

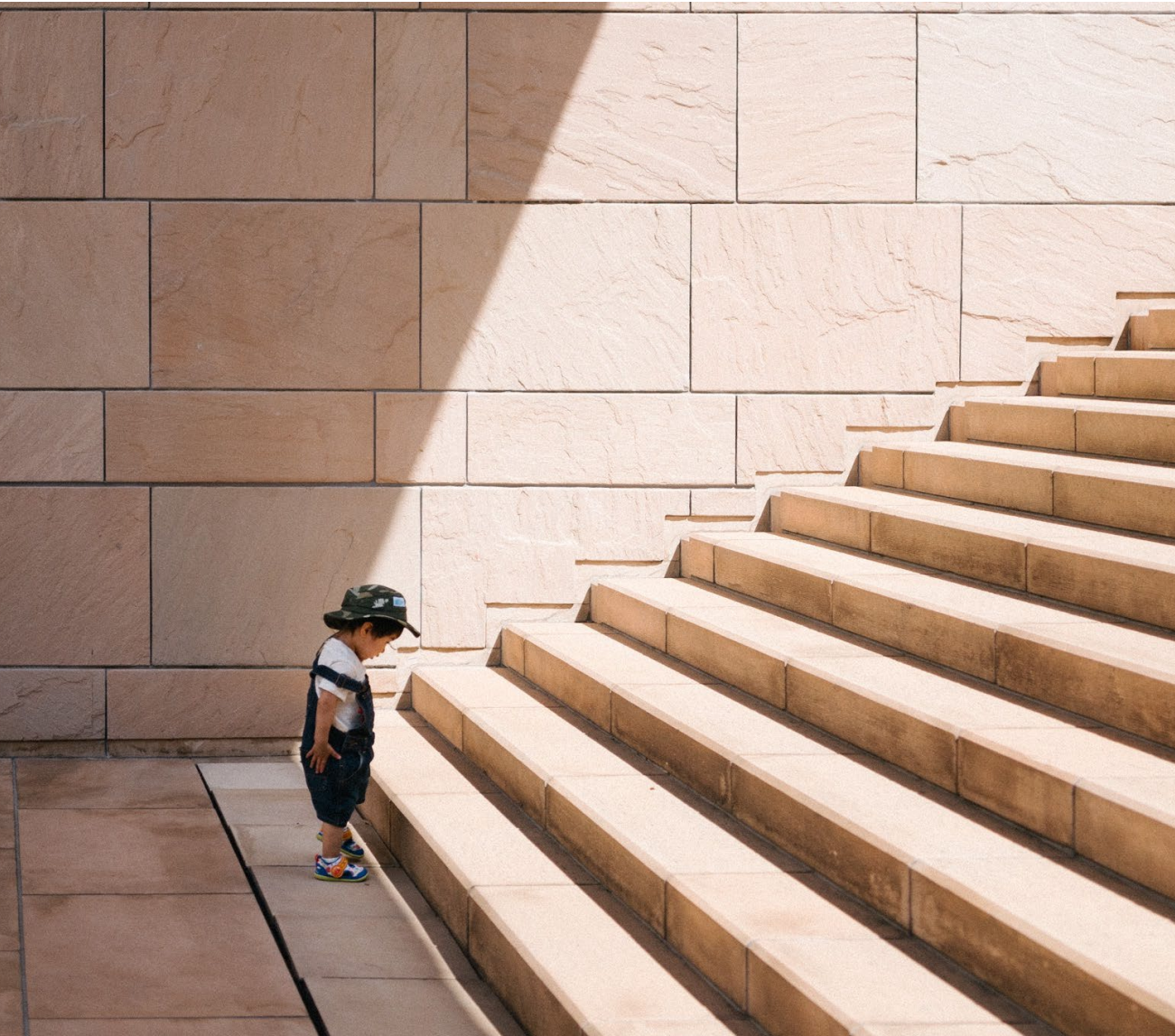


Outthinking today.

Generation Life Webinar

Super not so super for everyone





About us

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.

1. As at 31 March 2023

About us

Specialist provider

Investment bonds and investment-linked lifetime annuity

Market leader

#1 provider of investment bond solutions with 52% market share of total inflows into investment bonds¹

Innovation focused

Tax aware investing, estate planning and retirement income landscape

Trusted

APRA regulated and our parent company is listed on the ASX

1. Plan for Life, Investment Bonds Market Report for period ended 31 March 2023

Why the proposed changes to superannuation?

Objectives of super - Push to codify what super is for.

Treasury consultation paper proposes “to preserve savings to deliver income for a **dignified retirement**, alongside government support, **in an equitable and sustainable way**”

Dignified retirement

Enough to get by on comfortably (not to amass wealth)

Equitable and Sustainable

A fair system (progressive tax approach), able to be afforded by Government

Deliver Income

Australians need to think about superannuation as an asset to be drawn down on

What are the changes and impact?

The proposal

Additional tax on earnings on super balances above \$3m

Measured by total superannuation balance (TSB)

Additional 15% tax on increases in TSB value over a financial year

Effective tax rate of 30% tax on portion of total superannuation balances above \$3m

Tax will apply to both realised and unrealised gains

Who is impacted

Anyone with a TSB greater than \$3m on or after 30 June 2026

Estimated 80,000 people impacted

No indexation

Equivalent to just \$925,000 in today's dollars¹

Applies to both accumulation and retirement phase accounts

Members of all types of super funds including SMSFs

1. Assuming 4% inflation for 30 years



Proposed changes to super

How is the additional tax calculated?

Tax is 15% on “**Earnings**” over a financial year on the amount of **TSB** above \$3m.

Tax Liability = 15 per cent \times *Earnings* \times *Proportion of Earnings*

Proportion of Earnings = $(TSB_{Current\ Financial\ Year} - \$3\ million) / TSB_{Current\ Financial\ Year}$

Earnings = $(TSB_{Current\ Financial\ Year} + Withdrawals - Net\ Contributions) - TSB_{Previous\ Financial\ Year}$



Proposed changes to super

Uncertainties remain...

Legislation not final

Withdrawals and net contributions

What will be included and excluded from 'earnings'?

Will withdrawals include:

- Money released to pay Division 293 tax and this new tax?
- Income stream payments?

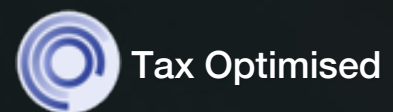
Changes to TSB

Impact and timing of events that increases TSB

- Reversionary income streams can increase a TSB – will they be excluded from the earnings formula?
- Defined benefit issues – accumulation value, deducting tax from defined benefit interests?

Will tax be applied after death?

Ensure death benefits are paid quickly.



Tax Optimised



The new generation of investment bonds

Tax is the new alpha



A new generation of investment bond

Tax paid structure that is governed by the **Life Insurance and Tax Act**

Our **Tax Optimised Series** generally ranges between **12% - 15%***

No distributions and access to funds at anytime

















Portability and tax-free transfers

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.

Comparing investment bonds and superannuation...

	Tax rate	Access to funds	Contributions tax	Limits on contribution	Limits on value	Estate planning	Tax on death	Legislation
Generation Life Investment Bonds	 Maximum of 30% Tax Optimised Series generally ranges between 12% - 15% ¹	 Available at any time	 None. No tax concessions on contributions.	 No limits on investment amount, although consider the 125% rule	 No balance limits	 Benefits payable to any legal entity	 No tax payable	 Simple and stable
Superannuation	 Maximum of 15% for a complying fund. Additional 15% on 'earnings' on balances over \$3m	 Preservation age or retirement ²	 Tax concessions on contributions are available	 Capped at \$27,500 concessional and \$110,000 non-concessional	 Transfer Balance cap - \$1.9m	 Restrictions apply	 Additional tax may be payable to certain non-dependant beneficiaries	 Complex and changing

1. 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.
2. Some other limited circumstances may apply e.g. terminal illness.

Introducing our Tax Optimised Series

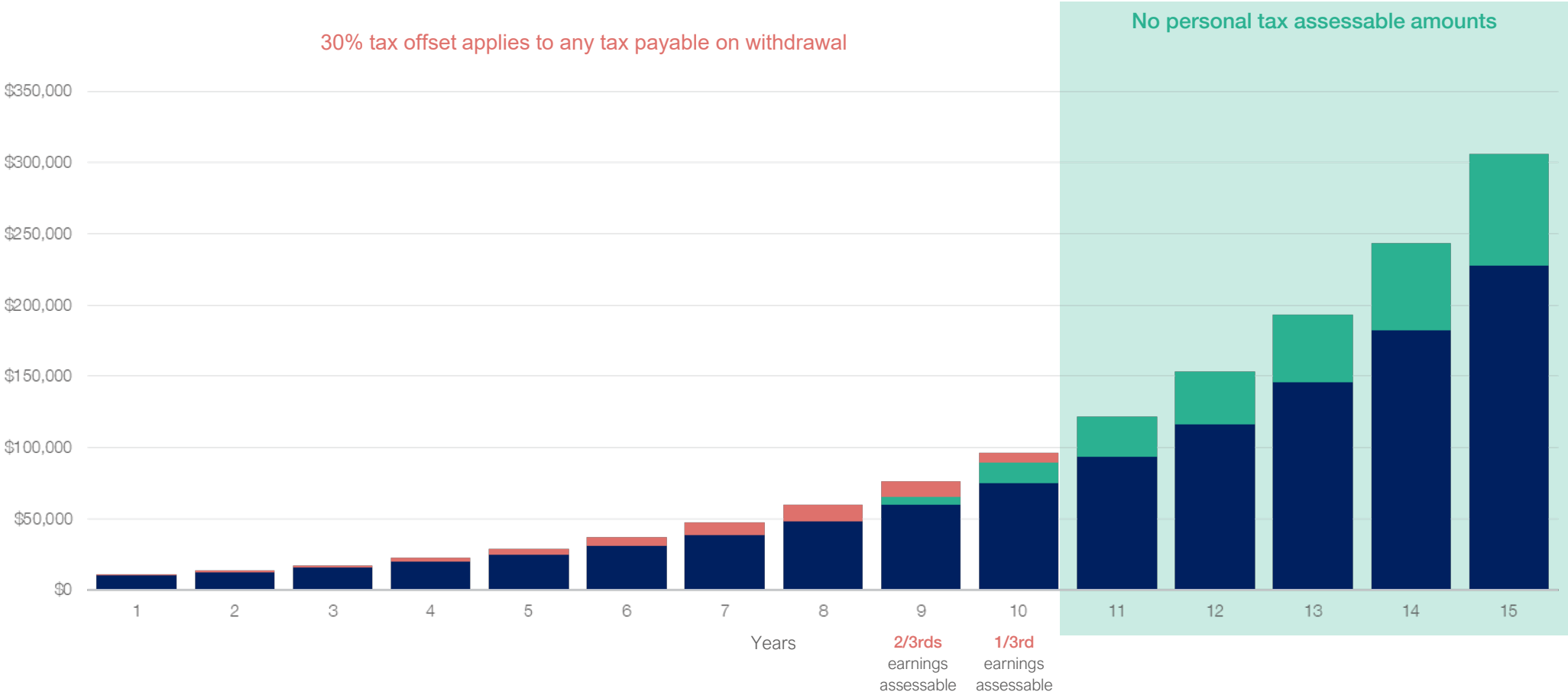
Improving returns with no additional investment risk by reducing tax costs

How? Unique structure, approach to trading, mandate structure, compounding returns

Good turnover of assets – ability to offset a capital loss with an income gain

Not buying into unrealised and realised gains tax positions – all tax positions factored into unit price

Investment bond tax structure and 10-year advantage period



Investment returns are for illustrative purposes only and do not represent any actual or future performance expectations.

Tax Optimised Series

Myths of investment bonds

Investment bond can offset realised capital losses against income¹

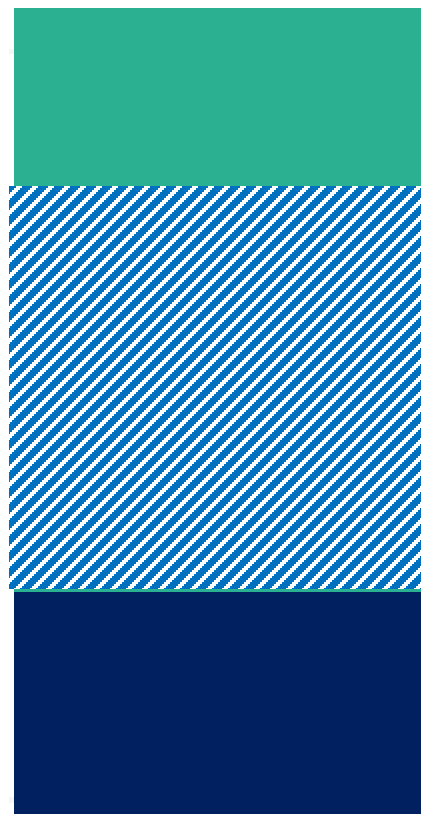
All tax losses generally can be utilised immediately, rather than waiting for any future income that's generated from a capital gain or otherwise.¹

Don't pay tax on unrealised capital gains – tax provision creates equity¹

1. Capital gains or losses refer to gains or losses realised on the disposal of a fund's investments which are treated as a revenue gain or loss for tax purposes.

Tax Optimised Series

No personal tax liability



Only tax assessable portion

Performance comparison of Vanguard High Growth Portfolio

As at 31 March 2023

	Gross investment return (pre fees and tax)	Tax Optimised return (pre fees)	47% MTR return	39% MTR return	Return at Company tax rate	Tax Optimised return (after fees)*
1 Year	-0.60%	-0.24%	-2.63%	-2.31%	-2.29%	-0.64%
2 Years p.a.	4.14%	3.20%	1.64%	2.07%	2.01%	2.80%
3 Years p.a.	12.60%	10.01%	8.77%	9.43%	8.85%	9.61%

*The administration fee is deducted directly from the investment option before unit prices are declared.

Past performance is not an indication of future performance. Tax optimised fund returns are net of fund taxes, management fees, performance 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.

Direct investment return - Tax amounts withheld from distributions are received with the non-taxable distribution amounts are reinvested into the underlying strategy on the date the distribution is made payable. Tax calculated based on annual rate derived from estimated tax components supplied by fund manager to investors. Discounted capital gains method applied for periods post 30 September 1999. Capital gains tax concessions applied to unrealised gain balances when clients in a tax payable position on realised capital gains. Returns may be based on preliminary or estimated data and subject to change.

Strategy

Complementing superannuation to transfer wealth





Strategy: Complementing superannuation to transfer wealth

Meet Sue...

Sue is a general counsel in her mid 60s, with a SMSF worth \$5m and is not subject to preservation.

She is married and has 2 kids in their mid 30s.

Strategy: Complementing superannuation to transfer wealth

Sue's situation...

Due to the recent proposed changes to superannuation tax, Sue's financial adviser pro-actively contacted her regarding the changes and recommended a restructure to Sue's superannuation.



Sue invests \$2m in two investment bonds and has \$3m remaining in superannuation

Alternative strategy

	\$5m invested under current super rules	\$5m invested under new super rules	\$3m invested under new super rules	\$2m to commence two investment bonds
Gross value	\$5,436,238	\$5,436,238	\$3,261,743	\$2,164,023
Large balance tax	-	-\$29,324	-\$3,150	-
Net value	\$5,436,238	\$5,406,913	\$3,258,592	\$2,164,023
Net value after 15 years	\$17,734,817	\$15,806,320	\$9,870,884	\$7,853,890
Total net value after 15 years	\$17,734,817	\$15,806,320	\$17,080,077	

Assumptions

Income	4.83% p.a.
Growth	3.62% p.a.
Total Return	8.45% p.a.
Franking level	81.40%



Strategy: Complementing superannuation to transfer wealth

Outcome for Sue...

Easy, convenient and effective way to pass on wealth

Each investment bond can be transferred tax-free as part of Sue's estate planning wishes to her children

Sue has access to funds whenever she needs them and can set up tax-paid regular withdrawals after 10 years before her passing

Children may not have any assessable income to declare on withdrawals if the transfers occur after 10 years of Sue's original investment



Strategy: Complementing superannuation to transfer wealth

Investment bond estate planning benefits

Life insurance contract

A type of life insurance policy which is investment-based governed by the Life Act

Non-estate asset

Investment bond can be structured as a non-estate asset

Tax-free proceeds

Proceeds on death are paid tax-free even to non-dependants

Automatic transfer

Automatic transfer at specific ages, dates or on death can be selected

No tax reporting

No tax reporting if no withdrawal made in the first 10 years

Avoids conflict

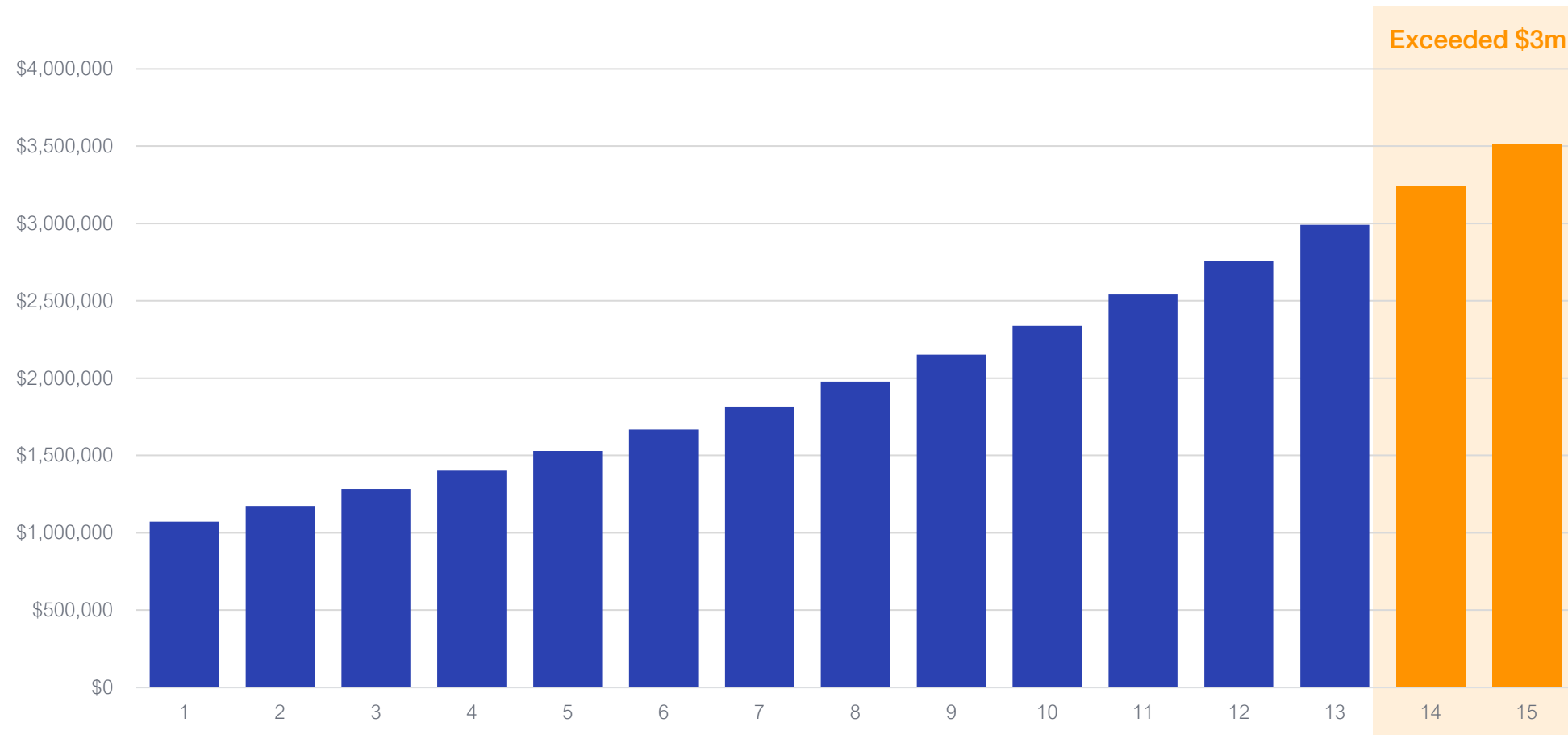
Avoids potential for conflict and solves complex wills

Looking at the alternatives

Comparing other investment strategies



Not difficult to hit \$3m



Assuming an opening balance of \$1m plus \$27,500 concessional contributions indexed at 3% p.a. Total return of 8.45% p.a. (Index Equity Fund) excluding any superannuation fees.

Considerations for Financial Advisers

Spouse equalisation strategies

Cannot transfer super balances – taking advantage of two sets of caps can take years to implement contributions

Reducing TSB to less than \$3m

For non-preservation age - time to look at alternate strategies and legal tax structures to super

Smaller proportion of 'earnings'

Reducing amount of super balance over \$3m to decrease proportion of 'earnings' subject to new tax

Watch for the final legislation

Consider making super withdrawals before 30 June 2026 and delaying making contributions*

Review contribution strategies

Both ongoing and one-off in light of new tax. Smaller account balances and no indexation - be vigilant and plan ahead

Start planning now for 2025

EG. direct property held in SMSF – when is the right time to sell down?

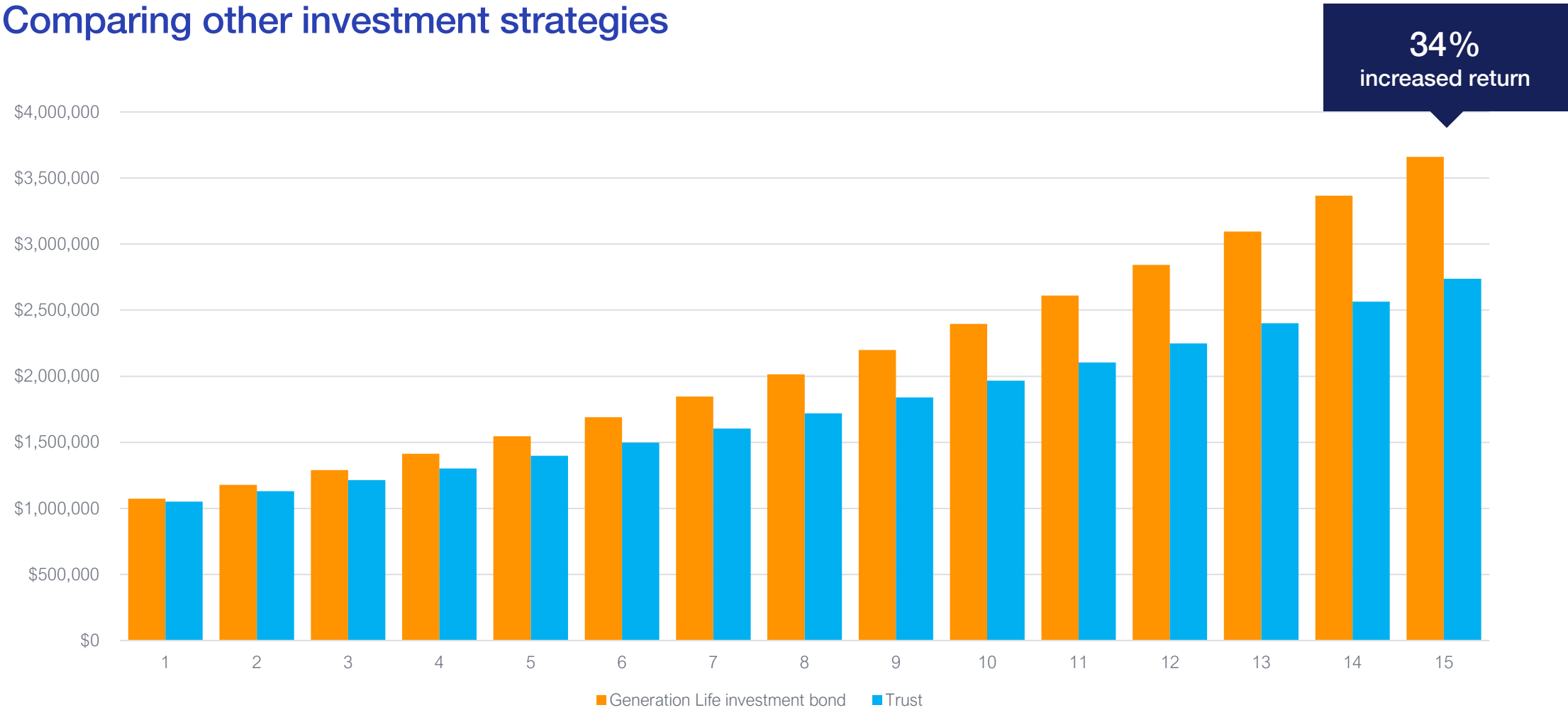
*"Earnings" formula removes the impact of withdrawals and contributions from earnings, withdrawals and contributions can impact the "Proportion of Earnings"

Alternative strategies to consider

Investment Bond	Company structure	Trust structure	Contribute to spouse super or children’s super
<p>Taxation:</p> <ul style="list-style-type: none">• Maximum 30%• Effective rate of tax on earnings between 6% – 25% at Generation Life	<p>Taxation:</p> <ul style="list-style-type: none">• 30%	<p>Taxation:</p> <ul style="list-style-type: none">• Personal Marginal tax rate or 30% (for corporate beneficiaries)	<p>Taxation:</p> <ul style="list-style-type: none">• Accumulation 15%• Drawdown 0%• Death tax to non-SIS dependents
<p>Opportunity:</p> <ul style="list-style-type: none">• Tax effective and not subject to preservation age• Non-distributing asset – control personal tax events• Portable and transferable with no CGT on transfers• Can be held by individual, jointly or through trust structure• Flexible and secure estate planning solution (where structured as non-estate asset)• Similar bankruptcy protection as super	<p>Limitations:</p> <ul style="list-style-type: none">• Not as tax effective as super or investment bond• No CGT discount• Cannot offset capital losses against income to reduce effective annual tax• Tax deferral mechanism as will need to eventually distribute dividends to shareholders• No bankruptcy protection• Consider Div 7A compliance	<p>Limitations:</p> <ul style="list-style-type: none">• Quarantines risk• Income entitlement flows through to ultimate beneficiaries and taxed at their marginal tax rate• More complicated than super and ongoing costs to consider	<p>Limitations:</p> <ul style="list-style-type: none">• Only possible to transfer benefits post preservation• Ownership of investment resides with spouse or child. And only able to access post preservation age• Contribution rules and caps apply¹

1. Spouse must be under 75 at the time the contribution (including 28 days after the end of the month in which they turn 75)

Comparing other investment strategies



Assuming an opening balance of \$1m plus regular contributions of \$23,375 increasing by 3% p.a. Total return of 8.45% p.a. (Index Equity Fund). Investment in a trust assumes beneficiaries at 47% marginal tax rate (including levies) and excludes any trust establishment and maintenance cost.



Comparing investment bonds vs. trusts

Investment bonds do not require income or gains to be distributed.

Trusts do.

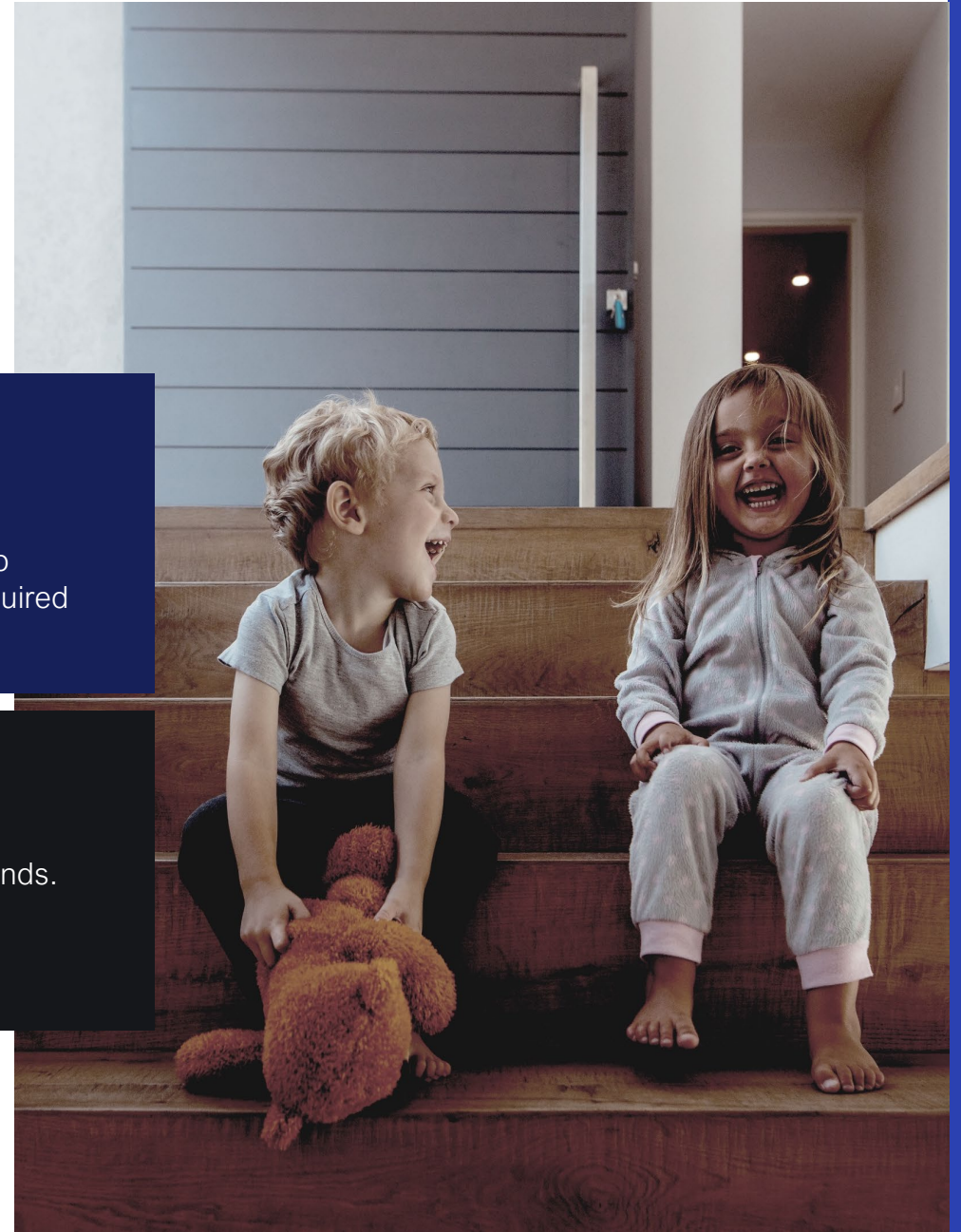
Investment bonds are simple to administer. No trustee required. No annual accounts or tax returns required to be completed.

Investment bonds are an estate planning vehicle with tax free inheritances.

But...

Trusts can also own investment bonds.

Best of both worlds.



Summary

The best of all options in one structure

Income splitting

Not required - Investment Bonds do not produce any capital or income distribution to split

Tax arbitrage

Most tax-effective structure that complements superannuation via our Tax Optimised Series

Estate planning & asset protection

Can be protected from creditors and the ability to set up as a non-estate asset with features similar to testamentary trusts



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



Investment Bonds



Investment Bonds
LifeBuilder

Note: Zenith rating includes LifeBuilder and ChildBuilder



Thank you.



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