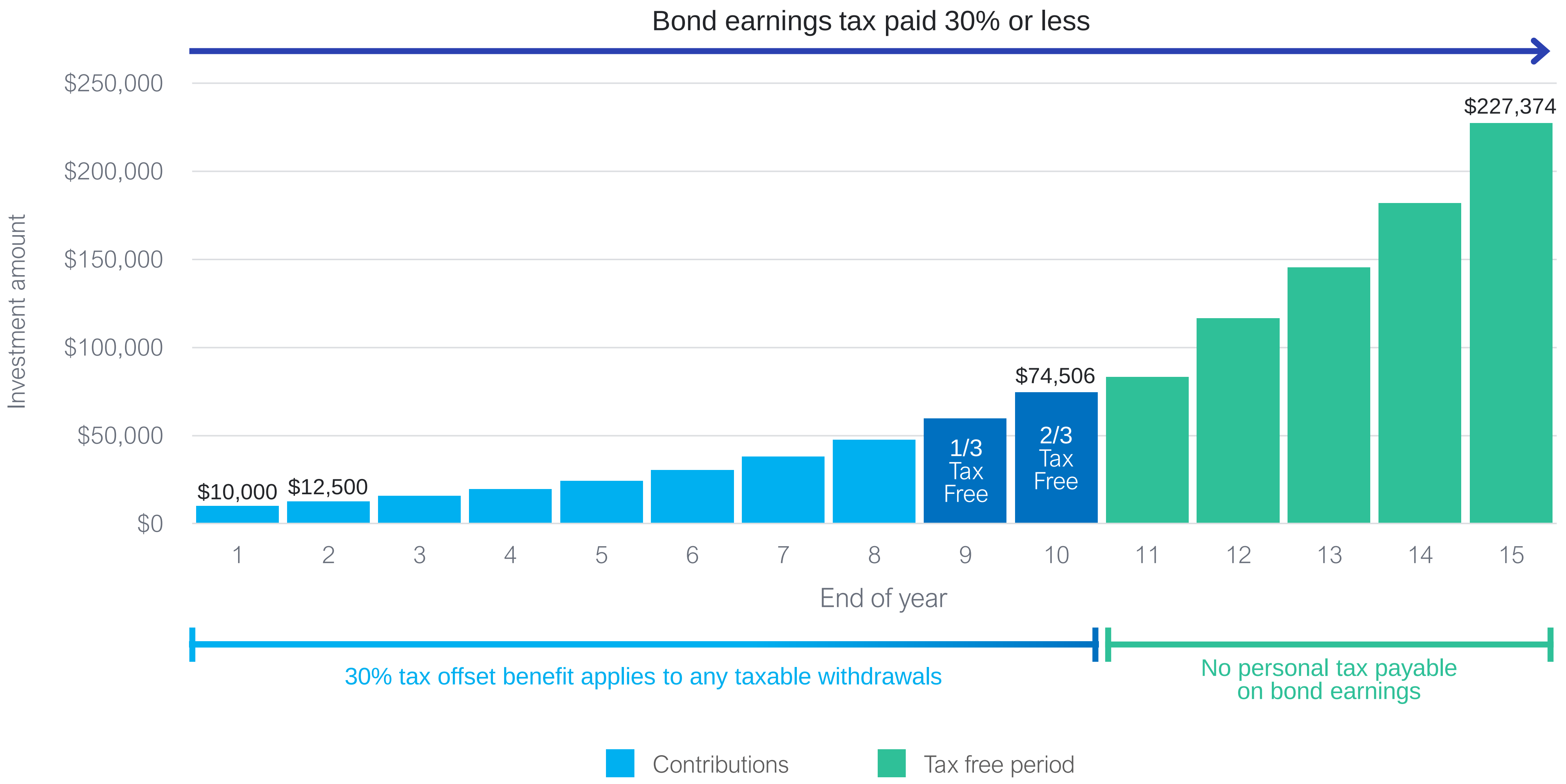
Estate planning
Be in control of transferring wealth

Trusts
Reducing distributable income within trusts

Saving for a child
Meeting the rising costs of future generations

Government entitlement
Improving pension entitlements

Tax structure & 125% advantage

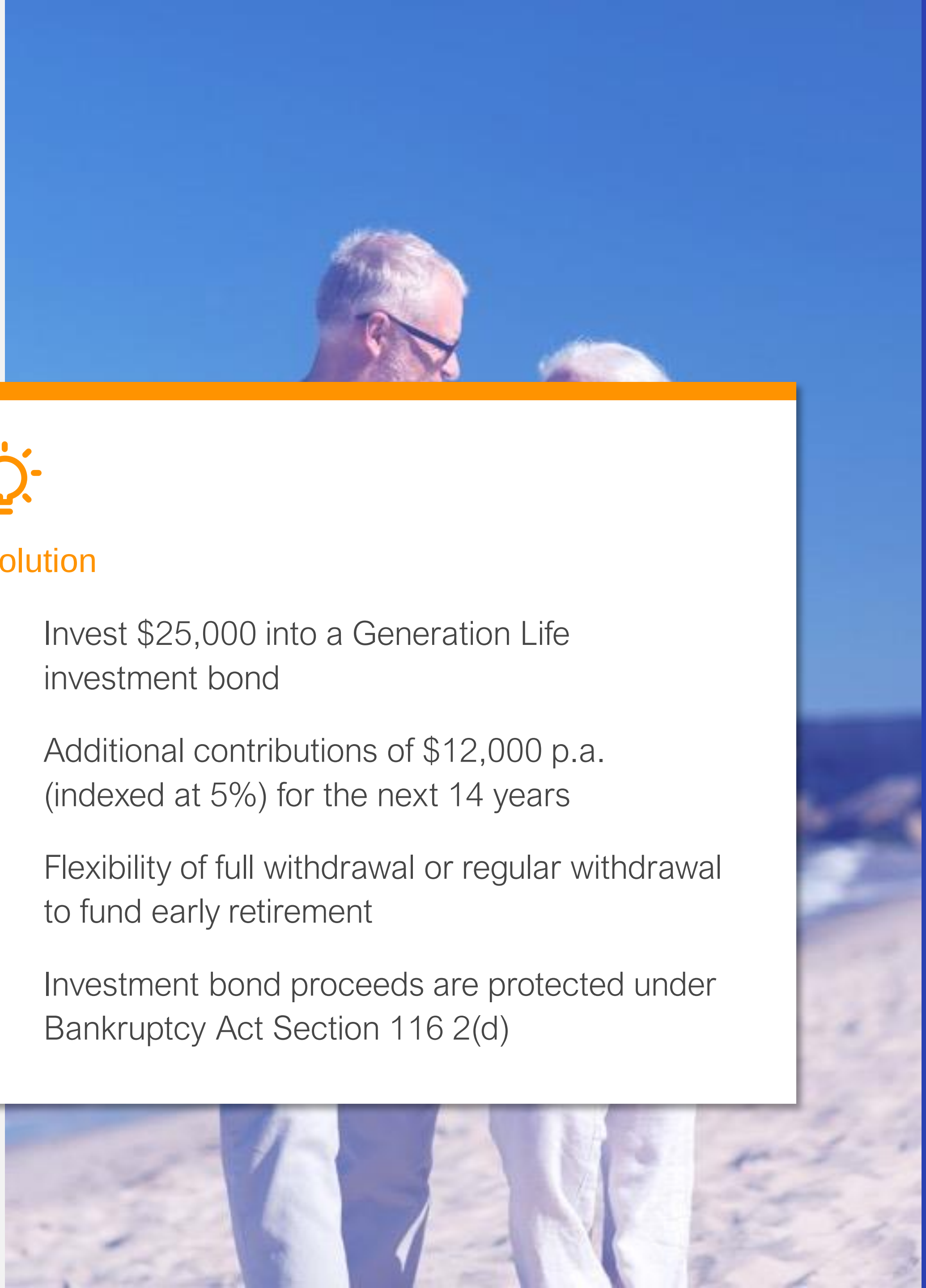


Early retirement

Case study #1

Andrew, 41 years old, is a self-employed builder. He earns $135,000 p.a.

+ Intends to cease work at the age of 55 due to the labour intensity of his profession
+ Whilst Andrew has adequate superannuation funds, he wants to access funds 5 years prior to age 60 when he can access his superannuation
+ He has $25,000 in cash and surplus income of $12,000 p.a.



Solution

+ Invest $25,000 into a Generation Life investment bond
+ Additional contributions of $12,000 p.a. (indexed at 5%) for the next 14 years
+ Flexibility of full withdrawal or regular withdrawal to fund early retirement
+ Investment bond proceeds are protected under Bankruptcy Act Section 116 2(d)

Early retirement

Case study #1

Andrew retires at 55

Initial investment	$25,000
Annual contributions	$12,000 (indexed) for 14 years
Assumed return	6.5% (after tax and fees)

Full withdrawal after 14 years		Regular withdrawals of $84,000 p.a. after 14 years	
Years	14 years	Years	14 years
Total contributions	$260,180	Total contributions	$260,180
Total regular withdrawals	-	Total regular withdrawals	$420,000
Total balance after 14 years	$418,244	Total balance after 19 years	$78,804

Complexities in transferring your wealth

Estate planning issues

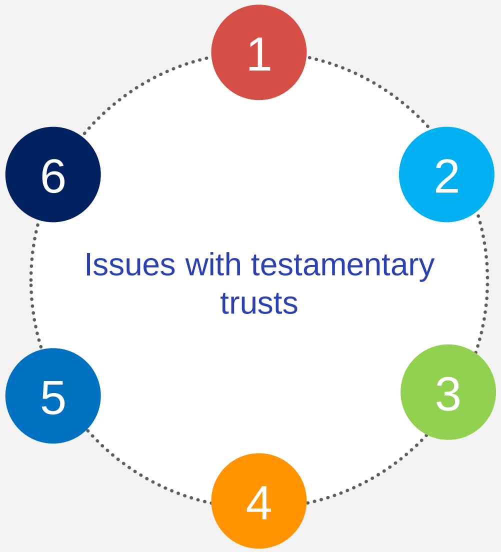
Wills & Testamentary Trusts

+ Can & often are challenged
+ Probate can take 12 months +
+ Require 'willing' & competent participants; Executors/ Trustees
+ Subject to Executor/Trustee discretion
+ Legal challenges costly - Estate pays

The desire to avoid potential conflicts and imbalances

+ Balance between children & grandchildren
+ Addressing turbulent relationships
+ Children with disabilities
+ Children under bankruptcy
+ Blended families/maintaining children of former relationships

Testamentary Trust Issues



Finding a willing and competent trustee
usually family member or close friend

Corporate trustee as an alternative
trustee costs

Costly
trust establishment costs

Annual return costs
Ongoing account keeping & possible audit fees

Moneys part of estate
until probate issued and trust established

Potential for over turning

- Trustee discretion
- Removal of trustee – see Gina Rinehart case

Alternative to Testamentary Trusts

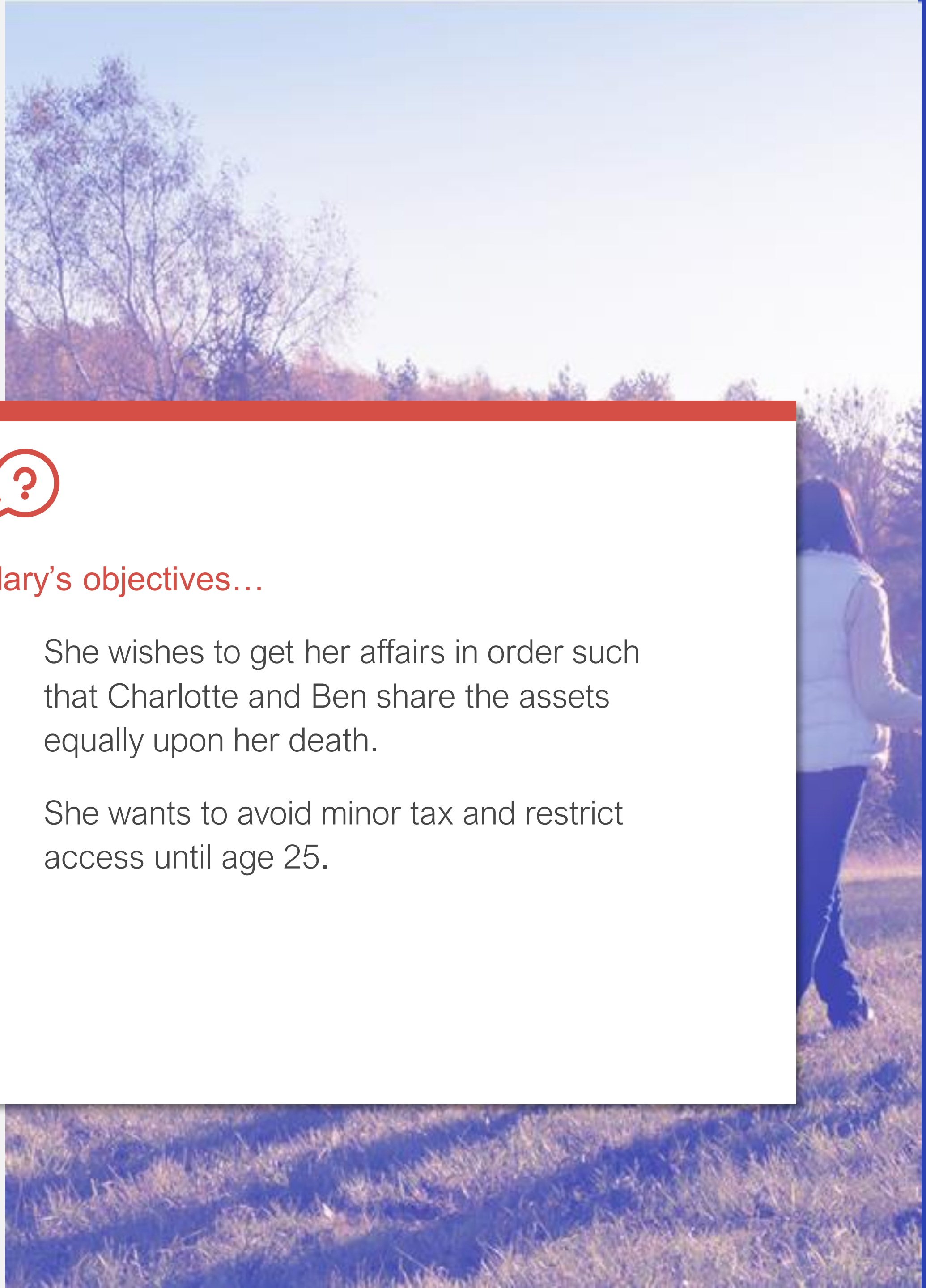
Case study #2

Mary is 52 years of age and divorced

+ Mary has been diagnosed with terminal cancer and has been given a life expectancy of 10 months
+ Being terminal her super balance, together with life cover, has been paid out
+ She has two teenage kids; Charlotte who is 17yo and Ben who is 14yo.

Mary used some of the proceeds to pay out her mortgage and her total assets now are:

+ Family home valued at $660,000
+ Cash in bank of $600,000



Mary's objectives…

+ She wishes to get her affairs in order such that Charlotte and Ben share the assets equally upon her death.
+ She wants to avoid minor tax and restrict access until age 25.

Alternative to Testamentary Trusts

Case study #2

Mary establishes two Generation Life investment bonds at $300,000 each for Charlotte and Ben

Initial investment	$600,000 total investment ($300,000 per investment bond)
Future event facility	Transfer on death
Future event transferee	Charlotte & Ben respectively
Restrictions	Full restriction on access until each child turns 25 and possible annual restrictions for a period Mary deems appropriate.

Summary

+ Estate planning is an integral part of the financial planning process
+ Outside of simple estate planning, financial advisers have had to refer clients to other professionals; accountants, lawyers etc.
+ The Generation Life EstatePlanner feature allows advisers to go to the next level in addressing their clients' estate planning wishes.

Leaving an inheritance

Case study #3

David & Margaret, retirees in their early 70's, are currently full pensioners

+ David & Margaret are currently receiving the full $37,013 p.a. Centrelink pension as a couple
+ Margaret however just inherited $700,000 from her mother who recently passed away
+ Due to this inheritance, David & Margaret will lose their Age Pension entirely
+ They are also unable to contribute this money to superannuation
+ David & Margaret wish to pass some wealth onto their 4 grandchildren and bypass their children

David & Margaret's objectives…

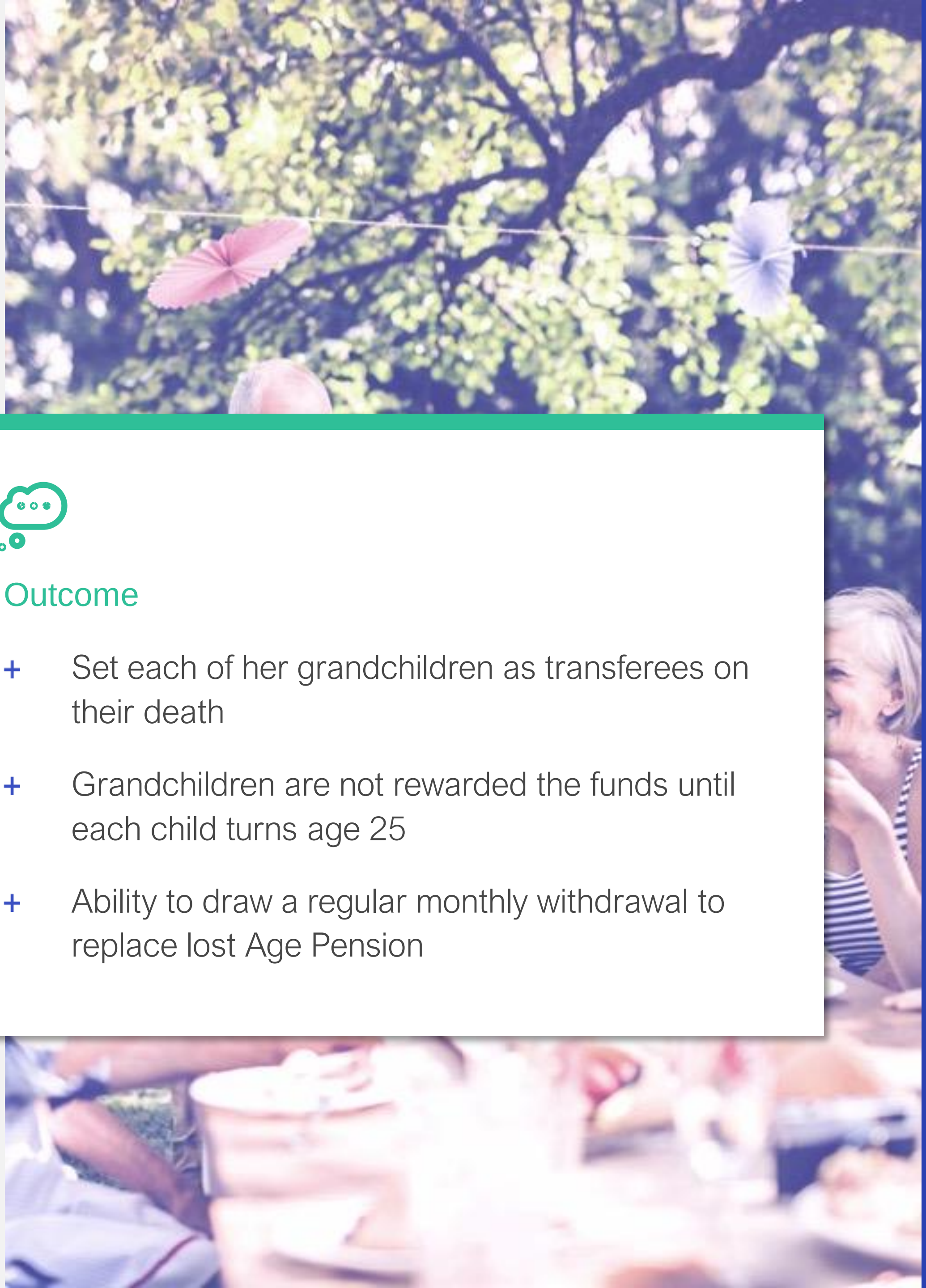
+ To receive an income to replace their lost Age Pension
+ To eventually pass the $700,000 to their 4 grandchildren on their death
+ To ensure the grandchildren do not gain access to funds prior to the age of 25
+ Something simplistic and accessible at any time

Leaving an inheritance

Case study #3

David & Margaret set up four LifeBuilder investment bonds for their grandchildren

Initial investment	$700,000 total investment ($175,000 per investment bond)
Bond owner(s)	David & Margaret
Future event facility	Transfer on death of the last co-owner
Restrictions	Full restriction on access to funds after each child turns age 25



Outcome

- Set each of her grandchildren as transferees on their death
- Grandchildren are not rewarded the funds until each child turns age 25
- Ability to draw a regular monthly withdrawal to replace lost Age Pension

David & Margaret’s Projections

Case Study #3

Bond year	Opening balance	Net earnings	**Regular withdrawal**	Gross withdrawals	**Tax assessable portion of withdrawal**	Tax offset available	Net withdrawal amount	Closing balance
1	$700,000.00	$41,085.63	**$37,013.00**	$37,013.00	**$2,051.99**	$615.60	$37,013.00	$704,072.63
2	$704,072.63	$41,307.66	**$37,753.00**	$37,753.00	**$4,069.23**	$1,220.77	$37,753.00	$707,627.29
3	$707,627.29	$41,484.36	**$38,508.00**	$38,508.00	**$6,053.26**	$1,815.98	$38,508.00	$710,603.65
4	$710,603.65	$41,624.09	**$39,278.00**	$39,278.00	**$8,006.07**	$2,401.82	$39,278.00	$712,949.74
5	$712,949.74	$41,723.62	**$40,063.00**	$40,063.00	**$9,929.56**	$2,978.87	$40,063.00	$714,610.36
6	$714,610.36	$41,779.43	**$40,864.00**	$40,864.00	**$11,825.80**	$3,547.74	$40,864.00	$715,525.79
7	$715,525.79	$41,787.74	**$41,682.00**	$41,682.00	**$13,696.89**	$4,109.07	$41,682.00	$715,631.53
8	$715,631.53	$41,744.65	**$42,515.00**	$42,515.00	**$15,543.91**	$4,663.17	$42,515.00	$714,861.19
9	$714,861.19	$41,645.84	**$43,366.00**	$43,366.00	**$11,579.69**	$3,473.91	$43,366.00	$713,141.03
10	$713,141.03	$41,486.83	**$44,233.00**	$44,233.00	**$6,504.65**	$1,951.39	$44,233.00	$710,394.86
Total		$415,669.86	**$405,275.00**	$405,275.00	**$89,261.05**	$26,778.31	$405,275.00	

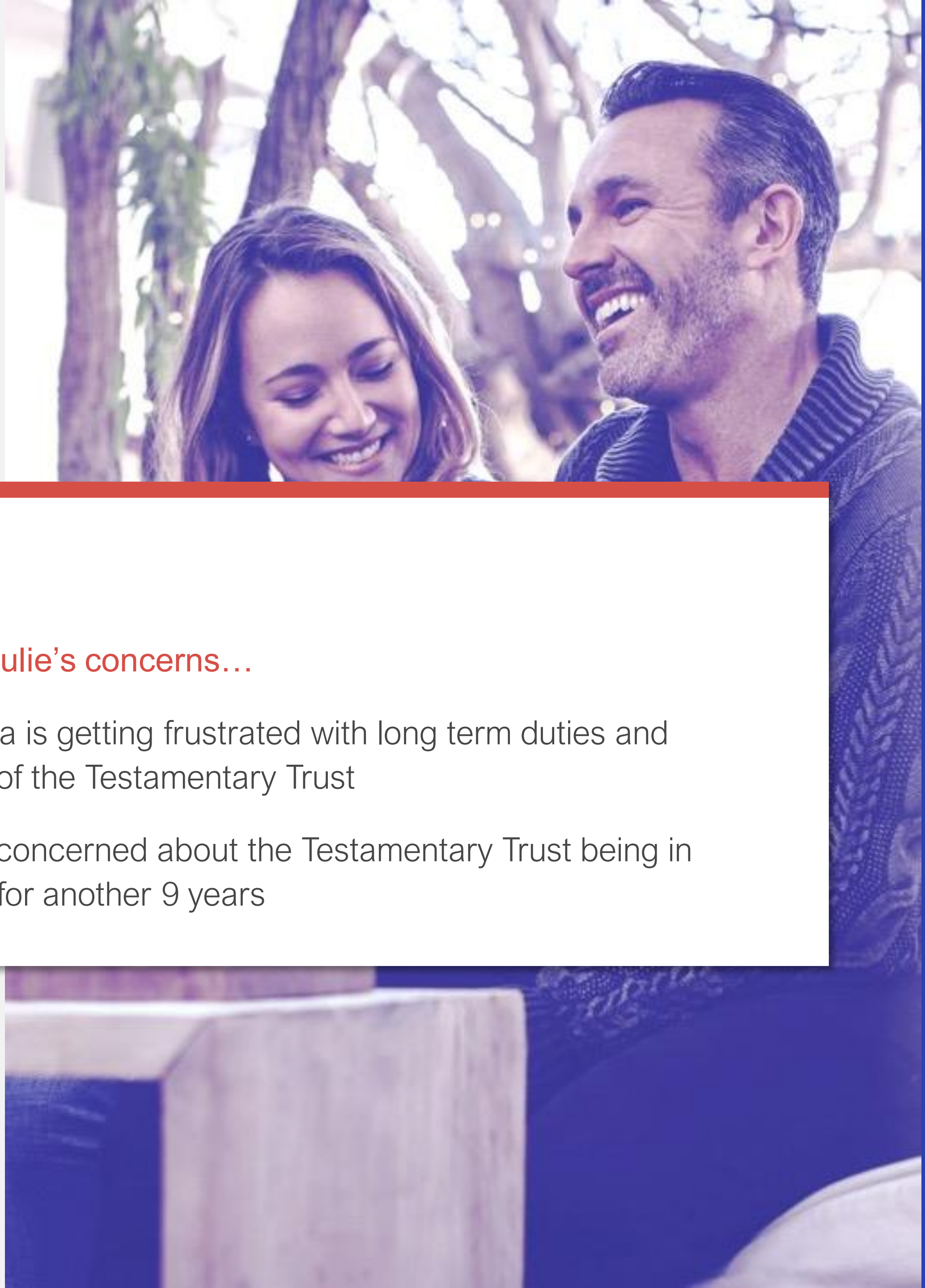
Assumptions
Vanguard Balanced Portfolio 100.00%
Total annual after-tax investment return assumed 6.20% p.a.
Indicative portfolio tax rate paid by investment bond (weighted average) 20.00%
Estimated year 1 Indirect Cost Ratio based on initial investment amount 0.66% p.a.

Investment Bonds in Testamentary Trusts

Case study #4

Testamentary Trust set up under the Will for a grandchild Charlie, who is a minor (currently aged 12).

+ Value of the Trust is $100,000
+ Charlie's mother, Jessica is the appointed Trustee
+ Charlie is to be rewarded the money at age 21



Paul and Julie's concerns…

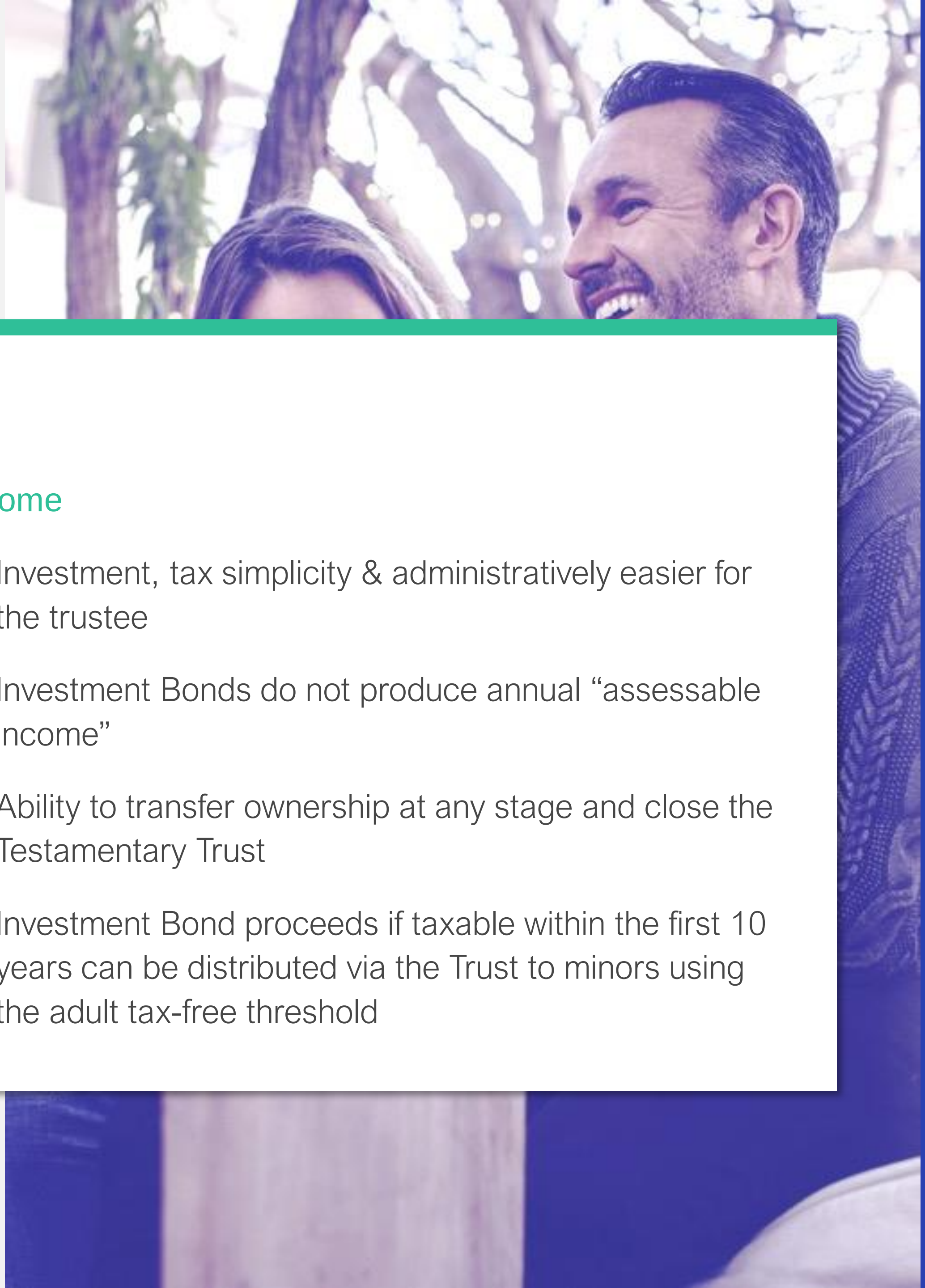
+ Jessica is getting frustrated with long term duties and costs of the Testamentary Trust
+ She's concerned about the Testamentary Trust being in place for another 9 years

Investment Bonds in Testamentary Trusts

Case study #4

A Generation Life LifeBuilder investment bond is established within the Testamentary Trust.

Initial investment	$100,000
Bond owner(s)	Testamentary Trust
Life Insured	Charlie
Future event facility	Transfer ownership at any stage with full restriction on access until 21 in age



Outcome

+ Investment, tax simplicity & administratively easier for the trustee
+ Investment Bonds do not produce annual “assessable income”
+ Ability to transfer ownership at any stage and close the Testamentary Trust
+ Investment Bond proceeds if taxable within the first 10 years can be distributed via the Trust to minors using the adult tax-free threshold

Concerns around transferring wealth

Did you know…

44.9% of Australians are worried about transferring wealth

42.2% Concerned about the impact of tax when transferring wealth

41.7% Concerned about misuse or mismanagement

Source: Core Data 2020

Rule from the grave

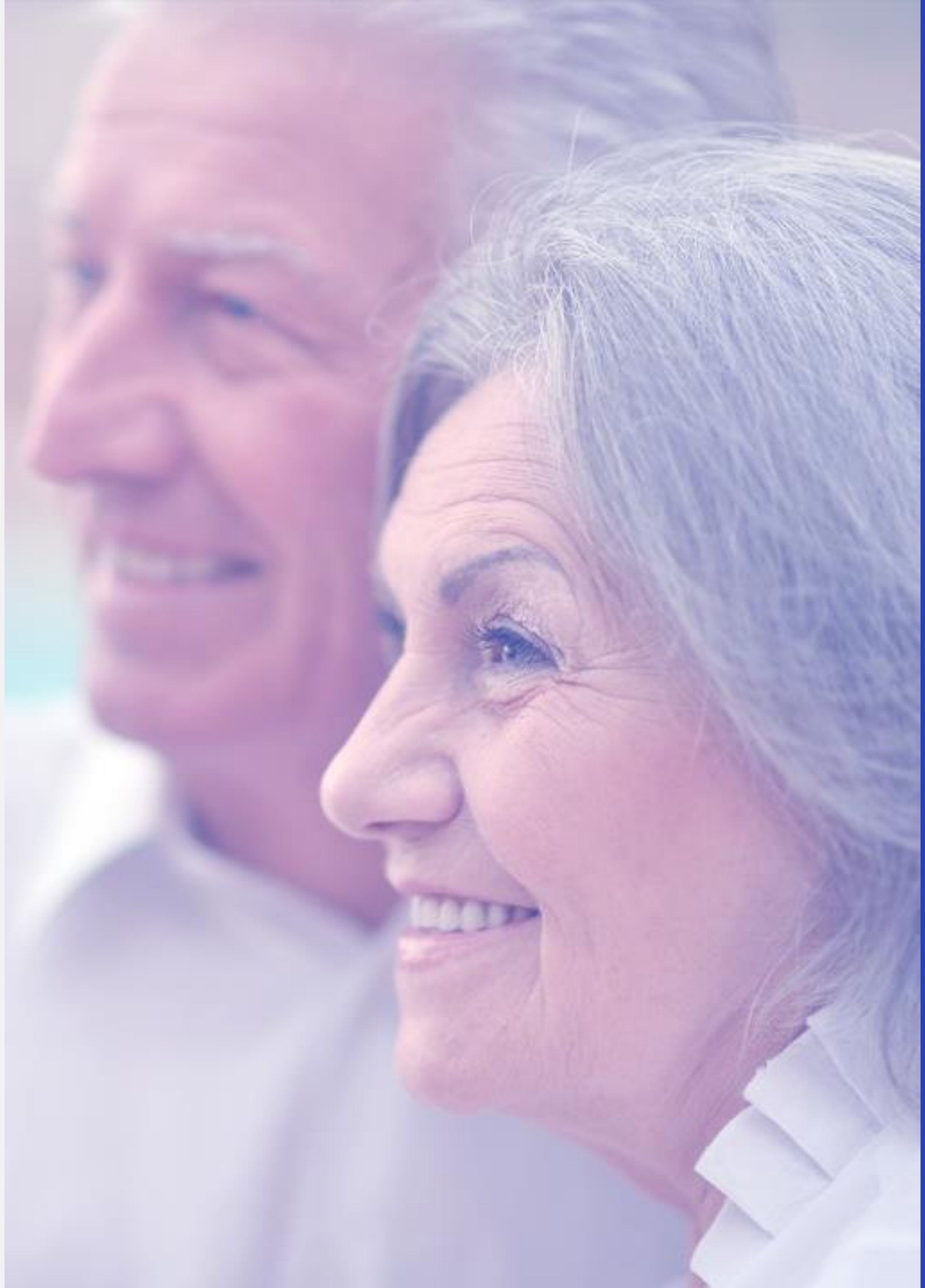
Case study #5

Margo, age 86

+ Margo has a devoted grandson Sam, age 24, who is hopeless with money
+ Margo would like to help him financially

Margo's concerns…

+ Margo is concerned that Sam may waste a lump sum of money
+ She also wants to delay his inheritance until he is older

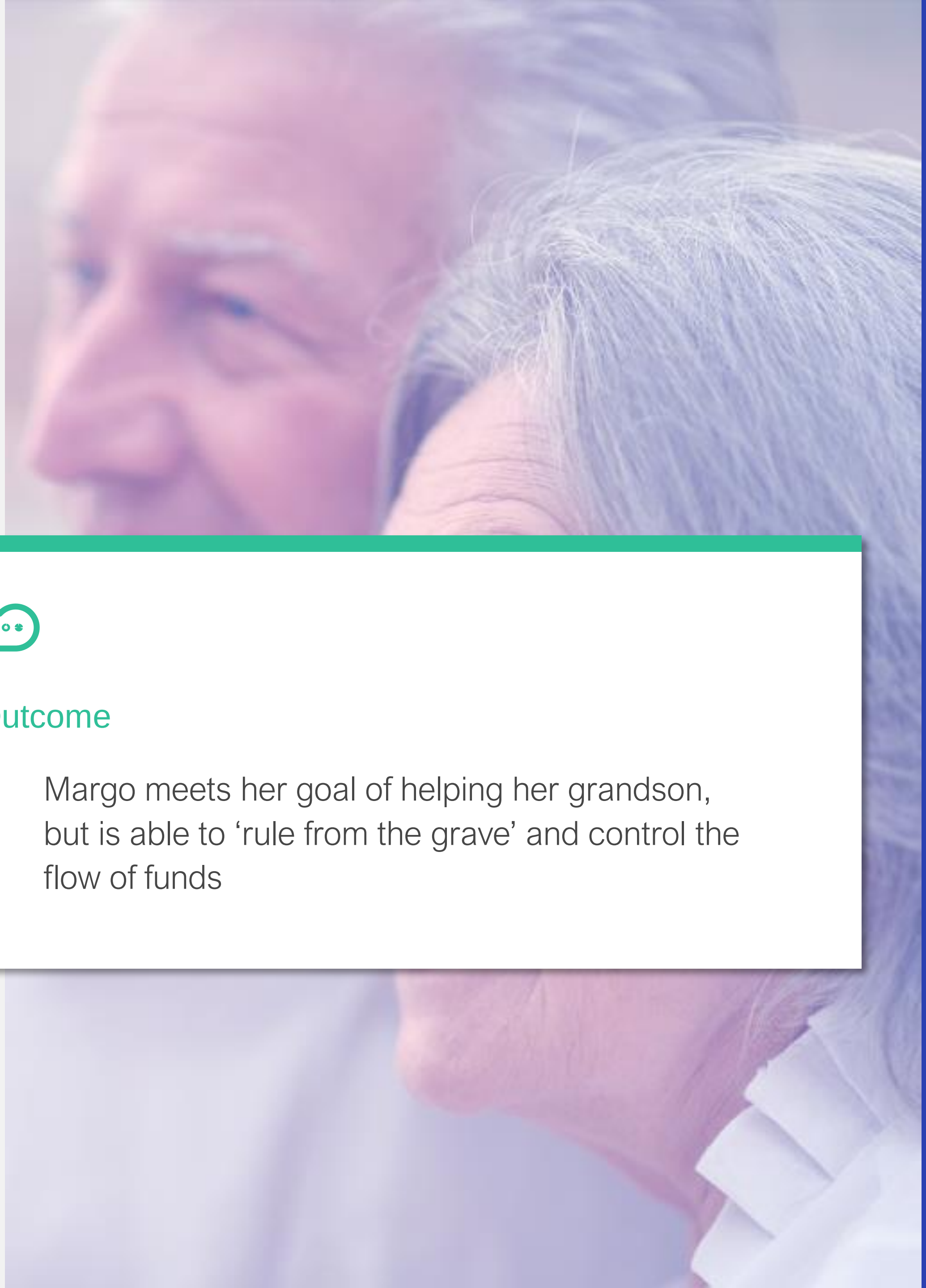


Rule from the grave

Case study #5

Margo establishes a Generation Life investment bond for her grandson Sam

Initial investment	$100,000
Bond owner	Margo
Life Insured	Margo and Sam
Future event facility	Set a future transfer when Sam turns 40
Restrictions	Restricts access to no more than 10% of the account balance per annum

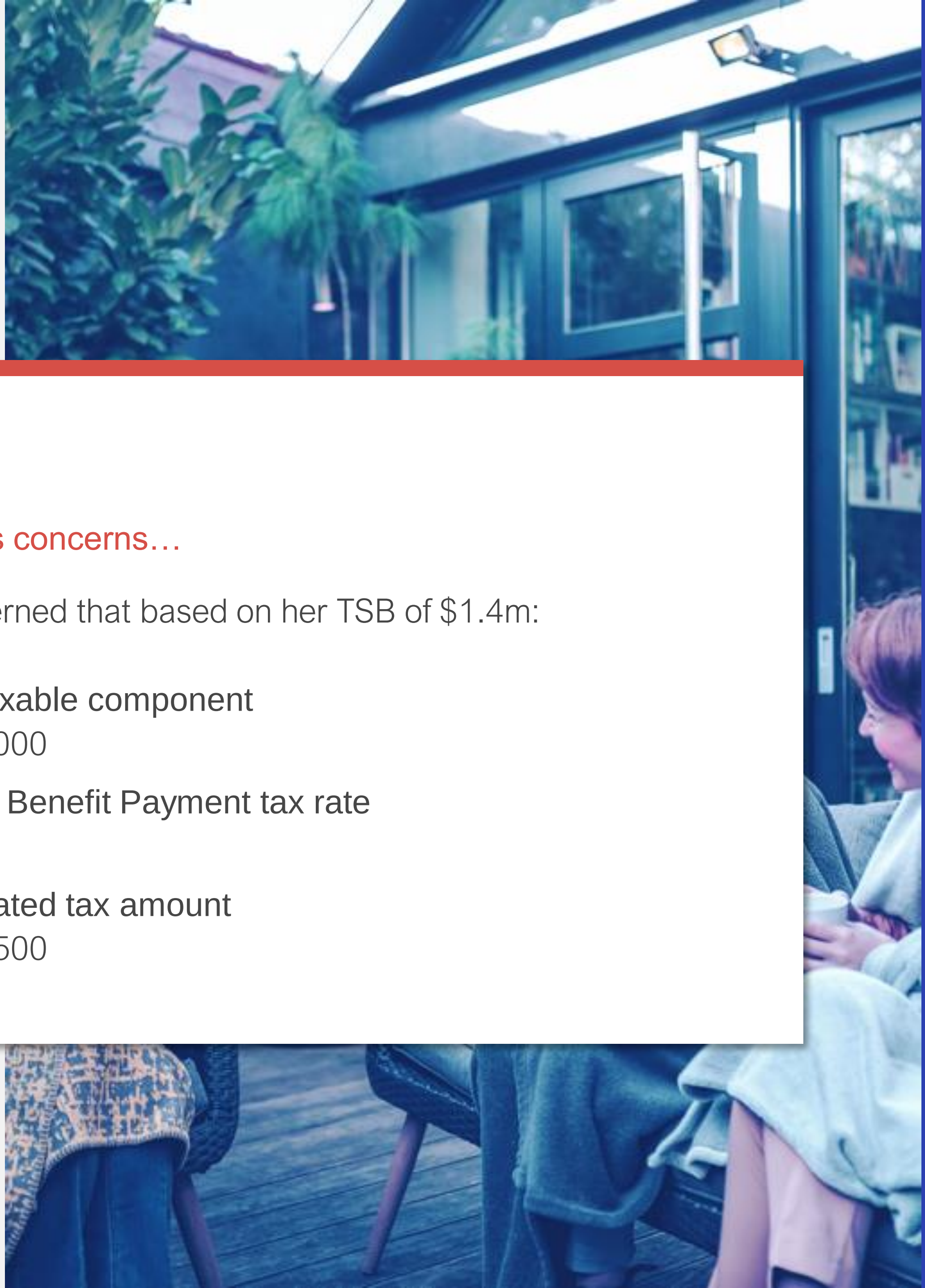


Outcome

+ Margo meets her goal of helping her grandson, but is able to ‘rule from the grave’ and control the flow of funds

Superannuation death tax

Case study #6



Jane, widow, 81 years old

+ Jane has 2 adult children - Claire 56, Lucy 53
+ She inherited her late husband's super account and recontributed into her super account
+ She has a Total Super Balance (TSB) of $1.4m

Jane's concerns…

Concerned that based on her TSB of $1.4m:

Her taxable component
$650,000

Death Benefit Payment tax rate
17%

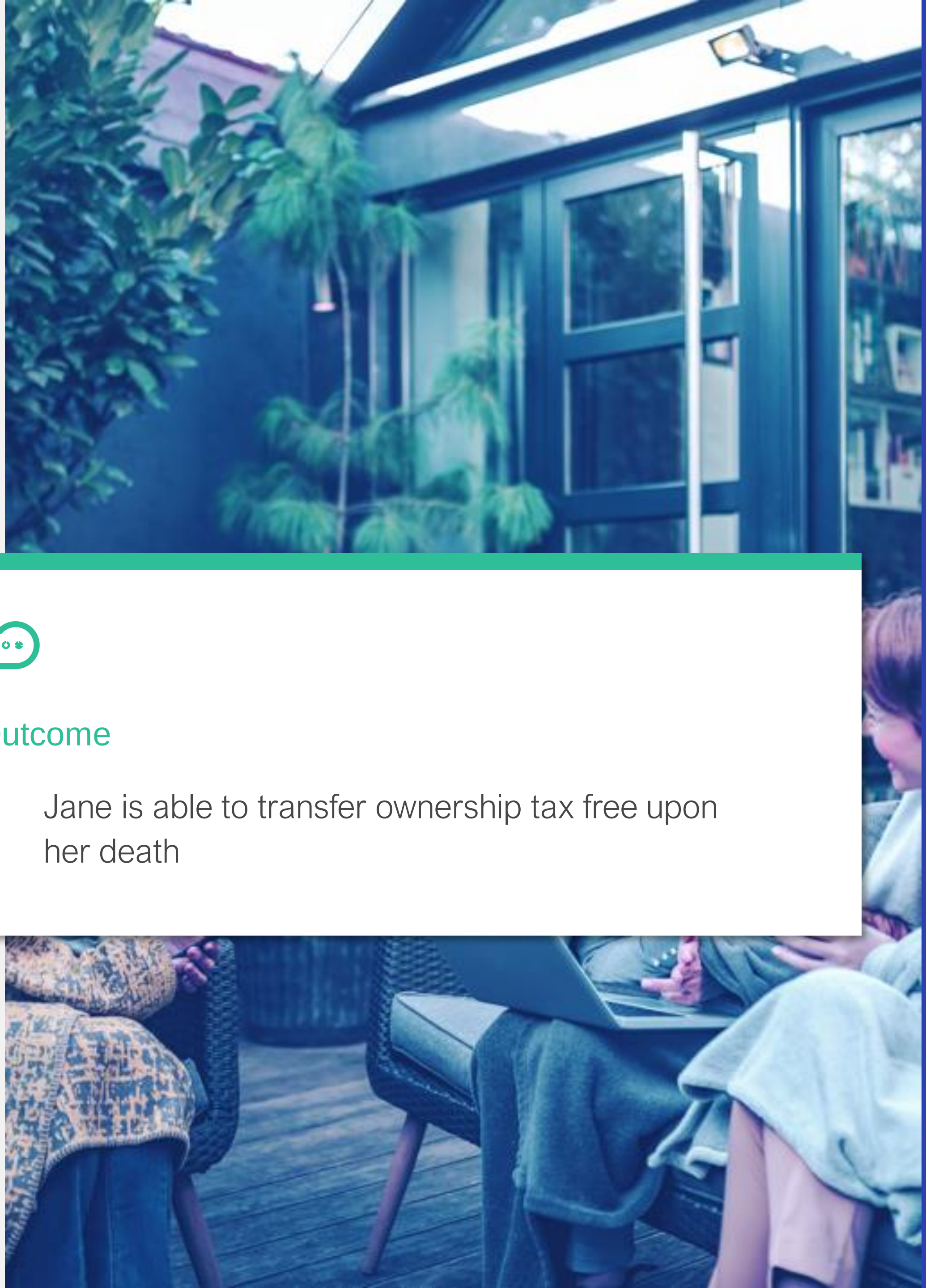
Estimated tax amount
$110,500

Superannuation death tax

Case study #6

Jane to establish two Generation Life LifeBuilder investment bonds for Claire and Lucy

Bond owner(s)	Jane
Life Insured	Jane and her respective daughters
Binding nomination	Claire and Lucy



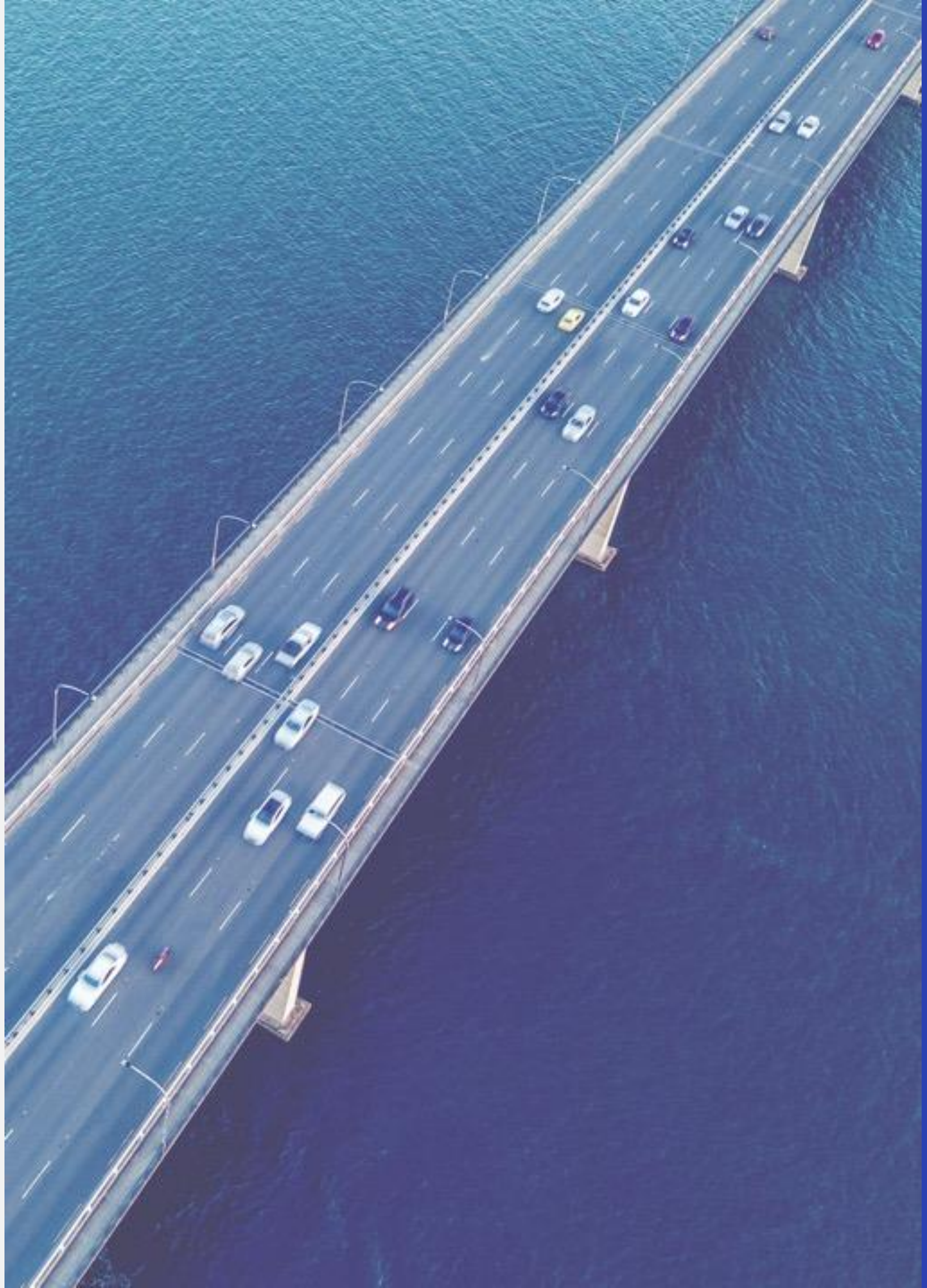
Outcome

+ Jane is able to transfer ownership tax free upon her death

generation life

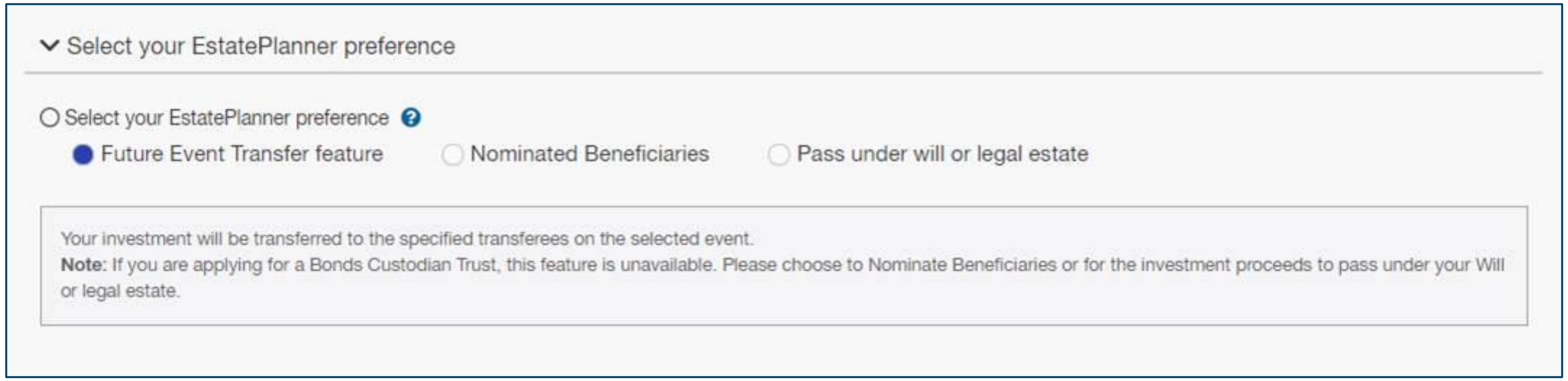
How to guide

Setting up Generation Life's EstatePlanner feature



Selecting your EstatePlanner preference

How to guide



Gives your clients the ability to either:

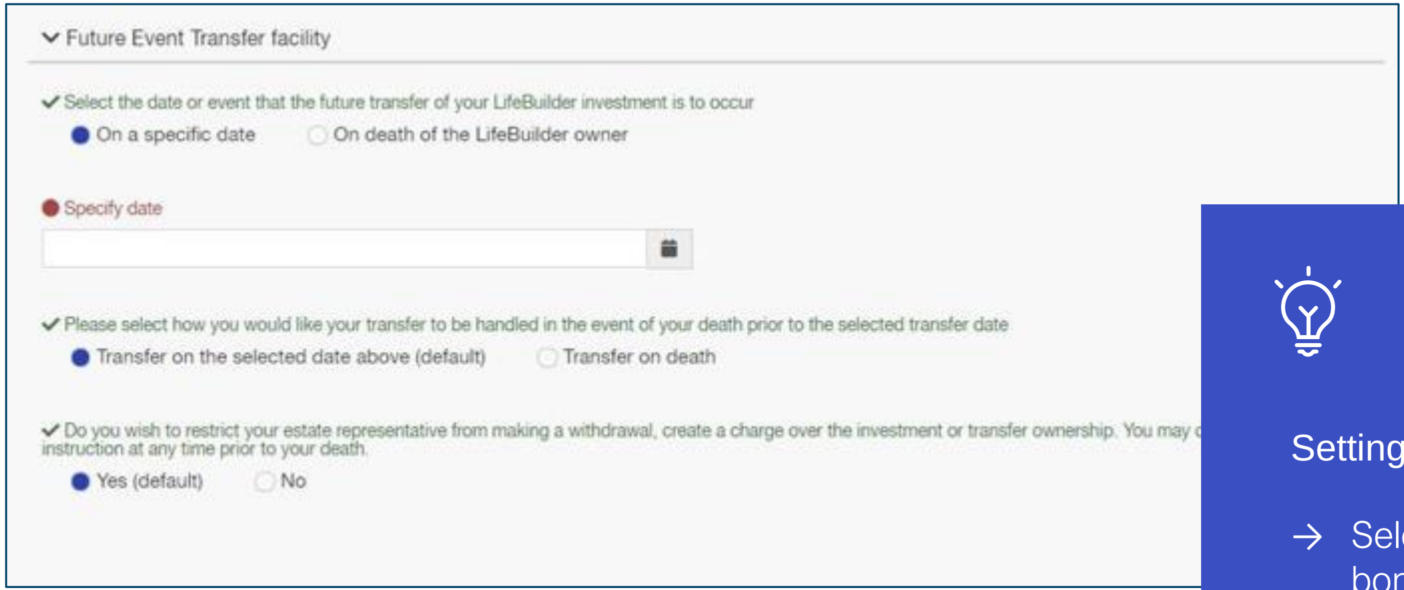
→ Set a Future Event Transfer - select a future date for the automatic transfer

→ Nominate beneficiaries –select beneficiaries to receive proceeds on the nominated life insured

→ To pass under will or legal estate

Future Event Transfer facility

How to guide

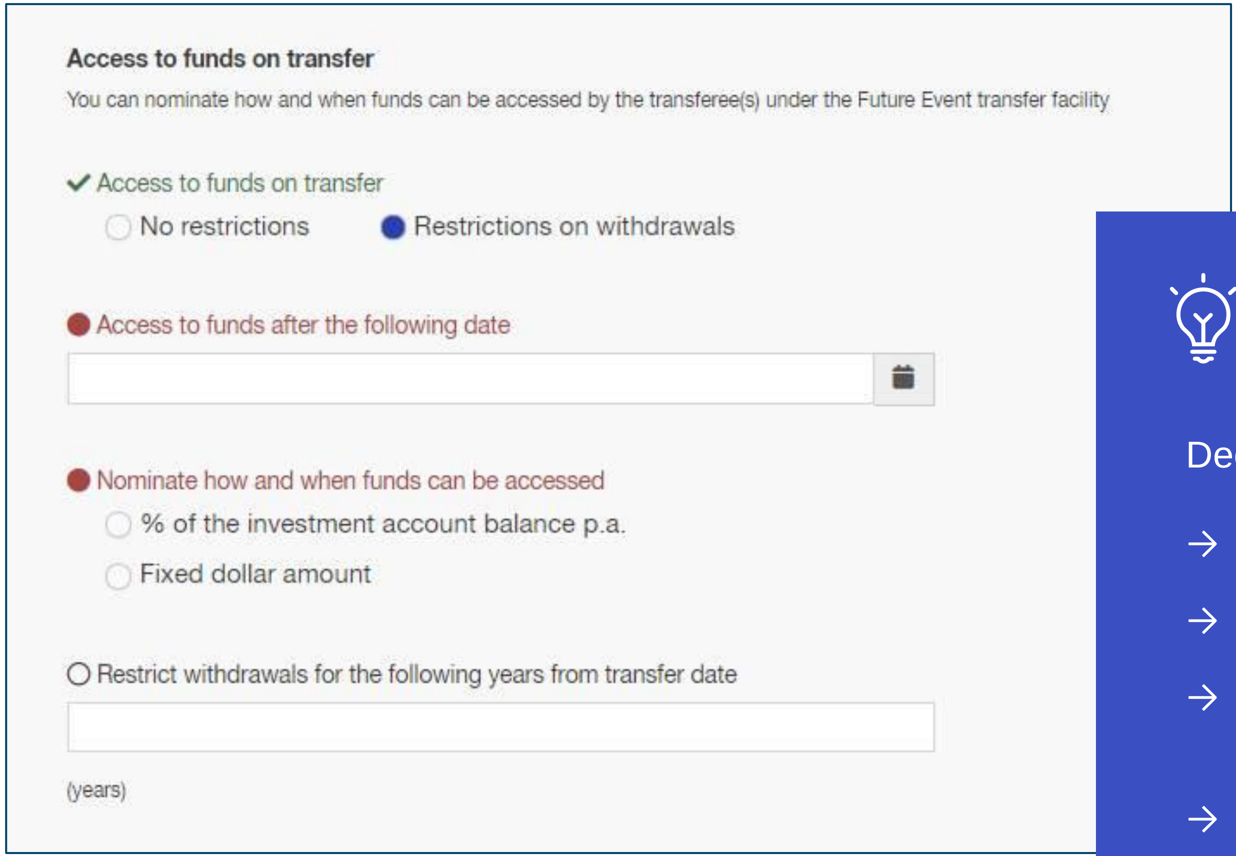


Setting up Future Event Transfer

- → Select specific transfer date or on death of bond owner
- → If bond owner passes prior to specific transfer date, select to either transfer on the specific date or death
- → Select whether to restrict access by estate representative upon transfer

Creating restrictions on withdrawals

How to guide



Deciding when and how funds can be accessed

→ Select restrictions on withdrawals

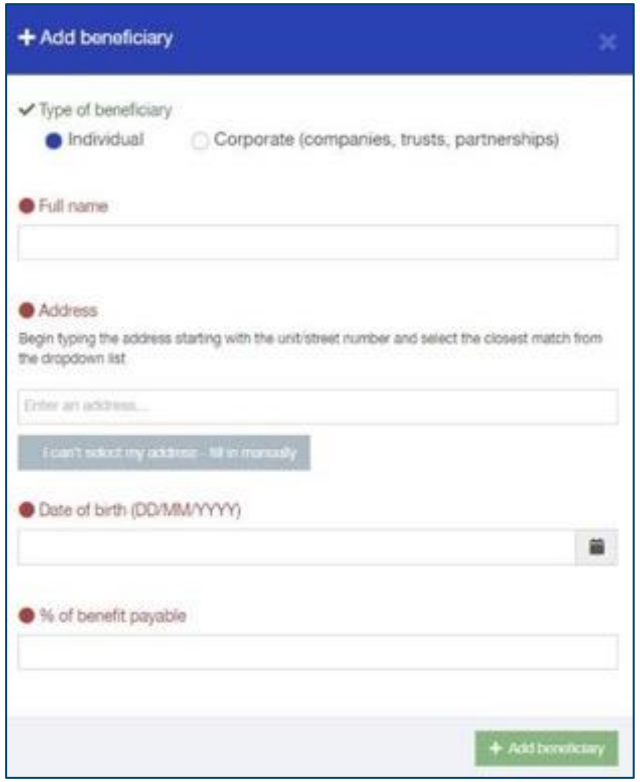
→ Select when funds can be accessed

→ Select if your client's would like to access a % of the balance or a fixed dollar amount

→ Select how long your client's would like this restriction to be in place

Adding beneficiaries

How to guide


+ Add beneficiary

✔ Type of beneficiary

● Individual ○ Corporate (companies, trusts, partnerships)

● Full name

● Address

Begin typing the address starting with the unit/street number and select the closest match from the dropdown list

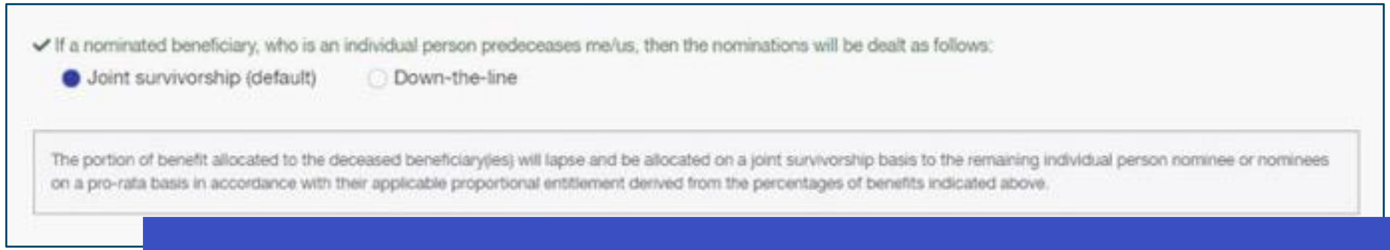
Enter an address...

I can't select my address - fill in manually

● Date of birth (DD/MM/YYYY)

● % of benefit payable

+ Add beneficiary


✔ If a nominated beneficiary, who is an individual person predeceases me/us, then the nominations will be dealt as follows:

● Joint survivorship (default) ○ Down-the-line

The portion of benefit allocated to the deceased beneficiary(ies) will lapse and be allocated on a joint survivorship basis to the remaining individual person nominee or nominees on a pro-rata basis in accordance with their applicable proportional entitlement derived from the percentages of benefits indicated above.

Adding beneficiaries

- → Select type of beneficiaries and enter information required
- → Select type of arrangements
  - → **Joint survivorship arrangements** – Entitlements automatically redistributed to surviving beneficiaries
  - → **Down-the-line arrangements** – Automatically re-allocate to original specified beneficiaries

Investment bond estate planning benefits

Non-estate asset

Investment bond is a non-estate asset – binding nominations

Tax free proceeds

Proceeds are tax free even though all the children are non-dependents

Automatic transfer

Automatic transfer at specific ages or an initiated transfer on death of the Lifebuilder owner

No CGT

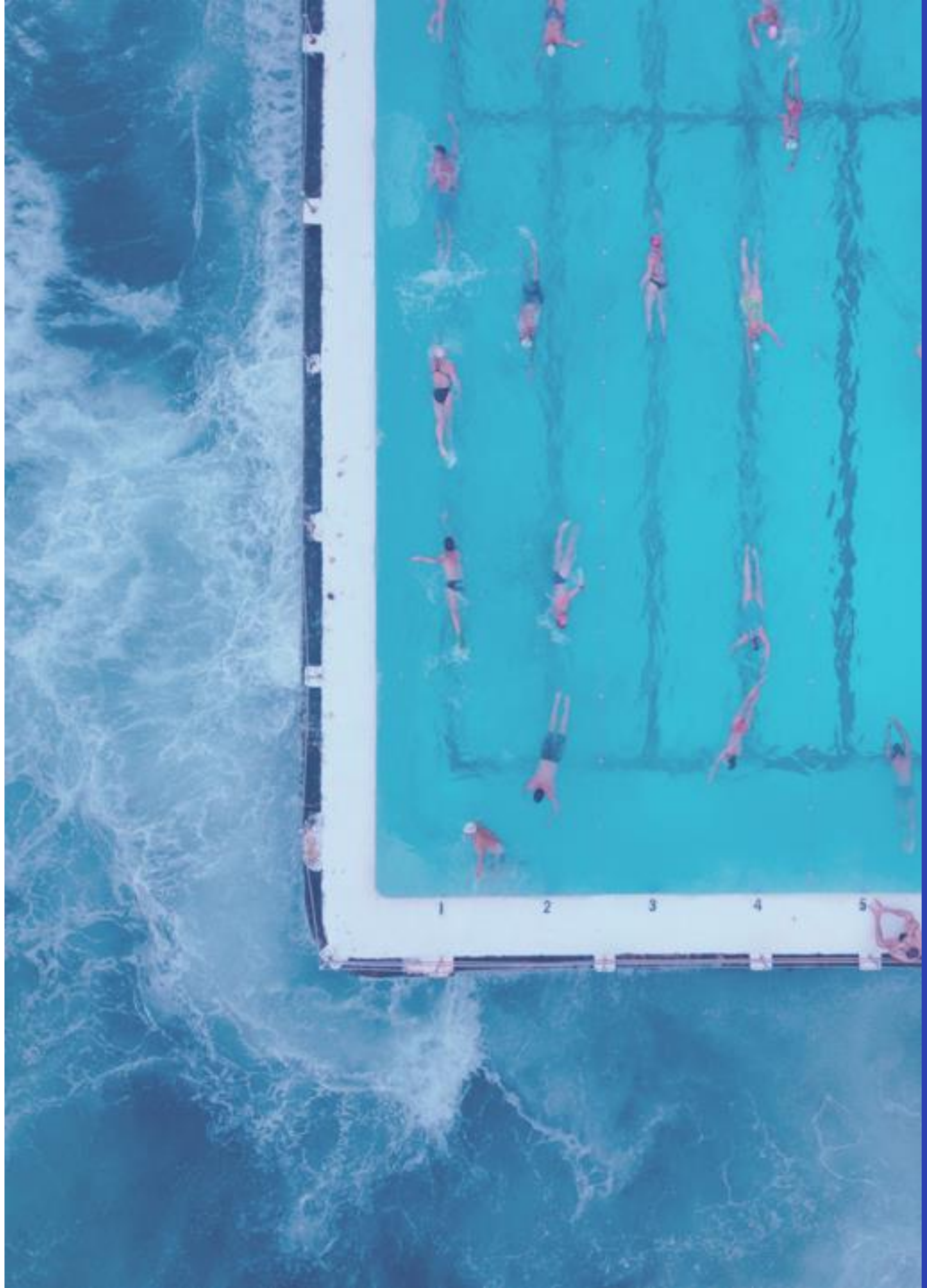
No annual tax or CGT reporting

Avoids conflict

Avoids conflict due to any potential imbalances at the estate level

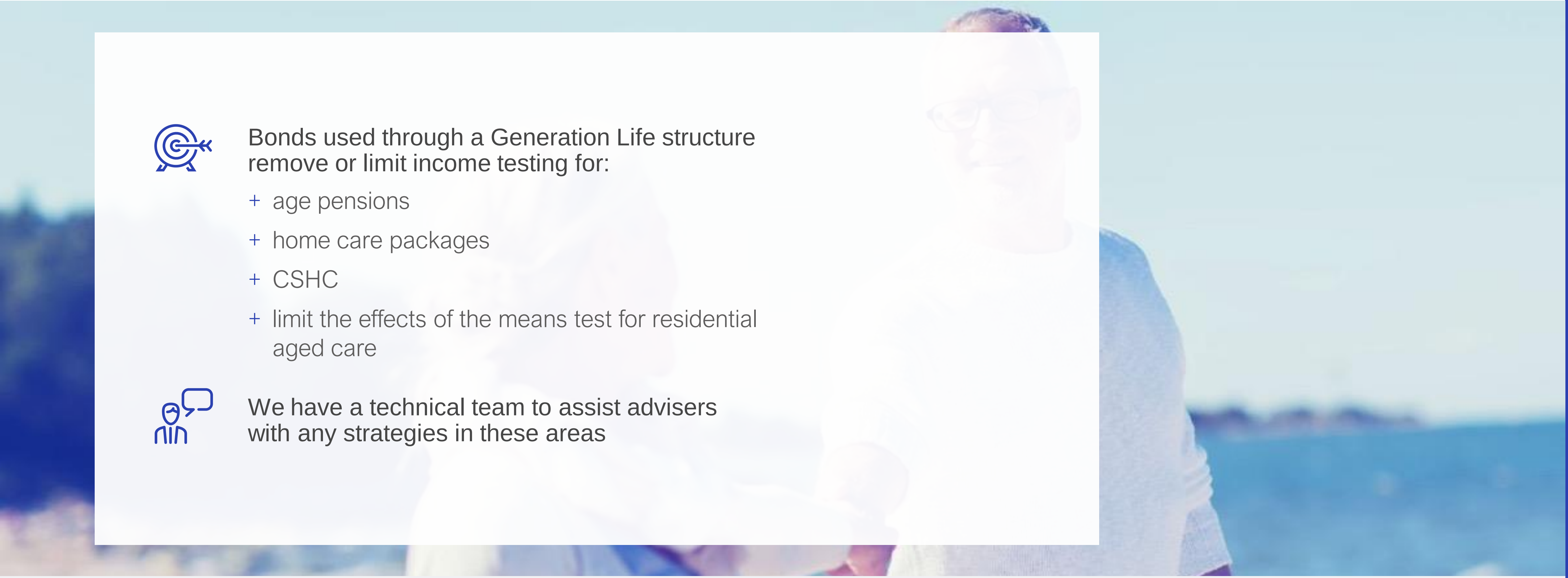
Investment bonds

Improve Centrelink Entitlements



Pension entitlements

Improve your pension entitlements



Bonds used through a Generation Life structure remove or limit income testing for:

+ age pensions
+ home care packages
+ CSHC
+ limit the effects of the means test for residential aged care

We have a technical team to assist advisers with any strategies in these areas

FuneralBond

Providing peace of mind

A simple and tax effective way to help meet your future funeral costs, with no age or health restrictions.

Exempt from the age pension **income test**, **assets test** and deeming provisions

Total contributions can be made up to the allowable limit ($13,500 as at 1 July 2020)

Option to nominate your own funeral director as part of a pre-paid funeral arrangement

Meet the reasonable cost of your funeral expenses and transfer the FuneralBond directly to your funeral director

generation life

Tax Aware Series

This is our new innovative phase of tax effective investing, giving you the ability to increase returns for your clients, without having to take on additional investment risk.

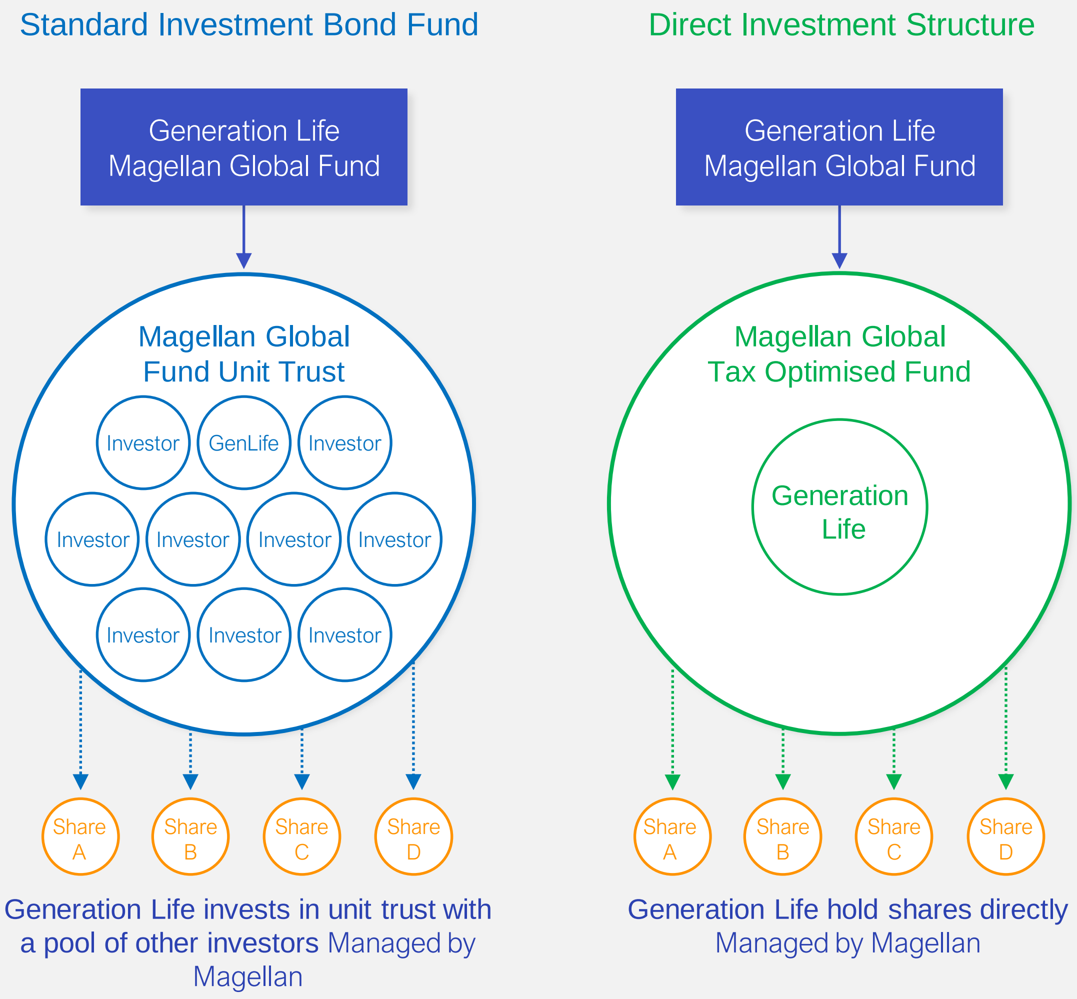
Optimised

Enhanced

Advantage

What is the change?

Generation Life has begun holding underlying shares and other financial assets directly rather than investing through a unit trust held by an external fund manager.



How we consistently deliver tax alpha

The unique investment bond tax structure already allows us to offset realised capital losses against income and realised gains – rather than just realised gains.

However, the significant value add comes from better handling of the gain/loss trade-off. This gives us the ability to address operational and tax leakages.

- Good turnover of assets, ability to offset a capital loss with an income gain
- Updated tax management process
- Not buying into unrealised and realised gains tax positions – all tax positions factored into unit price
- We are able to stay invested for longer and generate additional return on unrealised gains

Observed outcomes

Between 40bps to 290bps in increased after tax performance

The change brings down the average tax paid by 20-30% over the long term

“Operational alpha” due to cash flow profile 25bps-40bps p.a.

Unit price provision provides equity between unitholders

Tax Optimised

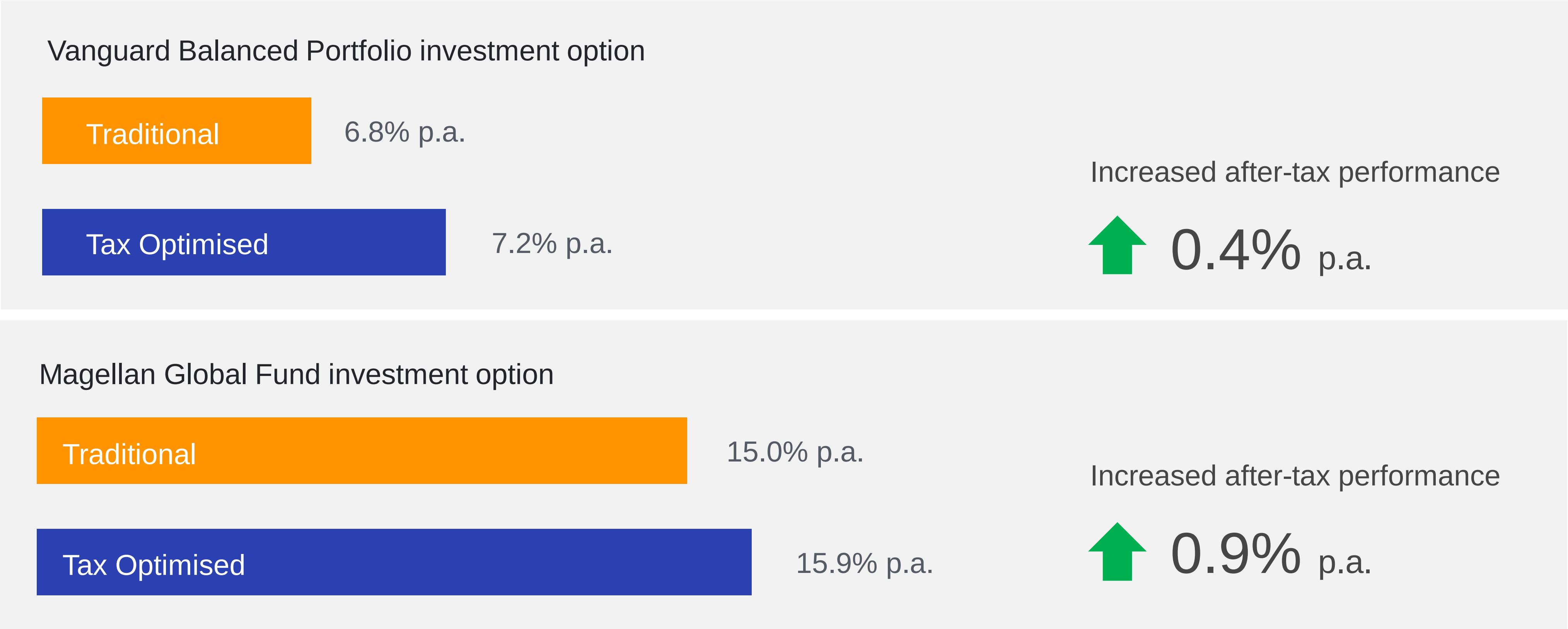
The pinnacle of tax aware investing, maximising your client's after-tax performance.

Mandate transitioned

Magellan Global Fund	International shares
Vanguard Balanced Portfolio	Diversified
Vanguard Conservative Portfolio	Diversified
Vanguard Growth Portfolio	Diversified
Vanguard High Growth Portfolio	Diversified
BlackRock Concentrated Industrial Share Fund	Australian shares
Generation Life Tax Effective Australian Share Fund	Australian shares
Legg Mason Martin Currie Equity Income Fund	Australian shares
Perpetual Wholesale Australian Share Fund	Australian shares

Illustrative performance differential

Traditional versus tax optimised investment bond



The tax optimised performance information presented represents back-tested performance for the period 1 June 2010 to 31 May 2020 based on simulated data using the underlying return of the fund's investment strategy together with the Generation Life Tax Optimised management approach, an assumed investor turnover of 11% and assuming a consistent turnover of the underlying assets throughout the observed period. Back-tested performance is hypothetical and is provided for informational purposes only to indicate historical performance differences between the Tax Optimised management approaches had they been available over the relevant time period and does not represent actual fund performance and does not factor in administration fees or tax provisions. Back-tested performance also differs due to consistent application of cashflow assumptions rather than actual cashflow movements. As a result, the portfolio trading approach theoretically may vary from time to time and the effect on performance results and tax paid could be either favourable or unfavourable. Past performance or back-tested performance is not guaranteed.

Generation Life

Highly recommended for over a decade

49 investment options across all asset classes

- + 2 x Cash and term deposits
- + 5 x Australian fixed interest
- + 3 x International fixed interest
- + 11 x Australian shares
- + 3 x Ethical
- + 7 x International shares
- + 4 x Property
- + 13 x Diversified
- + 1 x Alternatives

The only provider in the market to hold a "**Highly Recommended**" rating with both Lonsec and Zenith Investment Partners

Product features

Investing

+ Regular Savings Plan
+ Automatic escalation
+ Dollar cost averaging facility
+ Auto re-balancing
+ Regular withdrawal

Online and support

+ Investor and Adviser portal
+ Online applications form
+ Calculators
+ Quarterly 125% reminder notification
+ Training and educational events

Estate Planning

+ Future events facility
+ ChildBuilder feature
+ Nominated beneficiaries feature
+ Flexibility to nominate life insured

Fees and minimums

+ Tiered fee discounts based on clients' total investments
+ No investment switching costs

Helping Australians with investment solutions for over 17 years

Pioneer of Australia's first truly flexible investment bond

Market leader in tax optimised investing

1st bond provider to offer a platform and investment menu

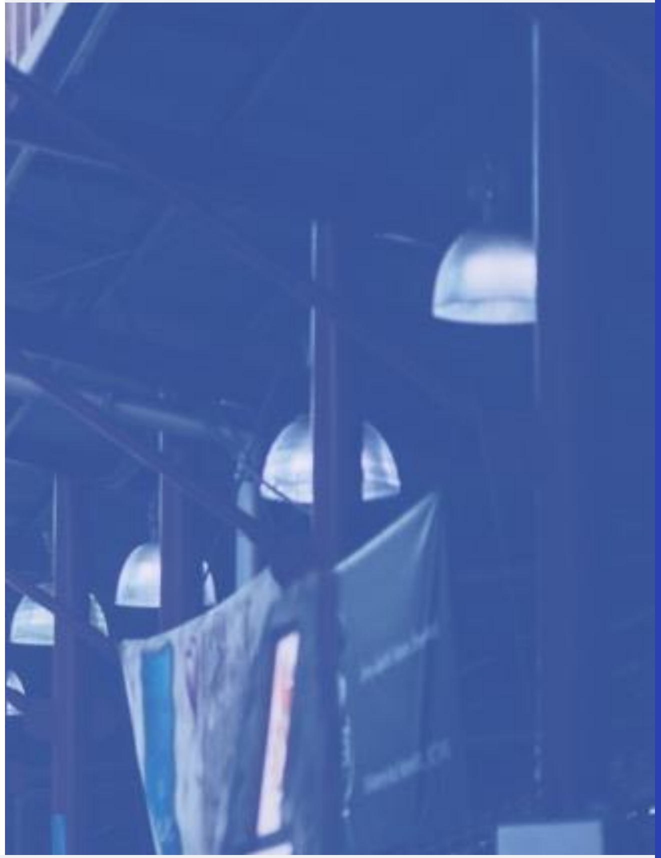
Over $1.8b written in investment bonds

> **41%** market share of inflows on a one year rolling average

Trusted APRA regulated and parent company is ASX listed

No.1 in total inflows & No.3 in total market share

Human, fast, professional & personalised service



generation life

Outthinking today.

Thank you

Performance and assumptions

1. The tax optimised performance information presented represents back-tested performance for the period 1 June 2010 to 31 May 2020 based on simulated data using the underlying return of the fund's investment strategy together with the Generation Life Tax Optimised management approach, an assumed investor turnover of 11% and assuming a consistent turnover of the underlying assets throughout the observed period. Back-tested performance is hypothetical and is provided for informational purposes only to indicate historical performance differences between the Tax Optimised management approaches had they been available over the relevant time period and does not represent actual fund performance and does not factor in administration fees or tax provisions. Back-tested performance also differs due to consistent application of cashflow assumptions rather than actual cashflow movements. As a result, the portfolio trading approach theoretically may vary from time to time and the effect on performance results and tax paid could be either favourable or unfavourable. Past performance or back-tested performance is not guaranteed.
2. Based on the historical investment and transacting profile of the Fund's strategy, the Fund's investment strategy and assumed investment profile, and current tax legislation, the long-term tax payable amount for the Fund is expected to be in the range of 10-15% of the Fund's net earnings. The expected tax payable range is assumed over a long-term and through a full market cycle. The actual level of tax incurred by the Fund may vary and will be dependent on the Fund's level of earnings and investment and transacting profile.