



Outthinking today.

## Investment bonds

# Estate planning strategies for an even stronger bond

---

Leaving a legacy and maintaining family unity



Outthinking today.

# Discover Generation Life

Pioneer of Australia's first truly flexible investment bond. Over \$2.8b invested with us to date<sup>1</sup>. Proud to be innovating the retirement income landscape with an investment-linked lifetime annuity.



1. As at 31 December 2022

2. Plan for Life, Investment Bonds Market Report for period ended 30 September 2022

## Ethical considerations

---

Are the recommended strategies in the best interests of your clients?

Have you considered every option available to meet your clients' desired outcomes?

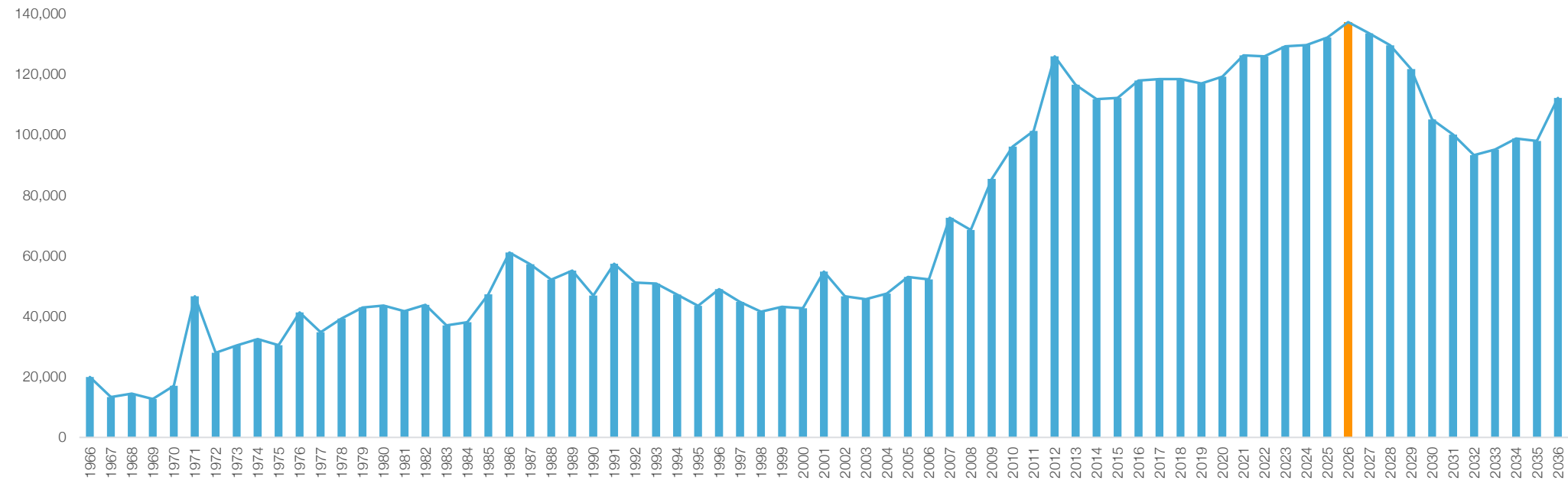
Can your solution protect your clients against family disputes?

Have you considered your clients' emotional needs as well as their desired financial outcomes?



# Boomer's retirement mountain

Net annual change in Australian population 65+



“Surge in the retiree population is caused by the great baby boom of the 1950s”

## 1990s

65-and-over population increased by an average of around **40,000 per year**

## 2020s

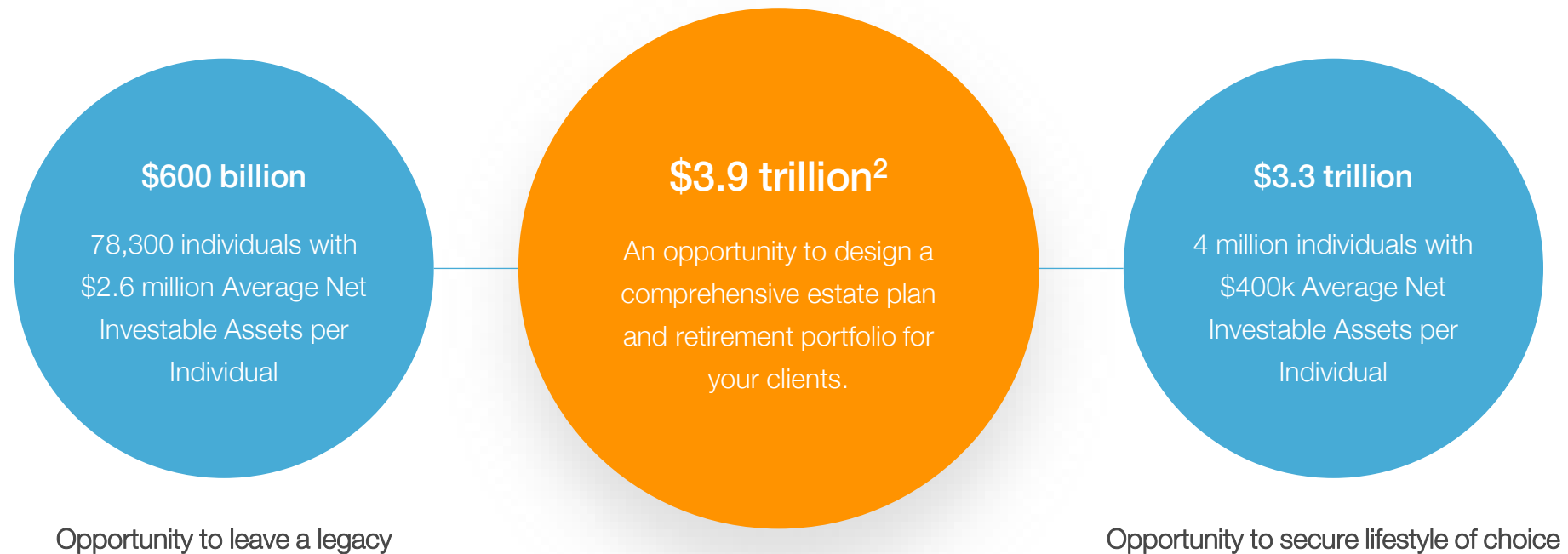
65-and-over population passing **126,000 per year in 2021, peaking at 137,000 per year in 2026**

Source: Salt, B, 2021, “Turning point: the 2020s baby boom retirement surge”, published in Firstlinks on 24 March 2021, <https://www.firstlinks.com.au/turning-point-2020s-baby-boom-retirement-surge>



## The opportunity

\$224b estimated to pass each year in inheritances by 2050<sup>1</sup>



1. Vickovich, A, 2021, "Baby Boomers to pass on \$224b a year by 2050", published in The Australian Financial Review on 7 December 2021  
2. Generation Life – Locking In The Next Generation by Core Data 2022

## Investment bonds

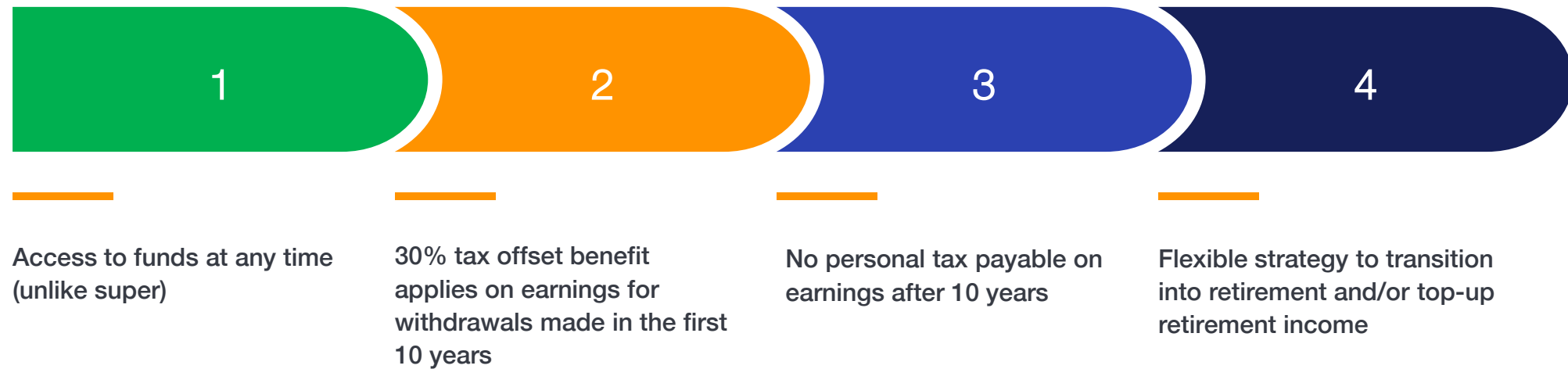
---

Control and certainty for how wealth is passed on to the right people, at the right time.



# Investment bond benefits

---



# 9 key features of investment bonds

## Life Insurance and Tax Act

### Maximum tax rate of 30%

Tax Optimised  
generally ranges  
between 12% - 15%\*

**No distributions** and  
access to funds at  
anytime

**Tax paid** - no  
personal tax  
after 10 years - tax  
advantages within 10  
years

**125% advantage**

**Portability** and tax-  
free transfers

**No personal capital  
gains tax** on  
investment switching

**No tax file number  
required**

**Creditor protection**

Can be structured as  
a **non-estate asset**

\*Indicative effective average tax rates represent the estimated forecast average annual tax as a percentage of earnings for each 12-month period over a forecast period of 15 years. Actual tax amounts payable are not guaranteed and may vary from year to year based on, amongst other things, the earnings of an investment option.

## Estate planning simplified

---

Certainty and control when transferring wealth



## Did you know...

### Leaving an inheritance and the challenges of wills

**86%**

of claims are brought  
by the immediate family

**12 months+**

for a case to be heard in  
court

**44.9%**

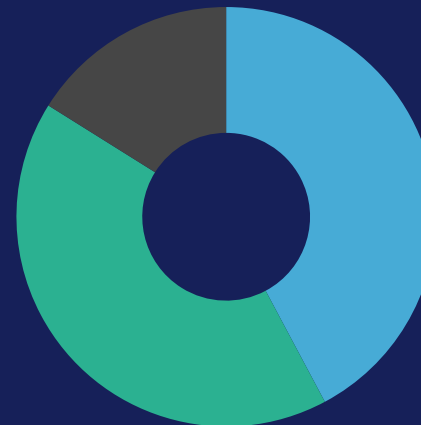
of Australians are worried about transferring wealth

**88.2%**

Seniors plan on leaving  
an inheritance  
(\$930k on average)

**36%**

Estate to go to  
grandchildren



**42.2%**

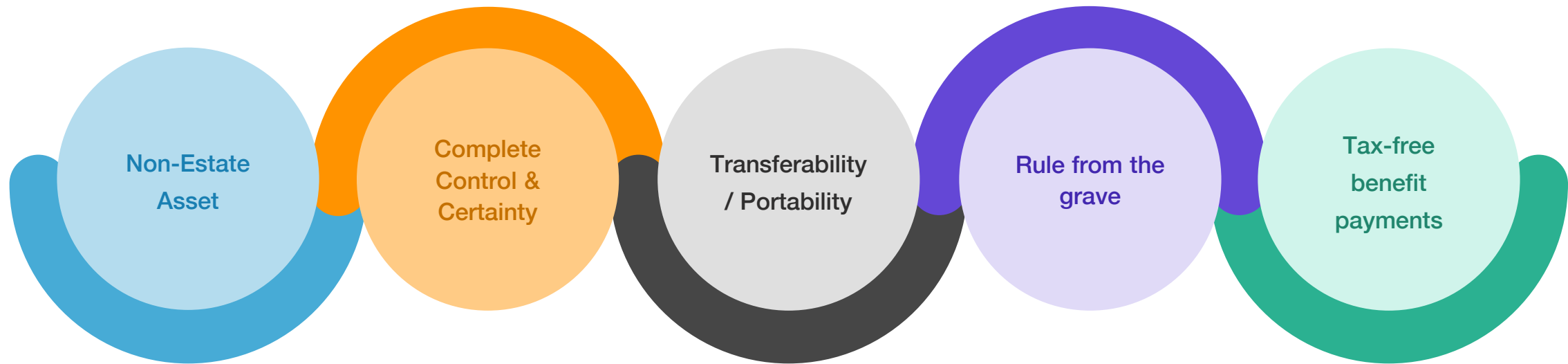
Concerned about the  
impact of tax when  
transferring wealth

**41.7%**

Concerned about  
misuse or mismanagement

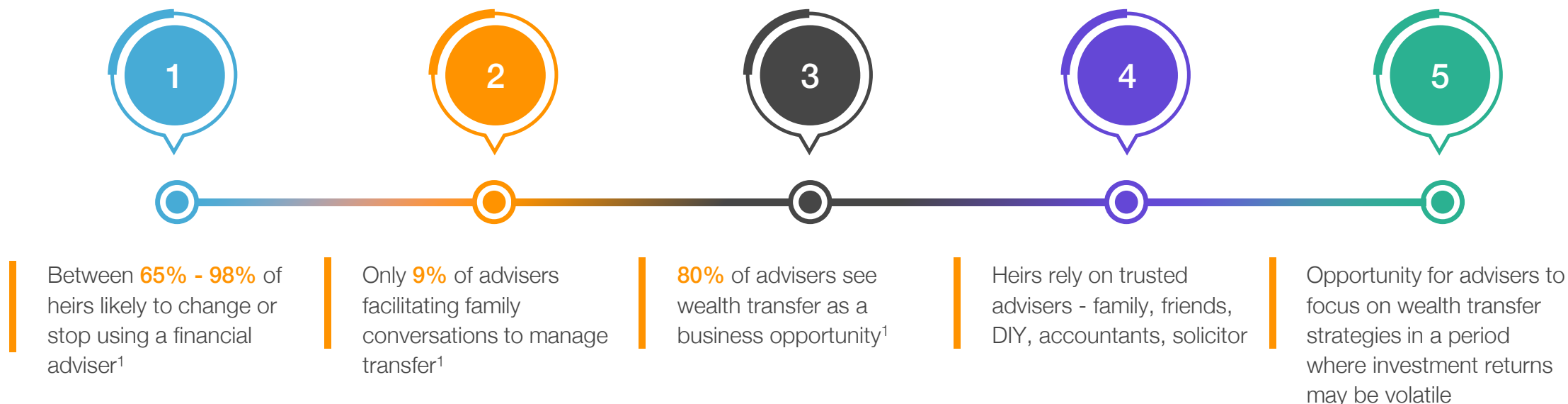
# Estate planning

Be in control of transferring wealth



# Intergenerational wealth transfer – impact on advisers

What's being observed



1. Sources: Cerulli, Accenture & Schroders UK



## Intergenerational wealth transfer – impact on advisers

What's being observed



## Using superannuation to pass on wealth



### Tax payable on death to beneficiaries

- Adult child beneficiaries
- Non-dependants
- Taxed contribution element - taxed at a maximum rate of 15% (plus Medicare levy)
- Untaxed contribution element - taxed at a rate of up to 30% (plus Medicare levy)

### Who can be a beneficiary of a superannuation death benefit?

- Spouse
- Child (any age)
- Interdependent relationship (normally must live together)
- Will be paid to estate otherwise

### Tax-free only to

- Spouse
- Former spouse
- Child under 18 years
- Interdependent relationship

### Discretions

- May be subject to trustee discretion and risk that valid death benefit nomination may not have been made

# Binding nominations comparison

## The realities of trustee discretion

### Via superannuation...

- Different tax treatments applicable to death benefits payment - lump sum and/or income stream
- Different tax treatment if beneficiary is classified as a 'dependant' for tax.
- Nominations - Super trustees may have the discretion to alter the deceased's instructions

### Via investment bonds...

- Binding nominations
- Tax-free transfer to beneficiaries
- Ability to bypass will and legal estate
- Not subject to trustee discretion
- Ability to transfer to anyone or legal entity

## Investment bond estate planning benefits

### Tax-free proceeds

Proceeds are tax-free even to non-dependants

### No personal capital gains tax

No annual CGT reporting



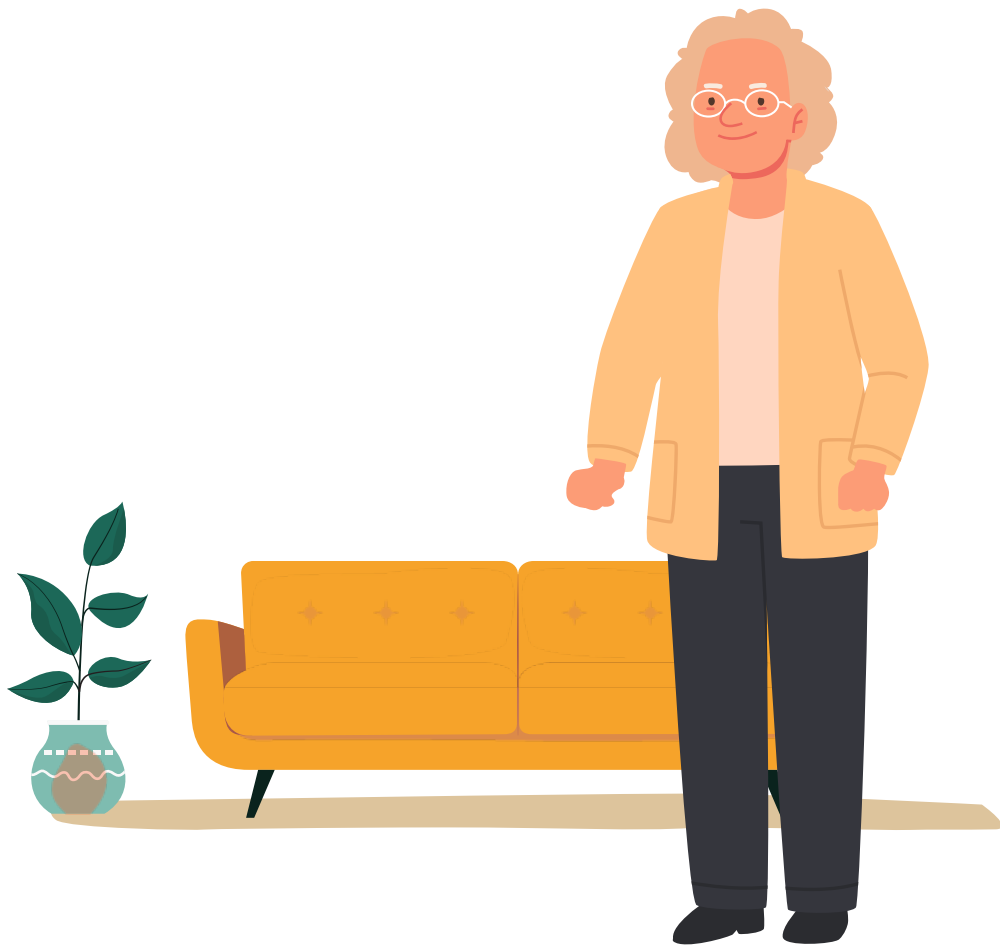
### Non-Estate Asset

Investment bond can be structured as a non-estate asset

**Automatic transfers possible**  
at specific ages, dates or on death

### Avoids conflict

Avoids conflict and solves for complex wills



## Meet Megan

---

Megan is 78 years old and a widower.

Megan has 3 children Kit, Laura and Steph.

Steph, Megan's daughter, lives with her and is poor at managing her finances.



## Megan's situation...

---

Megan has an apartment and \$2m of assets.

Megan wishes to split her assets three ways amongst her children when she passes away.

She wishes that upon her death Steph will be able to stay in the apartment rent free.



## Megan's concerns...

---

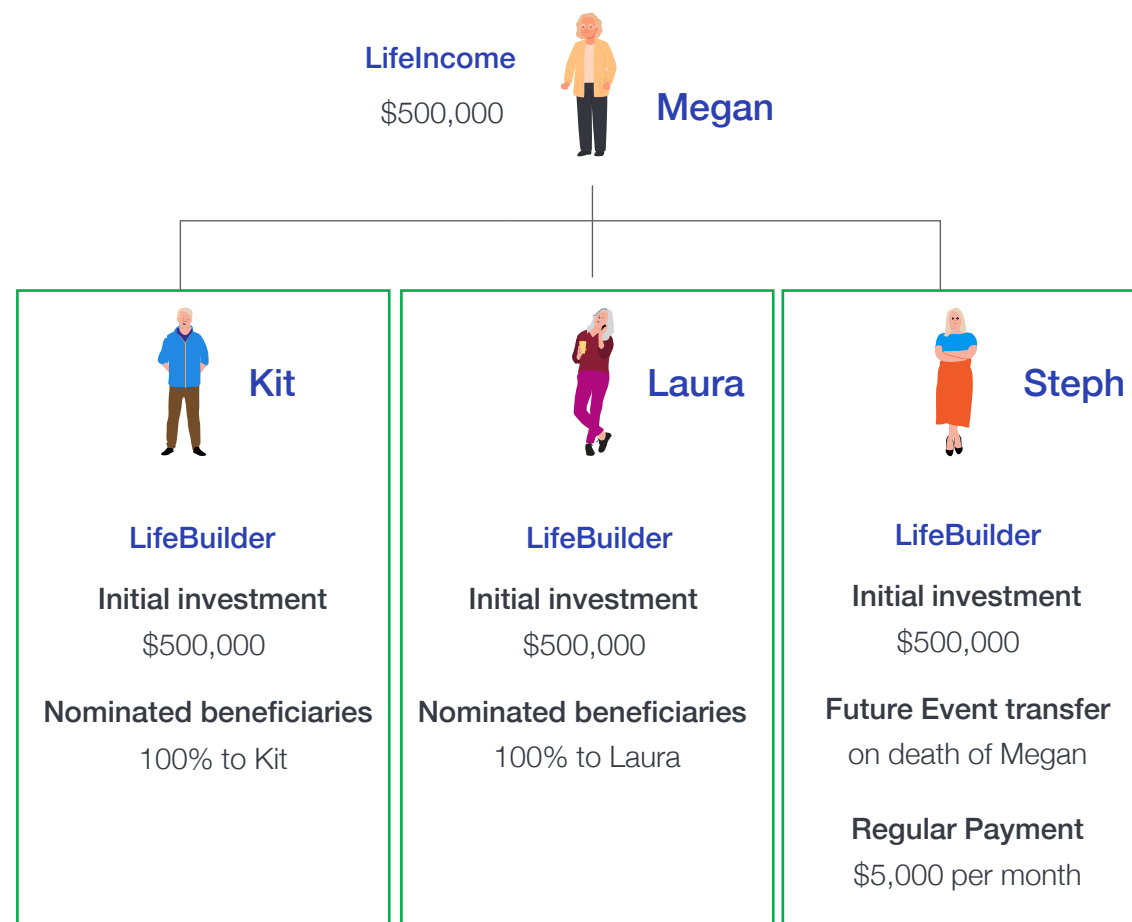
Steph is in and out of work, makes bad financial decisions and continually asks Megan to fund her lifestyle.

Megan is concerned that Steph won't be able to manage a lump sum bequest.

She is also concerned about the cost and complexity of setting up a testamentary trust and eventual wind up.

## Megan's solution...

Megan establishes three Generation Life investment bonds and a \$500,000 investment-linked lifetime annuity LifeIncome for her income needs.



## Megan's outcome...

---

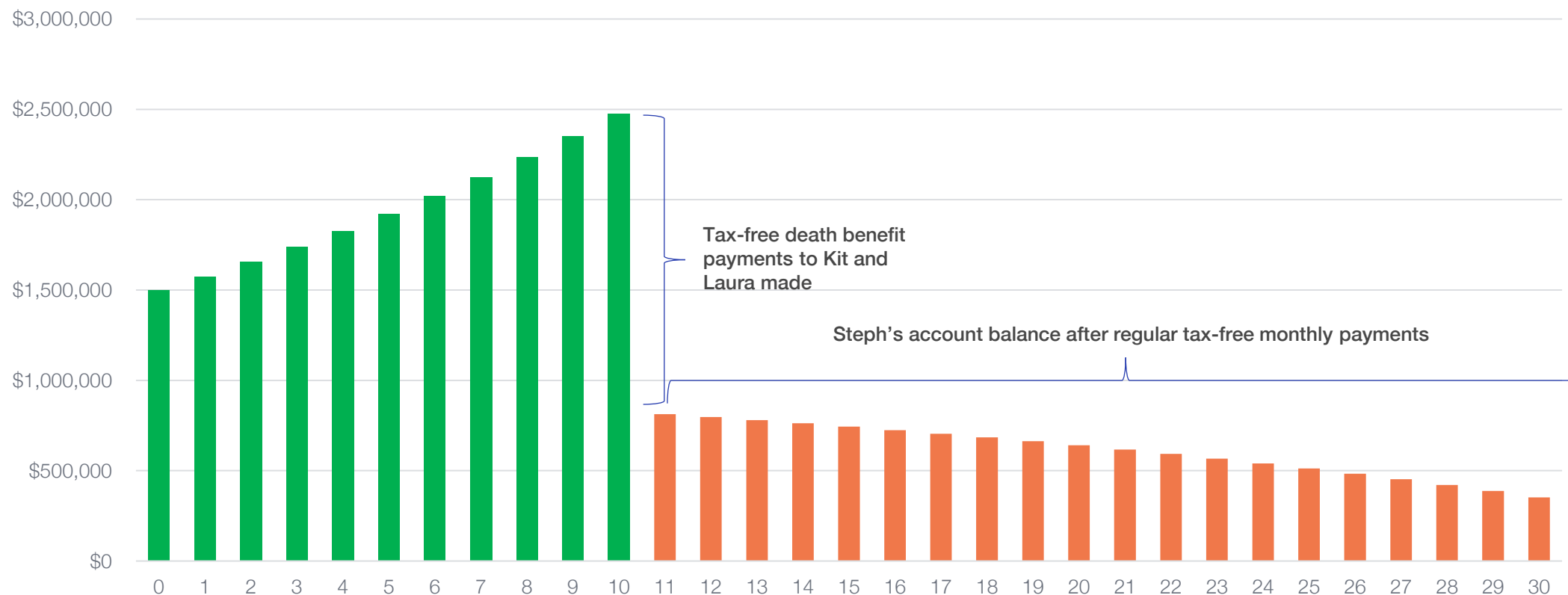
Megan is therefore able to transfer wealth to Kit and Laura and change nominations or put restrictions in place if circumstances with Kit and Laura change.

Megan can restrict a monthly payment of \$5,000 p.m. to Steph to not have her spend her inheritance quickly.



## Value of the investment bonds over time

Assuming Megan passes away at 88 years



Initial investment of \$1.5m assuming a total return of 6.6% p.a. comprising 4.7%p.a. income and 1.9% growth, invested in conservative multi-asset portfolio. Withdrawal in year 11 equivalent to 2/3rds of value (\$1.7m). Regular monthly payments of \$5,000 per month from year 11.





## Meet Simon

---

Simon is 56 years old and is a marketing manager.

He is married to Amanda who is 53 years old and a private school teacher.

Simon and Amanda have 3 children, James, Nathan and Olivia aged between 14 and 20 years of age.

James, Nathan and Olivia attend private school and university, and are all still living at home.



## Simon's situation

---

Simon and Amanda are homeowners and have recently paid off their home loan.

Simon has unfortunately been diagnosed with a terminal illness and received a life insurance payout of \$2,000,000.

## Simon's objective

---

Simon wants to ensure that his family is financially taken care of and is worried about Amanda managing finances alone after his passing.

Simon also wants to ensure that Amanda can replace her employment income, enabling her to retire early and focus on their children. To cover Amanda's essential needs, she requires \$50,000 p.a. in income, whilst also utilising income from her superannuation at age 60.

He also wants to allocate \$300,000 to each of his children to give them a financial head start in life.

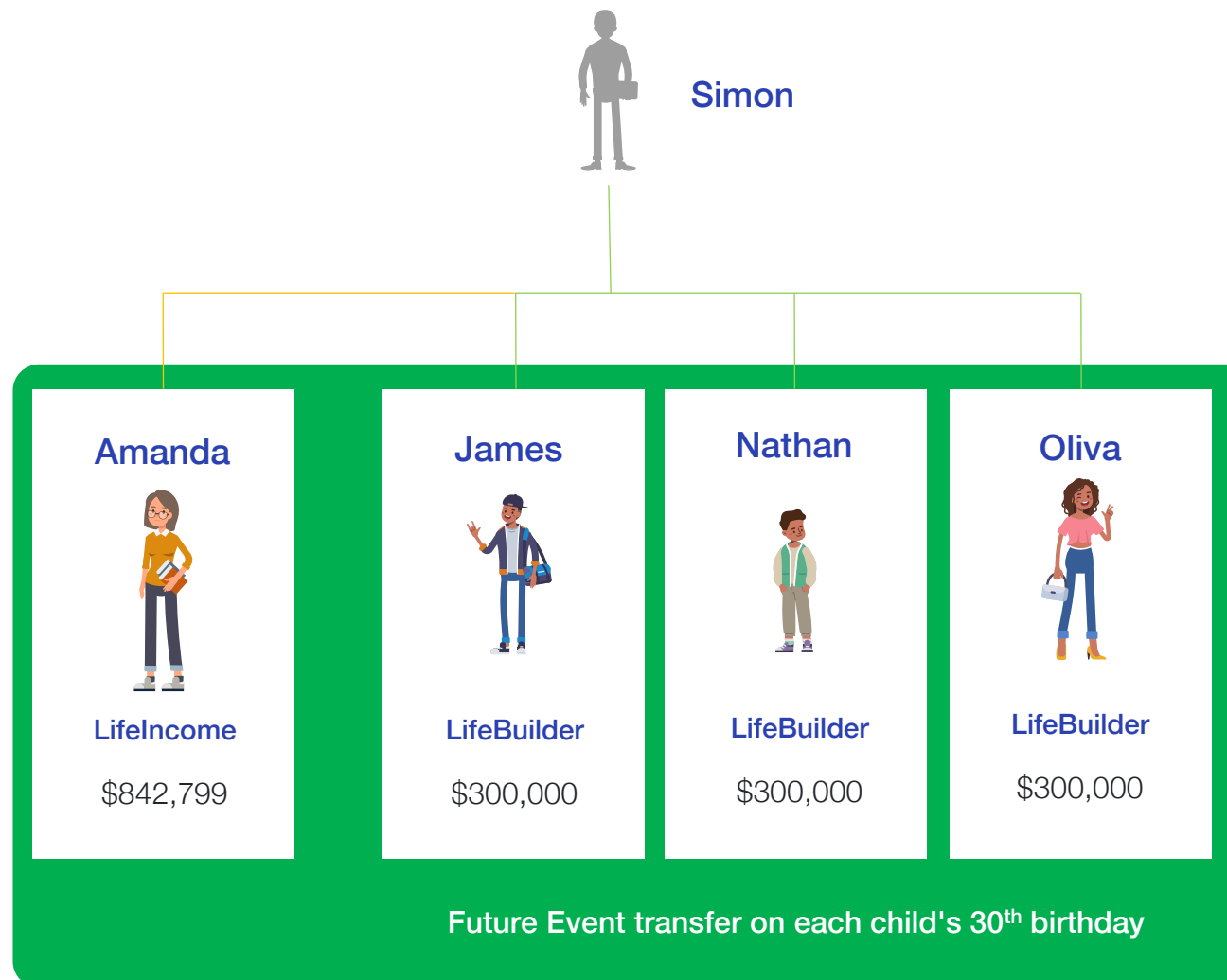


## Simon's solution

Simon speaks to his financial adviser and allocates \$842,799 of his insurance claim to commence a LifeIncome life-time annuity for Amanda.

He also establishes three LifeBuilder investment bonds to help fund his children's private education and/or first home deposit with a Future Event transfer at the age of 30.

The remaining funds are to be invested for Amanda in an investment portfolio and drawn down for any ad-hoc requirements as well as any further contributions to superannuation.



**Assumptions:** Starting income is based on a 53-year-old female commencing LifeIncome with \$842,799 and a LifeBooster 5% rate. Starting income as at 14 February 2023

## Simon's outcome

---

Simon has peace of mind knowing that Amanda will receive an income guaranteed for life managed by his financial adviser. This enables her to retire comfortably if she chooses to.

Simon can be certain that his children are financially supported during their education and have a head start in life.



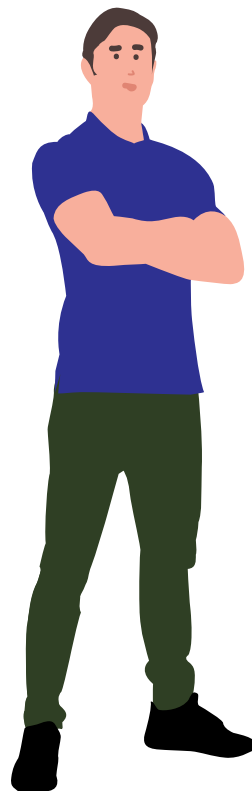


## Meet Tom

---

Tom is 75 years old.

Tom has 3 children and 4 grandchildren aged between 10 and 15 years.



## Tom's situation...

---

Tom wishes to provide \$50,000 to each of his grandchildren when they reach 21 years of age.

His son Sam, who doesn't have children, is not happy that his father is leaving an inheritance to his siblings' children.

Sam has indicated that he will contest any bequest made to Tom's grandchildren and demand his third share of the total estate.



## Tom's concerns...

---

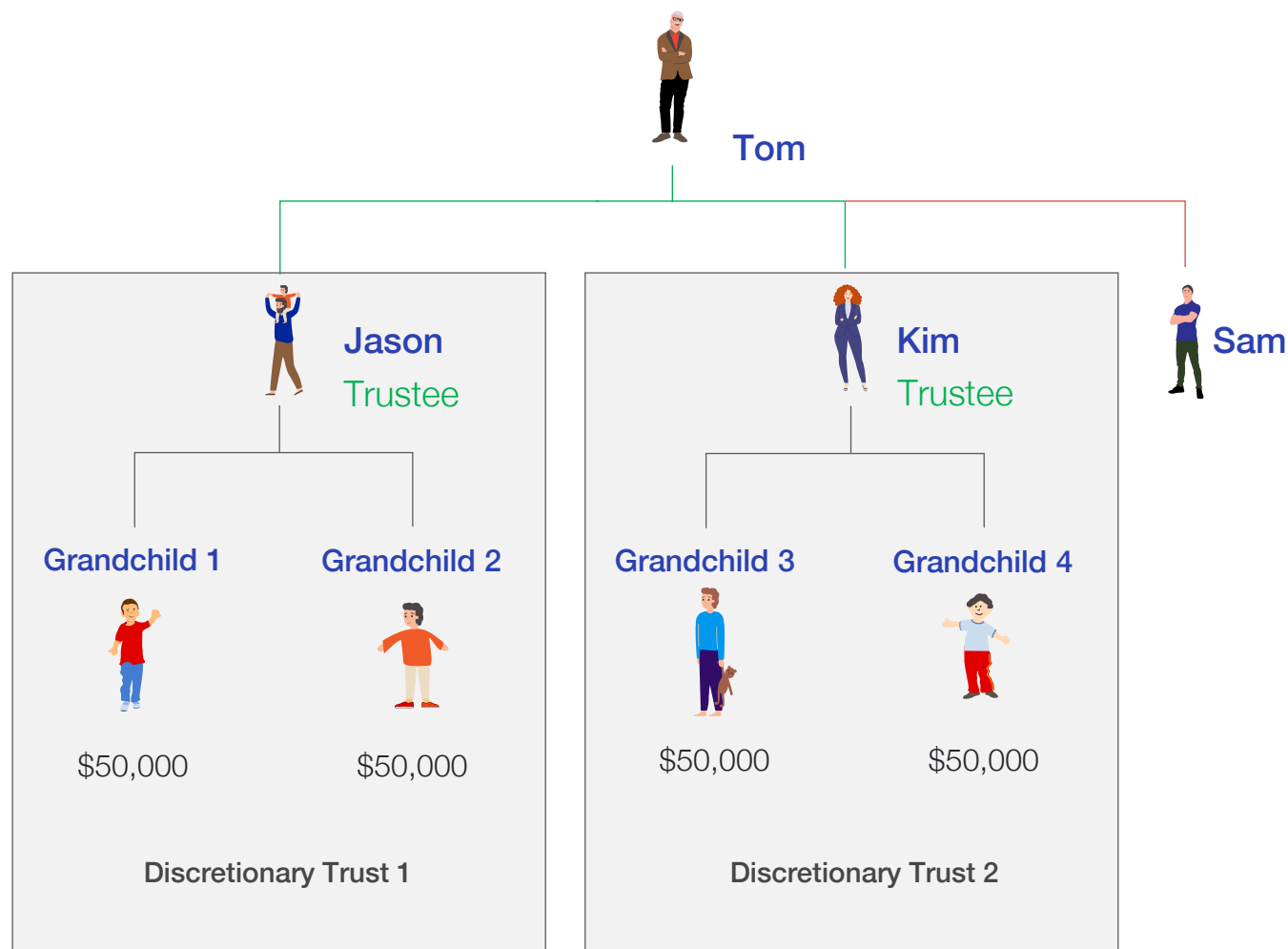
Tom is concerned that the conflict with Sam could tear his relationship apart with his siblings and desperately wants his son to be part of his siblings' life.

Tom is worried that Sam will contest any bequest made through the estate and the costs of a challenge eating into the estate's assets.

## Tom's potential solution...

Tom establishes two discretionary trusts to bypass the estate to avoid any challenges from Sam.

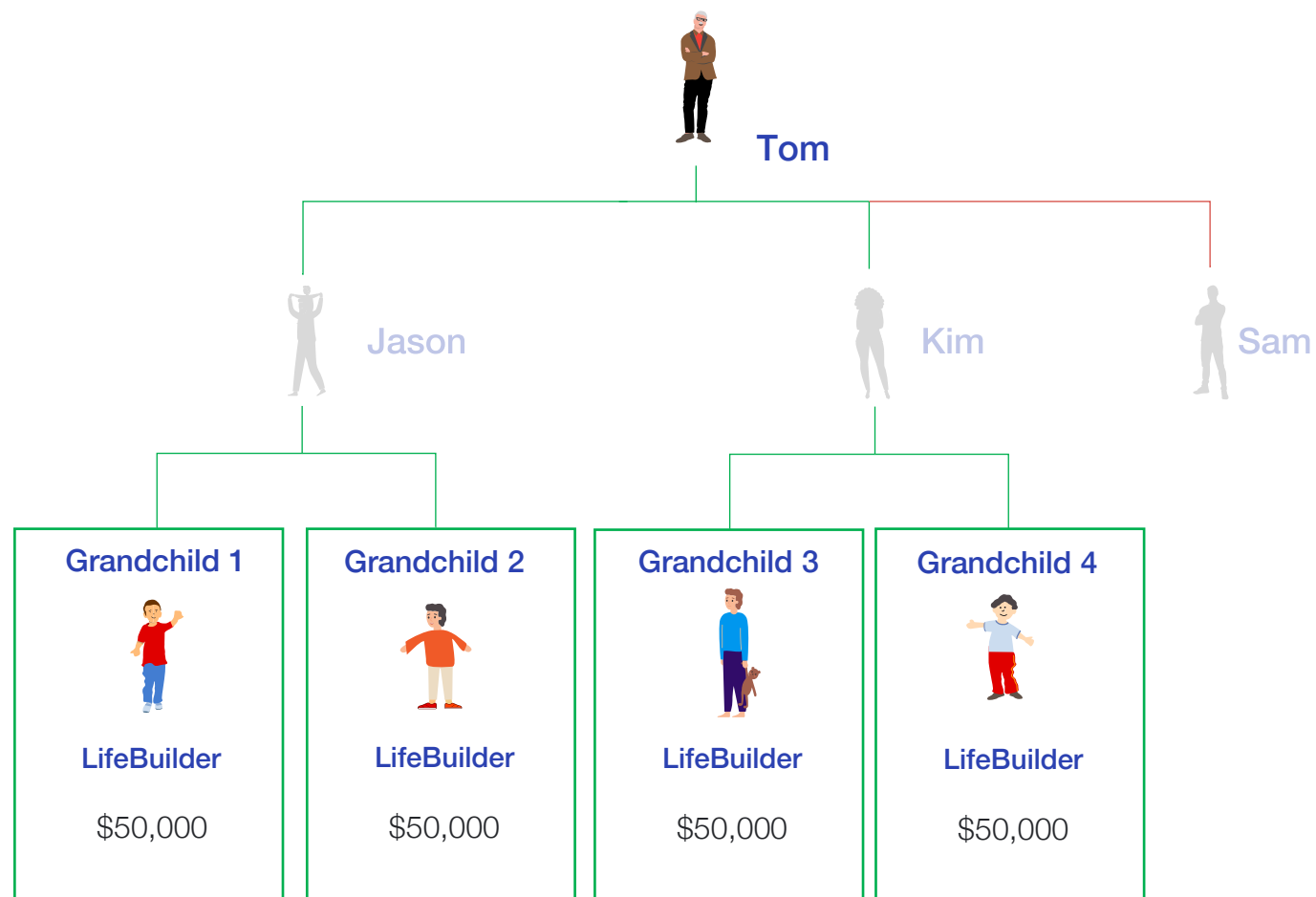
He appoints Jason and Kim as trustees to each individual trust to avoid any potential conflicts that may arise between Jason and Kim in the future.



## Tom's ideal solution...

Tom establishes four LifeBuilder investment bonds and set his four grandchildren as the Future Event transferees.

He puts a Future Event transfer date as each grandchild's 21st birthday, or a transfer on his death with a restriction to access funds until the child reaches 21.



## Tom's outcome...

---

- + Tom can bypass his children and transfer his funds directly to his grandchildren according to his wishes without the need to structure and maintain a costly trust structure.
- + Bypass will / probate
- + Proceeds of will distributed equally
- + Avoids tax consequences including minor tax
- + Tom's able to maintain family unity



# Generation Life

## Highly recommended for over a decade

The only provider in the market to hold a **“Highly Recommended”** rating with both Lonsec and Zenith Investment Partners for our Investment Bonds.

### Awards



### Research ratings



Lifeline



Investment Bonds



Investment Bonds  
LifeBuilder

Note: Zenith rating includes LifeBuilder and ChildBuilder

## Thank you.

## Outthinking today.

Generation Life Limited AFSL 225408 ABN 68 092 843 902 (Generation Life) is the product issuer. The information in this presentation is provided for the use of licensed financial advisers and is not intended for any public or general distribution whatsoever. The information is general in nature and does not consider the investment 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, Generation Life makes no guarantee, warranty or representation as to its accuracy and you should not rely on it. 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 or income, pay back periods or age pension entitlements. Past performance is not an indication of future performance. The product's Product Disclosure Statement and Target Market Determination are available at [genlife.com.au](http://genlife.com.au) and should be considered in deciding whether to acquire, or continue to hold, the product.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ('Zenith') rating (assigned October 2022) 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> [www.zenithpartners.com.au/regulatory-guidelines-funds-research](http://www.zenithpartners.com.au/regulatory-guidelines-funds-research).

The rating issued for Generation Life LifeBuilder, March 2022, is 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](http://lonsec.com.au) for ratings information and to access the full report. © 2022 Lonsec. All rights reserved.

The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

