

Target Market Determination

Generation Life LifeBuilder

This target market determination (TMD) is made under section 994B of the *Corporations Act 2001 (Cth)*. It sets out the target market of customers (investors) for the product, triggers to review the target market and certain other information.

This document is not a summary of the product, the product rules of the product, or the Product Disclosure Statement (PDS) for the product. It does not (and is not intended to) set out a summary of the terms or features of the product.

This document does not (and is not intended to) provide or constitute financial product advice. The target market described in this TMD is general in nature only and does not make any statement or representation that a particular person is or is not in the target market described in this TMD. This TMD does not take into account the objectives, financial situation and needs of any particular person and no representation is made as to whether or not the product is suitable for any particular person.

Prior to making any decision in relation to the product, investors should obtain and consider the PDS available at genlife.com.au, and obtain financial product advice if necessary.

Product name	Generation Life LifeBuilder
APIR code	ALL3995AU
Product issuer	Generation Life Limited ABN 68 092 843 902 AFSL no. 225408 (Generation Life, us, we, or our)
Date of this TMD	11 November 2021
TMD version	2.0

An investment in the product is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and performance of the product may differ materially from the forecasts, estimates and opinions set out in this TMD. No guarantee as to the repayment of capital, the performance of the product or any rate of return described in this TMD is made by us or any other person.

This material is not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

Generation Life, and its officers, employees, agents and advisers, believe that the information in this TMD and the sources on which the information is based (which may be sourced from third parties) are correct as at the date of this TMD. While every care has been taken in the preparation of this TMD, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by Generation Life, or its officers, employees, agents or advisers. To the fullest extent permitted under law, Generation Life excludes all liability for information provided in this TMD.

Target Market

Likely objectives, financial situation and needs of customers (investors) in the target market

Product description

Investment objectives

Investors accepting the offer in Australia (including trusts, companies, and individuals and joint individuals aged at least 10 years) seeking to achieve one or more of the following objectives:

- to manage or reduce the effective level of investor tax payable on investment earnings through investment outside of, or (if applicable) in addition to, superannuation investments held, or to manage or defer taxable income levels;
- to create certainty in estate planning outcomes and to pass on wealth in a simple, cost effective and tax-effective manner to intended recipients or beneficiaries;
- to qualify for, manage or improve entitlements to Government social security benefits; and/or
- to achieve a desired level of after-tax investment growth based on the investor's risk appetite, selected investment options, desired investment timeframe and after-tax return expectations.

The product is an investment bond that is an investment-linked life policy, governed by the *Life Insurance Act 1995 (Cth)* and subject to APRA regulation. An investor is a policyholder and is required to nominate at least one life insured.

The product is a 'tax paid' investment where tax on the investment bond's earnings is paid by the Generation Life at a tax rate of 30% (but often with a lower effective tax rate), rather than an investor's personal marginal tax rate. This benefits an investor that has a marginal tax rate greater than the effective tax rate. There is no further tax payable by the investor if the investor does not make any withdrawals for at least 10 years. Subject to some exclusions and the timeframe for withdrawal, there may be tax assessable income on full or partial withdrawals made within the first 10 years such that tax may be payable at the investor's marginal tax rate, however, only at the point of withdrawal. There is, however, a compensating tax offset available (currently 30% of the assessable income amount) which the investor can use to offset any personal tax liability payable in the financial year that the withdrawal was made. Additional investments can be made by an investor to the original investment up to 125% of the previous year's contributions without re-setting the 10-year period, and will attract the same tax treatment as if the investor was invested at the same time as the original investment.

Additional investments greater than 125% of the previous year's contributions can be made, however, the 10-year period after which the optimal tax benefit is reached will re-set.

If the life insured dies or suffers an accident, serious illness or other disability within the 10-year period, then the proceeds will not be tax assessable. Similarly, in the event of an unforeseen serious financial hardship being experienced by the investor within the 10-year period, a withdrawal will also not be tax assessable.

The product can be used to transfer wealth on the death of the life insured to any third party beneficiary nominated without needing to bequeath the investment in a will or a testamentary trust, and is treated as a non-estate asset.

The product can be set up to provide for:

- payments to beneficiaries on the death of a life insured;
- the transfer of ownership to future intended transferee recipients on the death of the policyowner or at a specified future date; or
- the transfer to a third party at any time.

without any tax impact to the investor or recipients provided there was nil consideration or payment received by the investor. The investor can control when a transferee recipient can make withdrawals and limit the amount that a transferee recipient can withdraw each year.

The product can be acquired and configured to enable nominated beneficiaries to be elected or for the transfer of ownership at the time of death of the policy owner such that the investment is treated as a non-estate asset.

Switching between investment options within the product does not result in a personal capital gains tax liability to an investor.

There is no need to provide Generation Life with a tax file number and no annual tax reporting on the product is required provided there is no withdrawal from the product within the first 10 years.

Likely objectives, financial situation and needs of customers (investors) in the target market

Product description

Investment objectives (continued)

The product's investment earnings are not distributed to the investor, which can help an investor who receives Government benefits (such as the Commonwealth Seniors Health Card and Family Tax Benefits) that are assessed on an investor's assessable income. Further, holding the product in conjunction with the establishment of a separate trust by or at the procurement of Generation Life (known as the 'Bonds Custodian Trust') may further improve any entitlements and benefits that are affected by the age pension income test and aged care accommodation or home care service fee income test.

An investor can nominate that their investment is invested in (via a benefit fund) one or more of the investment options, covering a range of risk profiles and asset classes, as well as diversified investment options, low cost indexed investment options and Responsible Investing investment options, where the assets of the investment options are managed by professional and experienced third party Australian and international investment managers.

The investment options give investors the opportunity for wealth accumulation through the generation of income, capital growth or a combination of both.

Investors can elect to have their portfolio of investment options automatically re-balanced every year in line with their selected default investment strategy.

Periodic investment via 'dollar cost averaging' is also available to manage investment risk and a regular savings plan is available.

The product may be used by an investor as security for lending purposes (subject to the lender's requirements).

The product is protected from creditors under the *Bankruptcy Act 1966 (Cth)* in certain circumstances. This protection applies to the investment bond itself as well as any proceeds from the investment bond received on or after the date of bankruptcy, provided it wasn't the intention of the investor to defeat creditors by investing in the product.

Financial situation

Investors in one or more of the following financial situations:

- investors with investable assets that meet the minimum product investment requirements;
- investors with investable assets that are designated to be transferred or passed onto particular persons or entities in the future; and/or
- a recipient or prospective recipient of Government benefits or entitlements.

There is a minimum initial investment of \$1,000 and a minimum additional investment of \$500. There is no maximum initial or additional investment amount.

In relation to other product features that are relevant to the other financial situations, see above.

Likely objectives, financial situation and needs of customers (investors) in the target market

Product description

Needs

Investors that have one or more of the following investment needs:

- seeking to acquire the product either as part of a diversified portfolio of assets or on a standalone basis and for it to be held over the required length of time (being short, medium or long term);
- the ability to access funds at any time if required with a high level of liquidity (either partially, fully, or as a regular payment);
- the potential to invest in a wide range of investment strategies across a range of asset classes and investment managers covering capital stable through to higher risk investment strategies based on the investor’s risk appetite and investment objective, with the ability to switch between investment options as desired;
- the ability to make unlimited initial and additional investments (including regular investments) without regulatory limits; and/or
- a desire to have a level of investment decision-making control.

The product can be acquired to achieve any number of investment objectives described above, including:

- holding the product (with exposure to a diversified range of investment options) over time as part of a diversified portfolio held by the investor; or
- holding the product on a standalone basis, given that diversity of investment options, or where the investment objective is to achieve a benefit for a nominated beneficiary or other third parties.

The product has an investment term of 99 years, however, the investor is able to make a full or partial withdrawal at any time (noting the tax impact of doing so within the first 10 years).

All investment proceeds are invested by Generation Life in benefit funds held in accordance with the *Life Insurance Act 1995 (Cth)*, the product’s rules and APRA regulation. The benefit funds are invested in the investment options described in the PDS in accordance with investors’ preferences.

The product’s investment options available are set out in the PDS and provide for recommended minimum investment periods and disclosed risk levels that correspond to risk levels represented by the Standard Risk Measure (SRM) developed by the Association of Superannuation Funds of Australia and the Financial Services Council. The available investment options cover most SRM risk levels.

The investment options available with the product are exposed to different types of assets with different levels of liquidity, although it may be stated on a general basis that most underlying assets of the investment options are liquid in the sense that Generation Life reasonably expects that such assets can be generally realised at market value within 30 days.

A withdrawal of some or all of an investment in the product can be made at any time. A regular withdrawal facility can also be established to facilitate an investor’s regular cashflow requirements and create a regular income stream (e.g. monthly, quarterly, half-yearly or annually).

Periodic investment via ‘dollar cost averaging’ is also available to manage investment risk and a regular savings plan is available.

Investment categories

The investment categories and investment options are suitable for a range of risk and return profiles for the allocation of funds. The product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole.

Investment category	Investment objective ¹	Standard Risk Measure ²	Minimum suggested investment timeframe ³
Diversified conservative	Generally, to earn returns that exceed an appropriate benchmark return through exposure to 60–79% of a portfolio to defensive assets such as cash and fixed interest to provide relatively stable returns with lower market volatility. The balance of the portfolio is allocated to growth assets such as Australian and international shares seeking to provide higher returns but with higher short-term volatility in returns.	Low to Medium (3)	3 years
Diversified balanced	Generally, to earn returns that exceed an appropriate benchmark return through exposure to 40–59% of a portfolio to defensive assets such as cash and fixed interest to provide relatively stable returns with lower market volatility. The balance of the portfolio is allocated to growth assets such as Australian and international shares seeking to provide higher returns but with higher short-term volatility in returns.	Medium (4), Medium to High (5)	3-4 years
Diversified growth	Generally, to earn returns that exceed an appropriate benchmark return through exposure to 20–39% of a portfolio to defensive assets such as cash and fixed interest to provide relatively stable returns with lower market volatility. The balance of the portfolio is allocated to growth assets such as Australian and international shares seeking to provide higher returns but with higher short-term volatility in returns.	Medium to High (5), High (6)	3-7 years
Diversified high growth	Generally, to earn returns that exceed an appropriate benchmark return through exposure to 0–19% of a portfolio to defensive assets such as cash and fixed interest to provide relatively stable returns with lower market volatility. The balance of the portfolio is allocated to growth assets such as Australian and international shares seeking to provide higher returns but with higher short-term volatility in returns.	High (6)	6-7 years
Cash and deposits	Generally, to earn a return at least in line with the Bloomberg AusBond Bank Bill Index by investing cash like investments and term deposits.	Very Low (1)	0-1 year
Fixed interest – Australian	Generally, to earn a return that exceeds the Bloomberg AusBond Composite Bond Index (All Maturities) through exposure to Australian fixed interest securities.	Low (2), Low to Medium (3), Medium (4)	1-5 years
Fixed interest – mortgages	Generally, to earn a return that exceeds the Reserve Bank of Australia (RBA) cash rate through exposure to Australian mortgages.	Medium (4)	1-3 years
Fixed interest – diversified	Generally, to earn a return that exceeds a combination of the Bloomberg AusBond Composite Bond Index (All Maturities) and Bloomberg AusBond Bank Bill Index through exposure to a diverse range of fixed interest securities including government, corporate and structured investments.	Low (2), Low to Medium (3), Medium to High (5)	3 years
Fixed interest – international	Generally, to earn returns that exceed a global bond index such as the Bloomberg Global Aggregate Index (hedged to \$A) through exposure primarily in international fixed interest securities.	Medium (4)	3-5 years
Alternatives	Generally, to deliver consistent long term returns with low correlation to broad equity and fixed income markets by investing in both traditional and alternative (non-traditional) asset classes.	Medium to High (5), High (6)	3-5 years

Investment category	Investment objective¹	Standard Risk Measure²	Minimum suggested investment timeframe³
Alternatives – market neutral	Generally, to deliver consistent long term returns with low correlation to broad equity and fixed income markets by investing in both traditional and alternative (non-traditional) asset classes, while utilising a market neutral investment style.	Medium to High (5)	5 years
Australian shares	Generally, to earn returns that exceed the S&P/ASX 300 Accumulation Index by investing predominantly in Australian shares.	High (6)	5 years
Australian shares – geared	Generally, to earn returns that exceed the S&P/ASX 300 Accumulation Index by investing predominantly in Australian shares while using gearing.	Very High (7)	7 years
Australian shares – small and mid companies	Generally, to earn returns that exceed the S&P/ASX Small Ordinaries Accumulation Index by investing predominantly in small and mid-sized Australian shares.	High (6)	5 years
International shares	Generally, to earn returns that exceed the MSCI World ex-Australia Index by investing predominantly in international shares.	High (6), Very High (7)	5-7 years
International shares – concentrated	Generally, to earn returns that exceed the MSCI World ex-Australia Index by investing in a concentrated portfolio predominantly made up of international shares.	High (6)	5 years
International shares – hedged	Generally, to earn returns that exceed the MSCI World ex-Australia Index (hedged to \$A) by investing predominantly in international shares.	High (6)	5-7 years
International shares – small companies	Generally, to earn returns that exceed an international small companies index such as the MSCI World ex-Australia Small Companies Index by investing predominantly in international small company shares.	Very High (7)	7 years
International shares emerging markets	Generally, to earn returns that exceed an emerging markets index such as the MSCI Emerging Markets Index by investing predominantly in company shares in emerging markets.	High (6)	5 years
Property – Australian	Generally, to earn returns that exceed the S&P/ASX Property Accumulation Index by investing predominantly in Australian property and/or infrastructure.	High (6)	5 years
Property – international	Generally, to earn returns that exceed the FTSE EPRA/NAREIT Developed Index (hedged to \$A) or FTSE Global Core Infrastructure 50/50 Index (hedged to \$A) by investing predominantly in international property and/or infrastructure.	High (6)	5-7 years

¹ Refer to the 'Investment Options' booklet for a detailed description of the investment objective for each individual investment option. Return objectives are generally based on before fees and taxes outcomes.

² The standard risk measure is a 1–7 scale based on the estimated number of negative annual returns over any 20-year period.

³ The minimum suggested timeframe is an estimate of the length of time to hold an investment option within the category to achieve its stated investment objective

Appropriateness of the target market and product attributes

The product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of investors in the target market on the basis of:

- the relationship between the key attributes of the product and the target market as set out in this TMD;
- the terms of issue of the product;
- our assessment of the risks and benefits of the product; and
- our assessment of the likely investor outcomes of the product.

Distribution conditions

This product can be distributed either directly via our website genlife.com.au or via third party financial advisers.

All distributors

This product may only be offered and/or issued in accordance with the product's terms and conditions detailed in the PDS (as amended from time to time).

Advisers

Advisers must be authorised to provide personal financial product advice in respect of, and deal in, investment linked life policies.

Advisers must:

- confirm to us that the acquisition of the product is consistent with the personal financial product advice provided by the adviser;
- confirm to us that the adviser believes the customer is within the target market described in this TMD; and
- explain to us that, if the customer is not within the target market described in this TMD, the reason for recommending the investment to the customer.

Directly

Each investor must provide all information and answer all questions required under the application form to determine the investor's profile and read and accept the terms of the PDS.

Appropriateness of the distribution conditions

The distribution conditions will make it more likely that the investors who acquire the product are in the target market on the basis of:

- the restrictions imposed by, and level of supervision required under, the terms of any distribution agreements entered into by us and the third party distributors of the product;
- our assessment of third party distributors based on their performance against professional standards, conduct and behaviours as required or expected by the Australian Securities and Investments Commission (ASIC) from time to time;
- any other relevant information about a third party distributor, about which we are aware; and
- our experience of direct distribution of our products.

Review triggers and review periods

Review triggers

The following events and circumstances are considered likely to indicate that this TMD may no longer be appropriate and a review of this TMD may be required:

- where we consider that there has been a material change to the product offering, product description (including its key attributes), or taxation consequences on investors in the product;
- where we consider that there has been a material change to legislation that may materially impact the product or the usage by investors;
- a significant number, or an unexpectedly high number, of complaints about the product's appropriateness or its distribution that would reasonably suggest that the TMD is no longer appropriate;
- a significant number of unexpected withdrawal requests over a 12-month period (excluding maturities and death benefit payments) that would reasonably suggest that the TMD is no longer appropriate;
- a significant dealing(s) in this product that is inconsistent with this TMD that would reasonably suggest that the TMD is no longer appropriate; and
- any inquiry, surveillance, direction, notice, investigation or enforceable instrument by or from ASIC about or relating to the product's features, target market or distribution strategy that would reasonably suggest that the TMD is no longer appropriate.

First review date

5 October 2023.

Review periods

Every 24 months from the date of the last review of the TMD (for whatever reason).

Distributor reporting requirements

Information to be reported		Reporting period	Provider
Complaints	The number of complaints in relation to the product's design, features, availability and distribution, the substance of such complaints and outcomes of the complaints having regard to customer privacy.	Within 10 business days following the end of each calendar quarter commencing from the date of this TMD.	Adviser
General feedback	General feedback (if any) relating to the product and its performance.	Within 10 business days following the end of each calendar quarter commencing from the date of this TMD.	Adviser
Significant dealings	To the extent the distributor is aware, particulars of any significant dealing not consistent with this TMD, including the reasons why the customer is outside the target market and whether such dealings occurred in the context of the giving of personal advice in relation to the product.	As soon as practicable, but no later than 10 business days after becoming aware of the significant dealing.	Adviser
Dealings outside of the target market	To the extent the distributor is aware, particulars of any dealings where a customer is outside of the target market, including the reasons why the customer is outside of the target market and whether such dealings occurred in the context of the giving of personal advice in relation to the product.	At the time of application for the product is made or as soon as practicable, but no later than 10 business days following the end of each calendar quarter commencing from the date of this TMD.	Adviser

All distributors must report to Generation Life, as required under the distributor reporting requirements and within the required timeframe, using the email address DDO@genlife.com.au or other means as advised by Generation Life from time to time. The Financial Services Council data standards should be used where practicable.

All questions in regard to Generation Life's TMDs can also be directed to DDO@genlife.com.au.

A copy of this and all Generation Life TMDs are available at www.genlife.com.au.

Significant dealings

Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.

The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.

Dealings outside this TMD may be significant because:

- they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product; or
- they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer).

In each case, the distributor should have regard to:

- the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes);
- the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss); and
- the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of customer attributes not identified in the TMD).

Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:

- it constitutes more than a third of the distributor's total retail product distribution conduct in relation to the product over the reporting period; or
- the consumer has 3 or more customer attributes that are not identified in the TMD.