generation
life

Outthinking today.

generation life

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[1]. Proud to be innovating the retirement income landscape with an investment-linked lifetime annuity.

01

Specialist provider

Investment bonds and investment-linked lifetime annuity

02

Market leader

No. 1 provider of investment bond solutions with 52% market share of total inflows into investment bonds[2]

03

Innovator

Tax aware investing, estate planning and retirement income landscape

04

Trusted

APRA regulated and our parent company is listed on the ASX

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?

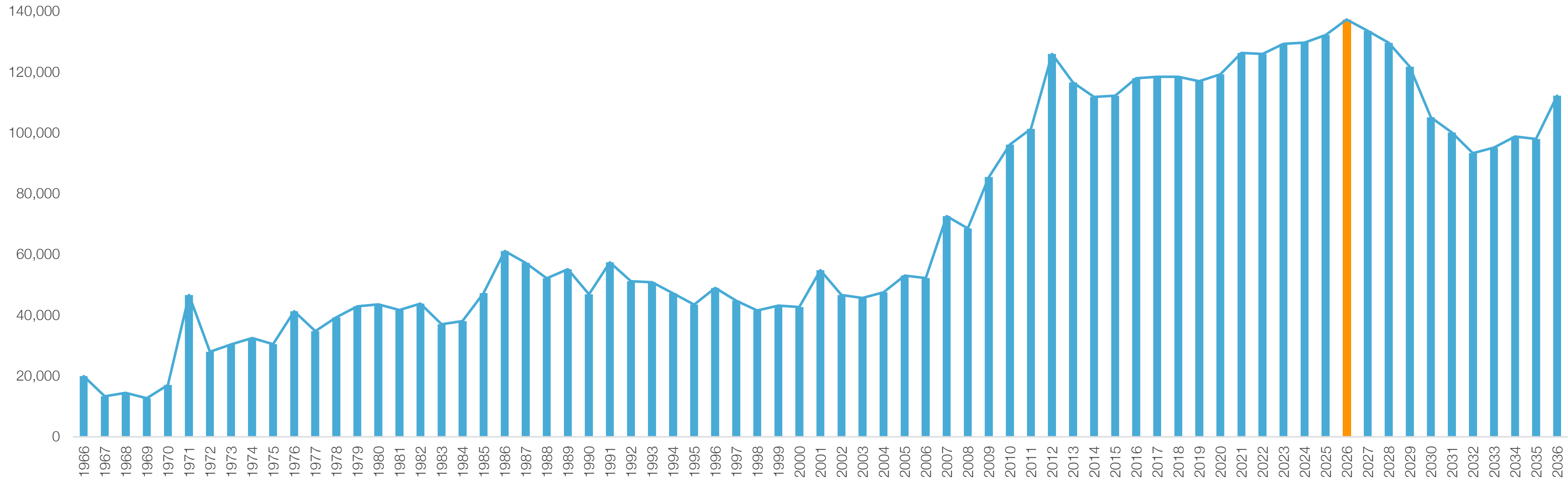
Have you considered every option available to meet your clients' desired outcomes?

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[1]

$600 billion

78,300 individuals with $2.6 million Average Net Investable Assets per Individual

Opportunity to leave a legacy

$3.9 trillion[2]

An opportunity to design a comprehensive estate plan and retirement portfolio for your clients.

$3.3 trillion

4 million individuals with $400k Average Net Investable Assets per Individual

Opportunity to secure lifestyle of choice

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

1. Access to funds at any time (unlike super)

2. 30% tax offset benefit applies on earnings for withdrawals made in the first 10 years

3. No personal tax payable on earnings after 10 years

4. Flexible strategy to transition into retirement and/or top-up retirement income

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

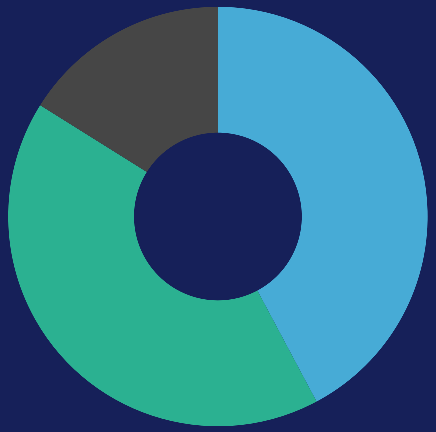
86%
of claims are brought by the immediate family

12 months+
for a case to be heard in court

88.2%
Seniors plan on leaving an inheritance ($930k on average)

36%
Estate to go to grandchildren

44.9%
of Australians are worried about transferring wealth



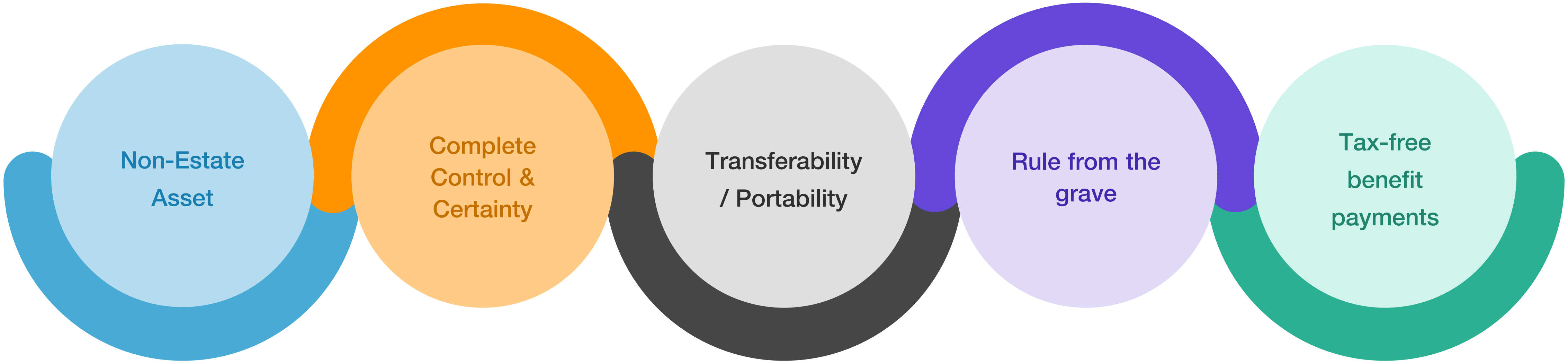
42.2%
Concerned about the impact of tax when transferring wealth

41.7%
Concerned about misuse or mismanagement

Source: Generation Life Estate Planning Research by Core Data 2020

Estate planning

Be in control of transferring wealth



Intergenerational wealth transfer – impact on advisers

What's being observed

1

Between **65% - 98%** of heirs likely to change or stop using a financial adviser[1]

2

Only **9%** of advisers facilitating family conversations to manage transfer[1]

3

80% of advisers see wealth transfer as a business opportunity[1]

4

Heirs rely on trusted advisers - family, friends, DIY, accountants, solicitor

5

Opportunity for advisers to focus on wealth transfer strategies in a period where investment returns may be volatile

1. Sources: Cerulli, Accenture & Schroders UK

Intergenerational wealth transfer – impact on advisers

What's being observed

5

6

Opportunity for ongoing relationship and continuity across multiple generations

Using superannuation to pass on wealth

1

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)

2

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

3

Tax-free only to

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

4

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

Non-Estate Asset

Investment bond can be structured as a non-estate asset

Tax-free proceeds

Proceeds are tax-free even to non-dependants

Automatic transfers possible at specific ages, dates or on death

No personal capital gains tax

No annual CGT reporting

Avoids conflict

Avoids conflict and solves for complex wills

Meet Jane

Jane is 45 years old and is an operations manager.

Jane’s situation

Jane recently inherited $1,400,000 from the passing of her mother.

Jane owns her own home valued at $900,000 but has a mortgage of $370,000.

She earns $125,000 p.a. and receives $12,500 p.a. in superannuation contributions.

She also has a superannuation balance of $240,000 and has $10,000 invested in shares.

Jane’s objective

Jane wants to use the inheritance to set up her financial future.

She would like to reduce her mortgage costs by using her offset account, giving her the option to purchase an investment property in the future.

She would also like to increase her superannuation balance while building wealth outside of superannuation.

Jane’s solution

Jane sought advice from her financial adviser around how to best structure the inheritance to meet her objectives.

Mortgage	**$370,000** Paid into offset facility	Option to purchase investment property
Superannuation concessional contribution	**$37,500** Catch up concessional contributions of $12,500 per year carried forward between FY19 to FY21 **$15,000** Catch up concessional contribution carried forward in FY22	Jane can make catch-up concessional contributions, since her total super balance is below $500,000 Concessional contribution cap $25,000 between FY19 to FY21 Concessional contribution cap $27,500 from FY22
Superannuation Non-concessional contribution	**$330,000** 3-year bring forward rule at $110,000 per year	Bring-forward rules allow Jane to make non-concessional contributions of up to three times the annual general non-concessional contributions cap in a single year
Generation Life Investment Bond	**$600,000** Set up a Regular Withdrawal facility of $15,000 p.a. to fund Jane’s current and future concessional contribution	Jane can maximise her concessional contributions by drawing down from the investment bond. In the first 10 years, a 30% tax offset on the taxable component of the withdrawal results in a minimal top-up tax for Jane at her MTR. Jane can also receive a tax refund as a result of her concessional super contribution with no impact on her regular cashflow. This tax refund can provide surplus cash for lifestyle and/or further investment.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Investment	$636,000	$658,260	$681,856	$706,867	$733,379	$761,482	$791,271	$822,847	$856,318	$891,797	$929,404	$969,269
Withdrawals	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000
Total balance post withdrawals	$621,000	$643,260	$666,856	$691,867	$718,379	$746,482	$776,271	$807,847	$841,318	$876,797	$914,404	$954,269
Assessable component of withdrawal	$849	$1,650	$2,406	$3,119	$3,791	$4,426	$5,024	$5,589	$4,081	$2,219	-	-
30% tax offset attached to withdrawal	$255	$495	$722	$936	$1,137	$1,328	$1,507	$1,677	$1,224	$662	-	-
Client's top up tax	$76	$149	$217	$281	$341	$398	$452	$503	$367	$200	-	-
Top up rate on withdrawal	0.51%	0.99%	1.44%	1.87%	2.27%	2.66%	3.01%	3.35%	2.45%	1.33%	-	-
Net cashflow (post tax)	$14,924	$14,851	$14,783	$14,719	$14,659	$14,602	$14,548	$14,497	$14,633	$14,800	$15,000	$15,000
Concessional contribution to super	$14,924	$14,851	$14,783	$14,719	$14,659	$14,602	$14,548	$14,497	$14,633	$14,800	$15,000	$15,000
Tax refund from tax deductibility of super cont.	$5,820	$5,792	$5,766	$5,741	$5,717	$5,695	$5,674	$5,654	$5,707	$5,772	$5,850	$5,850
Net contribution to super post contribution tax	$12,685	$12,624	$12,566	$12,511	$12,460	$12,411	$12,366	$12,322	$12,438	$12,580	$18,600	$18,600
Value of tax refund + net super contribution	$18,505	$18,416	$18,332	$18,252	$18,177	$18,106	$18,039	$17,976	$18,145	$18,352	$15,000	$15,000
Initial post tax return on strategy (investment risk free)	23.37%	22.77%	22.21%	21.68%	21.18%	20.71%	20.26%	19.84%	20.96%	22.35%	24.00%	24.00%

	Year 1	Year 10	Year 11	Year 12
Investment	$636,000	$891,797	$929,404	$969,269
Withdrawals	$15,000	$15,000	$15,000	$15,000
Total balance post withdrawals	$621,000	$876,797	$914,404	$954,269
Assessable component of withdrawal	$849	$2,219	-	-
30% tax offset attached to withdrawal	$255	$662	-	-
Client's top up tax	$76	$200	-	-
Top up rate on withdrawal	0.51%	1.33%	-	-
Net cashflow (post tax)	$14,924	$14,800	$15,000	$15,000
Concessional contribution to super	$14,924	$14,800	$15,000	$15,000
Tax refund from tax deductibility of super cont.	$5,820	$5,772	$5,850	$5,850
Net contribution to super post contribution tax	$12,685	$12,580	$18,600	$18,600
Value of tax refund + net super contribution	$18,505	$18,352	$15,000	$15,000
Initial post tax return on strategy (investment risk free)	23.37%	22.35%	24.00%	24.00%

Tax savings of approx. $7k compared to investing outside of an investment bond

Over a long-term investment period, the compounding effect can be significant

Jane's solution – Breakdown

Jane’s outcome

By structuring her inheritance accordingly, Jane has managed to boost her superannuation balance while reducing her mortgage costs.

She is also able to set up a Generation Life Investment Bond as an alternate tax-effective investment structure to complement her superannuation.

Her overall cashflow has improved to fund her lifestyle and other life events.

Meet Rob

Rob is in his late 30s and is a medical resident.

Rob’s situation

Rob has assessable income of $250,000 p.a. from a combination of PAYG and distributions from the Wright Family Trust.

The Wright Family Trust currently owns an investment bond valued at $4,800,000 which has been held for the last 11 years.

Rob also has $200,000 invested in a Term Deposit under his personal name and has net surplus income of $6,000 per month.

Rob’s objective

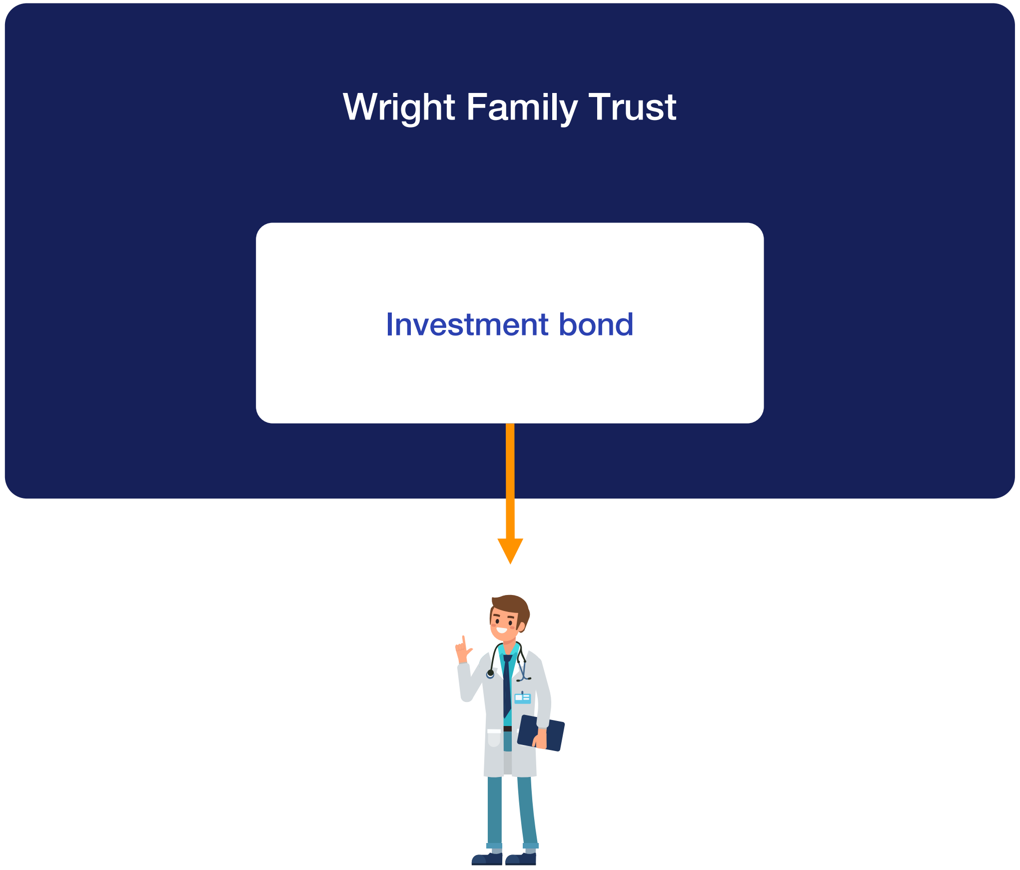
Rob is getting married and would like buy a new home.

He also understands the risks involved in his profession and wants to protect his savings in case he is ever sued for malpractice.

Whilst he has been the recipient of family trust income for many years, he does not have enough for a house deposit and needs an additional $800,000 to fund this.

Rob's solution

As Rob is a beneficiary of the Wright Family Trust, the trustee can distribute $800,000 to Rob tax free from the trust's Investment Bond as the investment has passed its 11th year.



Rob’s outcome

Rob receives an $800,000 tax free distribution from the Wright Family Trust Investment Bond to buy his home.

Rob will not need to declare any additional income in his tax returns.

He is also able to avoid complications associated with Division 7A loans.

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.

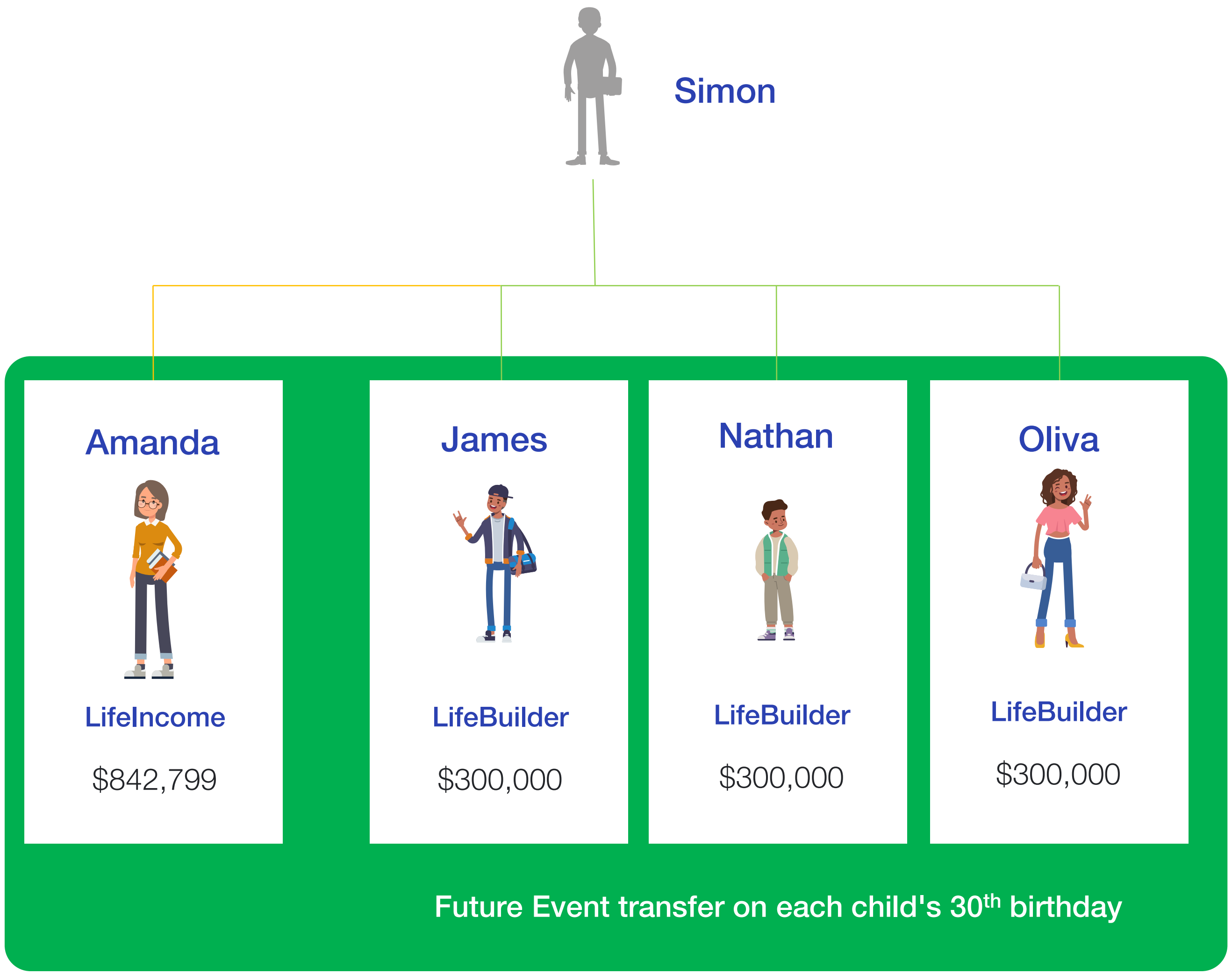
He also wants to allocate $300,000 to each of his children to give them a financial head start in life.

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 James

James is 57 years old and is single with no children.

He has five nieces and nephews, Sally, Justin, Katie, Andrew and Emily, whom he absolutely adores.

James’ situation

James is looking to downsize and recently sold his farm and family home worth $5,000,000.

He also currently has a super balance of $282,781, Farm Management Deposits worth $239,535 and existing shares worth $67,991.

James’ nephew, Justin has special needs and requires ongoing support.

James’ objective

James sought advice from his financial adviser around how to invest the proceeds tax-effectively, as well as provide for his nieces and nephews.

He would also like to purchase a new home to live in, and a investment property as fixer upper project to create an additional income source in the future.

James' solution

Total proceeds from sale: $5,000,000

Superannuation $767,500

- **$300,000** Downsizer Contribution
- **$110,000** Non-Concessional this Financial Year
- **$330,000** Non-Concessional next Financial Year (Bring Forward)
- **$27,500** 2023 Financial Year Concessional Contribution

Five Deposit Accounts $2,200,000

- **$600,000** 30 day Savings Account
- **$600,000** 3-month Term Deposit
- **$1,000,000** 6-month Term Deposit

Five LifeBuilder investment bonds $2,000,000

Andrew $400,000

Emily $400,000

Sally $400,000

Justin $400,000

Katie $400,000

Set up a Regular Payment Plan on James' passing and assigns Sally and Katie as co-signatories.

Cash at bank: $32,500

*Assumes all eligibility requirements for downsizer contribution have been met or will be met and no other super contributions have been made this financial year.

James' outcome

James can transition into retirement with confidence.

He also has money accessible to purchase his new home and fund his fixer upper projects.

James can also arrange to transfer his wealth upon his death to his five nieces and nephews and provide financial support for Justin with Sally and Katie (both adults) nominated as co-signatories for future withdrawals.

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.

Note: Zenith rating includes LifeBuilder and ChildBuilder

Awards

2022 Plan For Life Longevity Cover Excellence Awards – Lifetime Investment Linked – WINNER

2022 Plan For Life Investment Bond Excellence Awards – Overall Excellence – WINNER

2022 Plan For Life Investment Bond Excellence Awards – Bond - Estate Planning – WINNER

2022 Plan For Life Investment Bond Excellence Awards – Bond - Child Policy – WINNER

2022 Plan For Life Investment Bond Excellence Awards – Funeral Bond – WINNER

WINNER Money Magazine Awards 2022 – Investment Bond Provider of the Year

Research ratings

Superior – SQM Research

LifeIncome

Zenith – Highly Recommended

Investment Bonds

Highly Recommended – Lonsec Research

Investment Bonds
LifeBuilder

generation life

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