

Tax Aware Series

Increase returns by
reducing tax



Discover the full picture



Don't let tax be a drain on your returns.
Put a stop to it with Generation Life's
Tax Aware Series.

Tax can be one of the biggest costs associated with any investment. Did you know that over the long term, even with all add backs including franking credits, almost 40% of an Australian share portfolio's return can be reduced by the cost of tax for an investor on a high marginal tax rate?¹

The compounding effect of this can reduce your investment significantly over time.



The evolution of after-tax returns

Generation Life offers a large range of investment options to choose from, each with varying levels of tax efficiency. This is based on the composition of the underlying investment assets held by the investment option and how they are managed by the fund manager, reducing the taxable component of your investment.

Your choice of tax efficiency

Unique to Generation Life, our investment menu now offers three levels of innovative, tax efficient investment options as part of our new tax aware series.



Tax Optimised

The pinnacle of tax aware investing, maximising your after-tax performance. The Tax Optimised level addresses tax and operational leakages by simply holding the underlying assets of each investment option directly, rather than through a traditional managed fund arrangement. Focusing on tax optimisation allows us to maximise the tax rules of the investment bond, giving us the ability to offset realised capital losses against income and/or realised gains.



Tax Enhanced

An enhanced, tax aware investment and trading approach that aims to improve after-tax returns. The Tax Enhanced level is designed to carefully manage how the underlying investments are bought and sold within a traditional managed fund arrangement. Effectively, we are reducing tax events by not buying and selling securities unnecessarily.



Tax Advantage

The foundation of our tax effective investment approach, essential to maximising investment returns. The Tax Advantage level offers the core benefits of the investment bond's tax structure where ongoing earnings are taxed within the investment bond at a maximum tax rate of 30%. These earnings are not included as part of the investor's personal assessable income, irrespective of their marginal tax rate.

When taxes go down, returns go up.

It's that simple.

At Generation Life, we're passionate about continuing to innovate to achieve higher returns whilst lowering your personal tax burden. That's why we're excited to offer investors our market leading innovations through our Tax Aware Investment Series.

How do we increase performance without taking on additional investment risk?



Good turnover of assets and the ability to offset a capital loss against income, unique to the investment bond tax structure.



Updated tax management process. We have the ability to choose which parcel of securities to buy or sell, minimising the impact of tax unlike traditional investment practices.



Not buying into unrealised and realised gains tax positions. All tax positions are factored into the unit price.



We are able to stay invested for longer and increase the compounding effect generated on your investment.

The after-tax return benefits of an investment bond

Investment bonds are a tax-effective way to accumulate wealth. The returns and performance from an investment bond are provided on an after-tax basis – unlike other investments such as managed funds, shares, property and term deposits where the returns are before the deduction of tax.

The following examples illustrate the after-tax benefit when applying the Generation Life Tax Optimised structure. This approach has demonstrated an increase in after-tax performance of between 0.4% and 2.9% per annum, over the long term. **The best part is, it's the same investment strategy, with zero additional risk.**

Illustrative performance differential

The following case studies demonstrate the relative improvement in returns for each of the investment options had they been invested based on a traditional approach versus the Tax Optimised approach. Over the long term, the Tax Optimised approach has demonstrated an increase in returns as a result of its tax aware approach and structure.

Comparing traditional versus Tax Optimised investment bond after-tax returns

Vanguard Balanced Portfolio investment option

Traditional

6.8% p.a.

Tax Optimised

7.2% p.a.

Increased after-tax return

↑ 0.4% p.a.

Magellan Global Fund investment option

Traditional

15.0% p.a.

Tax Optimised

15.9% p.a.

Increased after-tax return

↑ 0.9% p.a.

Perpetual Wholesale Australian Shares investment option

Traditional

4.8% p.a.

Tax Optimised

7.7% p.a.

Increased after-tax return

↑ 2.9% p.a.

Refer to back page for performance disclaimer².

1. Illustrative annualised return profile for a portfolio of Australian shares, invested over a 20-year period, with indicative tax paid on the assumption of a 47% marginal tax rate (including levies) and assumed reinvestment of dividends and/or distributions. This includes the effect of any imputation credits and realised gains discount rules applicable over the period but does not include the impact of fees. This does not represent any actual or forecast returns. Source: Redpoint Investment, Generation Life.
2. 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 Limited (Generation Life) AFSL 225408 ABN 68 092 843 902 is the product issuer. The information provided is general in nature and does not consider the investment objectives, financial situation or needs of any individual and is not intended to constitute personal financial advice. The product's Product Disclosure Statement and Target Market Determination are available at www.genlife.com.au and should be considered in deciding whether to acquire, hold or dispose of the product. Professional financial advice is recommended. Generation Life 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 does not make any guarantee or representation as to any particular level of investment returns. Past performance is not indicative of future performance. Returns are net of fund taxes, management fees and other operating expenses (if applicable) and are based on the unit prices for the quoted periods and exclude the effect of any investor specific transactions such as transaction costs, stamp duty and management fee rebates. Returns are not annualised for periods of less than one year.