

LifeBuilder

Bonds Custodian Trust Facility

For adviser use only

Improving government entitlements and benefits

Many retirees look for ways to make their money last longer or to improve their government entitlements and benefits. The government's income and assets test rules are used in many cases to determine the level of government related benefits available to retirees.

Eligibility for various Government income support payments and the level of means-tested aged care fees involve an assets test and (often) also an income test.

Under the 'deemed' income test, prescribed deeming rates are applied to the value of an investment to determine its 'deemed' income, instead of its 'actual' income. This applies to most financial investments such as cash, shares and post 1 January 2015 account-based superannuation pensions.



How can the Bonds Custodian Trust help?

LifeBuilder's Bonds Custodian Trust feature can provide retirees with certain financial and estate planning benefits. In particular it can help improve any entitlements and benefits that are associated with the age pension income test, the residential aged care accommodation income test and the home care service fee income test.

The Social Security Act 1991 and Veterans' Entitlements Act 1986 require that only actual income distributions from a designated private trust will be assessed for income test purposes. That is, a designated private trust (and its assets) are excluded from income deeming requirements.

The Bonds Custodian Trust is classified as a designated private trust and a controlled trust of the investor under relevant legislation.



How can the Bonds Custodian Trust be used?

Where deemed or taxable income received from investment assets increases a regulated fee (such as a residential aged care accommodation fee) or reduces a social security or pension benefit (under relevant income tests), the Bonds Custodian Trust may be useful.



Extended deeming & account-based pensions

With extended deeming rules applying to account-based pensions from 1 January 2015, a LifeBuilder with a regular withdrawal arrangement held within a Bonds Custodian Trust may be considered as a flexible alternative regular payment stream (instead of a more rigid annuity or superannuation pension). This may benefit an investor concerned with losing their Commonwealth Seniors Health Card because they may exceed their taxable income threshold.



How does it work?

The Bonds Custodian Trust is an 'umbrella' private trust that Generation Life has created to streamline the off-the-shelf production of a bare trust that is classified as a designated private trust. A Bonds Custodian Trust bare trust can only hold a LifeBuilder investment, but can hold more than one LifeBuilder investment provided the investments are in the same investor name.

The Bonds Custodian Trust will hold the LifeBuilder investment but will not generate ongoing assessable income - this is because the LifeBuilder itself does not distribute ongoing income (unlike a term deposit, unit trust or share portfolio for example). The trust will be subject to the assets test. However, as the Bonds Custodian Trust is a designated private trust, income deeming provisions will not apply to the trust.



Benefits of using a Bonds Custodian Trust

The Bonds Custodian Trust is a convenient and cost effective alternative to holding a LifeBuilder investment in a private trust. Using a Bonds Custodian Trust eliminates the cost of setting up and separately maintaining a private trust structure, trustee selection and time delays throughout the establishment process - there are also no establishment costs or ongoing charges. There is also no need to set up separate trust bank accounts or apply for or hold an Australian Business Number for a Bonds Custodian Trust.

Holding a LifeBuilder investment in a Bonds Custodian Trust, which is a designated private trust, means that the asset is assessed by Centrelink and the Department of Veterans' Affairs on an actual rather than a deemed income basis, while the trust will continue to be asset tested.

The Bonds Custodian Trust's uncomplicated structure means it does not require ongoing administration, accounting or taxation reporting to be undertaken by the investor. There is also no tax file number required and because there is no distribution, no tax return is required - provided there are no withdrawals within the first 10 years.

For estate planning purposes, investors can still utilise the Future Event facility to transfer ownership on the death of the investor without impacting the LifeBuilder's tax status, or alternatively nominate beneficiaries to make a tax-free benefit payment on the death of the life insured. In the event that neither the Future Event facility is utilised nor a beneficiary is nominated, the LifeBuilder's proceeds will be distributed to the investor's legal personal representative on the death of the investor.

Importantly, holding a LifeBuilder in a Bonds Custodian Trust does not impact an investor's (or their attorney's) ability to make a withdrawal, make additional contributions or switch investment options.



How do you establish a Bonds Custodian Trust?

A Bonds Custodian Trust can be established at the same time that the LifeBuilder investment is made by completing the LifeBuilder Application Form.

If an investor already has a LifeBuilder investment, then the LifeBuilder investment can be transferred into a Bonds Custodian Trust.

If a new LifeBuilder investment is established, then that investment can be transferred into the investor's pre-existing Bonds Custodian Trust (if one has already been set up).

It is important to note that the policy owner(s) and life(s) insured must be the same in order to establish a Bonds Custodian Trust. The Bonds Custodian Trust can only be set up by an individual or joint investors who will be the beneficiaries under the trust. A Bonds Custodian Trust cannot be set up for LifeBuilder investments owned by companies or trusts.

Invest with a trusted partner

Highly recommended for over a decade

As the pioneer of Australia's first truly flexible investment bond, we have been at the forefront of providing innovative tax-effective investment solutions since 2004. As an innovation led business, we constantly strive to enhance our products and processes to optimise after-tax investment performance for our investors.

We are a leading specialist provider of tax optimised investment and estate planning solutions – with over \$2.0 billion invested with us to date. With a Highly Recommended rating* by Zenith Investment Partners for 12 consecutive years¹, as well as a Highly Recommended rating from Lonsec², we have a strong and trusted foundation to deliver solid investment outcomes for investors.



Outthinking today.

Generation Life is a regulated life insurance company and our parent company is listed on the Australian Stock Exchange.

Our focus is to continue to provide Australians with market leading tax-effective investment solutions that provide a flexible investment alternative to meet their personal and financial goals. Our investment solutions are designed to help you grow your wealth, meet your day-to-day investment needs and to help you plan for your future needs including the transfer of wealth to the next generation.

* Rating applies to Generation Life Investment Bonds.

Contact Us

Adviser services

1800 333 657

Enquiries

enquiry@genlife.com.au

Postal address

GPO Box 263, Collins Street West,
Melbourne VIC 8007



Outthinking today.

1. The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned September 2020) referred to in this piece 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 <http://www.zenithpartners.com.au/RegulatoryGuidelines>
2. The Lonsec Rating (assigned April 2021) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Generation Life product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>.

Disclaimer: Generation Life Limited ABN 68 092 843 902 AFSL 225408 is the issuer of investment bonds (including LifeBuilder, ChildBuilder and FuneralBond). This information is strictly intended for the use of licensed financial advisers and 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. The latest Product Disclosure Statement should be considered in deciding whether to acquire, or continue to hold, an investment bond.