generation life

2024 Guide

Not Tomorrow's Problem

Help your clients take control of their financial future today

genlife.com.au

Outthinking today.

Foreword

Taking control of the financial future, to benefit tomorrow

Grant Hackett OAM
Chief Executive Officer at Generation Life

Australia's population is experiencing significant financial change and added complexity. New government policies, longer lifetimes, new ways to build wealth, and a rapidly evolving world mean the financial goals we all strive towards are shifting.

At Generation Life, our objective is to help Australians navigate these complexities with the support of financial advisers like you. Your support and guidance can help Australians successfully manage these changes and help them take control of their financial future today, to benefit their tomorrow.

As you and your clients plan for their financial futures more effectively, decisions made today with your guidance can have a significant compounding effect on your clients' financial long-term outcomes, as they transition through their life's journey.

In this Not Tomorrow's Problem Guide, we uncover deep insights into several key Australian investor personas, aiming to equip financial advisers with knowledge to best support their clients through each life stage. Using new research, the acumen of our team and support from financial advisers, we've articulated the nuanced goals these different life stages are aspiring towards, the challenges they're facing, and the support they need from you.

Based on research undertaken on Australians' financial goals and strategies, we have also identified that financial advisers play a more pivotal role in contributing to Australians' financial success than ever before. Our research also revealed a significant knowledge gap amongst unadvised Australians that's holding them back from confidently achieving their goals. This means that currently, many Australians feel their financial dreams are out of reach and this needs to change.

Australians need your expert support and guidance to successfully navigate economic, policy and legislative changes, adopt the best solutions, and take control of their financial future today to benefit their tomorrow, ultimately securing their financial happiness.

We hope this Guide provides useful and practical insights on how you can support your clients' wealth goals. I encourage you to reach out with any questions, comments or thoughts.

Warm regards,

Grant Hackett OAM
Chief Executive Officer
Generation Life

Executive Summary

New research from Generation Life has revealed Australians are struggling to achieve their financial goals due to factors like inflation and the cost of living, while navigating an investment landscape characterised by complexity and government policy change. Many feel so overwhelmed by this environment that they put off dealing with their objectives, and therefore do not build the financial strategy they need to achieve their short, medium and long-term goals.

But this is not tomorrow's problem.

Our research revealed that Australians with a financial adviser are more likely to understand the changing financial landscape; have a strategy in place; feel their goals are achievable; and are generally more positive about their finances. The value of financial advice is clear, but there is still work to be done by the entire industry to better communicate this value to the Australian public.

Generation Life's Not Tomorrow's Problem Guide aims to raise awareness of the critical need for the broader uptake of financial advice in Australia, and the importance of **closing today's knowledge gap to drive tomorrow's outcomes.**

This Guide was also created for financial advisers, like you, to use as a valuable resource when supporting clients to navigate today's complex financial landscape and achieve their financial goals. Featuring new research data, investor profile deep-dives, scenarios, and clear information on key investment solutions, Not Tomorrow's Problem will help you guide clients towards financial success, whether they are aspiring young people, high-net-worth family-focused Australians, working towards retirement, or planning their financial legacy.

What this Guide will cover

Part one: Simplifying today's financial landscape

Over half of unadvised Australians are at risk of setback due to low awareness of changes within today's complex financial landscape like the stage 3 tax cuts (79% don't have a strong awareness of this) and the upcoming superannuation concession changes (87% don't have a strong awareness of this). This chapter will review where key knowledge gaps lie, providing financial advisers with clear messaging to help them to simply explain complicated concepts to clients.

Part two: Solutions for generations: how to support different Australians

This chapter will provide financial advisers with deep data, insight, solutions and scenarios covering four key Australian demographics. These groups are:

Aspiring Australians (page 23 – 30)
Australians under 35 with a personal income of $80,000 to $190,000 p.a.

Mid-Life High-Net-Worth Parents (page 31 – 41)
Australians with an investment portfolio of over $1 million in net investable assets (excluding their primary residence and superannuation) with children under 21-years-old

Pre-Retirees (page 42 – 55)
Australians aged 51 –65 with an income of $80,000 to $190,000 p.a. who aren't yet fully retired

High-Net-Worth Legacy Builders (page 56 –73)
Australians aged 51+ with an investment portfolio of over $1 million in net investable assets (excluding their primary residence and superannuation) who are retired, not yet retired and partially retired

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Part three: The value of advice

In today's complex financial landscape, Australians are at risk of financial setback due to low awareness of financial policy changes. This chapter will review where knowledge gaps lie and provide financial advisers with clear messaging helping them to simply explain concepts like stage 3 tax cuts and bracket creep, proposed superannuation concession changes, and inflationary impact to clients.

Key statistics from Not Tomorrow’s Problem

90%

of individuals feel the average Australian is under financial pressure today.

3 in 4

are worried that the cost of living is impacting their wealth goals.

Over 3 in 5

unadvised Australians lack a good understanding of the proposed superannuation concession changes, stage 3 tax cuts and changes to investment trends. This likely puts them at risk of financial setbacks.

How are different Australians feeling?

Aspiring Australians

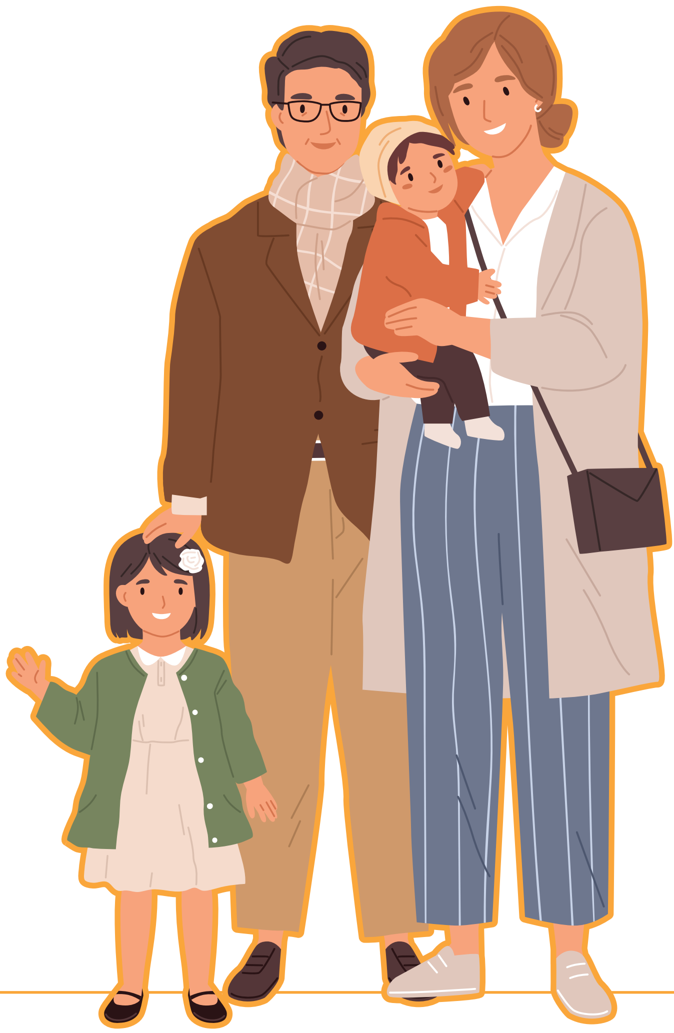
92%

dream about owning a new property and paying off their mortgage.

7 in 10

could be at risk of financial set back due to a low understanding of proposed superannuation concession changes and stage 3 tax cuts.

Mid-Life High-Net-Worth Parents



75%

feel under pressure, even though 70% are happy with their financial situation.

4 in 5

are focused on securing a financial future for children by paying for school fees (88%) and saving money for their child's first home (80%).

Pre-Retirees

$856,209

is the average amount pre-retirees in 2024 feel they need to retire.[1]

3 in 4

feel unable to achieve their top goal of saving for a happy retirement.

High-Net-Worth Legacy Builders

Over half

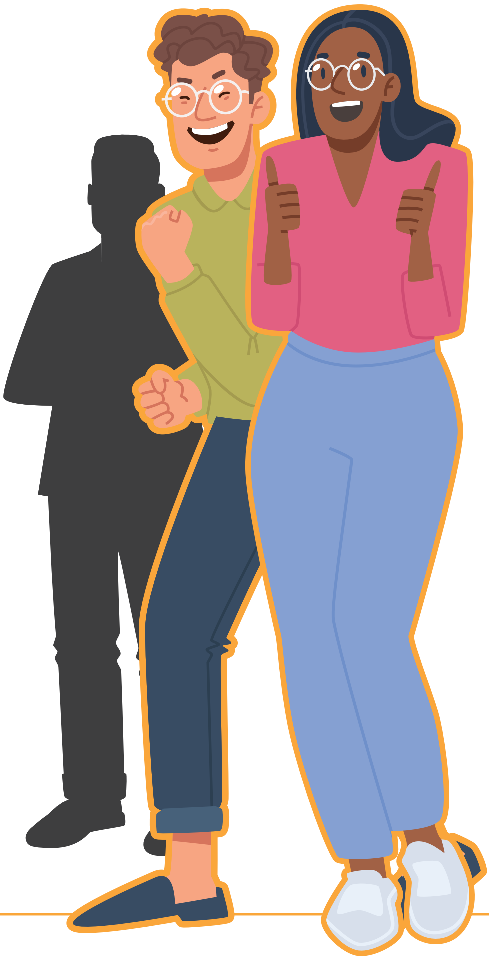
are focused on estate planning (63%) and helping loved ones achieve goals in the shorter-term, like buying their first home (53%).

44%

of unadvised High-Net-Worth Legacy Builders would like support with tax optimisation.

Not tomorrow's problem

Financial advice helps solve Australia's future problems, today.



2 in 3

of advised Australians are happy with their financial situation. Those who see a financial adviser are almost **twice as likely** to be happy with their situation than those who don't.

63%

of Australians without a financial adviser are not happy with their financial situation, showing the importance of advice to help achieve financial certainty. Financial advisers can demonstrate their value with:

1. Competency
2. Authority
3. Consistency

being the most important value propositions for Australians seeking advice.[2]

Meet the experts

Grant Hackett OAM
Chief Executive Officer | Generation Life

Grant joined the Generation Life Executive Team in September 2017. With over 15 years of experience, Grant has held many senior positions across marketing, distribution and wealth management for Westpac and BT Financial Group. Grant's qualifications include an Executive Masters of Business Administration with first-class honours, a Diploma of Business Law and a Diploma of Financial Services. Prior to his corporate career, Grant was a multiple Olympic champion representing Australia in swimming and has held numerous world records.

Felipe Araujo
Executive Director and General Manager | Generation Life

As Executive Director and General Manager, Felipe has a deep understanding of financial advisers' needs and challenges, as well as those of their clients. Felipe joined Generation Life in October 2017 from Westpac Bank, where he held leadership and national strategy positions. Felipe also previously held key positions at Accenture Group, Investments XP based in Brazil, and a director role at The Australia - Brazil Chamber of Commerce Inc.

Bec Wilson
Retirement Expert and Author | Epic Retirement

Bec is one of Australia's leaders on modern pre-retirement, and an expert on modern ageing and midlife. She is the bestselling author of How to Have an Epic Retirement, the host of the Prime Time podcast, and the creator of pre-retirement education programs run by businesses and superannuation funds. She also writes a weekly column for The Age, The Sydney Morning Herald, Brisbane Times and WA Today, and does regular segments on ABC radio shows throughout Australia.

Ben Nash
Financial Adviser and Founder | Pivot Wealth

Ben is Australia's most followed financial adviser and the founder of Pivot Wealth, Australia's most awarded financial advice company. Pivot Wealth was started to help people in their 30s and 40s invest smarter and create a life not limited by money. Ben is the bestselling author of Virgin Millionaire, Replace your Salary by Investing, and Get Unstuck, as well as the host of the Mo Money Podcast. He is one of Australia's leading personal finance expert commentators for Seven Network, news.com.au and Yahoo Finance. Since 2017, Ben has been recognised as one of Australia's top 50 most influential advisers and is also a co-founder of Ensombl, the leading digital platform for financial advice professionals.

Rebecca Pritchard
Senior Financial Planner and Partner | Rising Tide

Rebecca Pritchard is a Senior Financial Planner and Partner with award-winning financial services practice Rising Tide. After personally experiencing the ground-breaking impact of financial advice in her early 20s, Rebecca transitioned from her career in corporate finance into the financial planning world, and she's never looked back. As a passionate advocate of financial health, Rebecca brings a decade of experience in financial services to her clients and the community.

01

Part One

Simplifying today's financial landscape

Australians are under pressure and lack an understanding of financial policies that may affect them.

Today's financial landscape

Over the last five years, the Australian economy has experienced significant volatility. Our financial landscape also continues to experience policy reform and changes, from the recent stage 3 tax cuts to the proposed Division 296 tax on earnings on superannuation balances above $3 million. These and other changes will affect most Australians in some way and have changed how many think about their finances and structure their assets.

As you know, the first step in helping your clients manage complexity is helping them understand how issues will affect them. You can use this section to help explain key concepts to clients.

Breaking down stage 3 tax cuts

Reflecting on the cost of living pressures currently being experienced by Australians, the Federal Government chose to provide tax relief to a large percentage of the population, in particular low to middle-income earners.[3] From July 1, 2024, all Australians who earn taxable income above the tax-free threshold received a tax cut.[4] This saw everyone receive a modest increase in their after-tax income from July 1.

The new tax brackets are as follows:

Income bracket	New marginal tax rate (excluding Medicare Levy)
Up to $18,200	0%
$18,201 - $45,000	19%
$45,001 - $200,000	30%
$200,000+	45%

Breaking down bracket creep

What is bracket creep? Bracket creep is when someone ends up paying a bigger fraction of their income in tax because of a marginal increase in taxable income.

While the top marginal tax rate threshold was increased to $190,000 (up from $180,000), it's estimated that one million Australians could face the top marginal tax rate by 2030 (a tripling in numbers from 10 years ago).[5] With marginal tax rate thresholds not keeping pace with wages growth, people may find themselves pushed into higher marginal tax brackets and paying more tax sooner than expected.

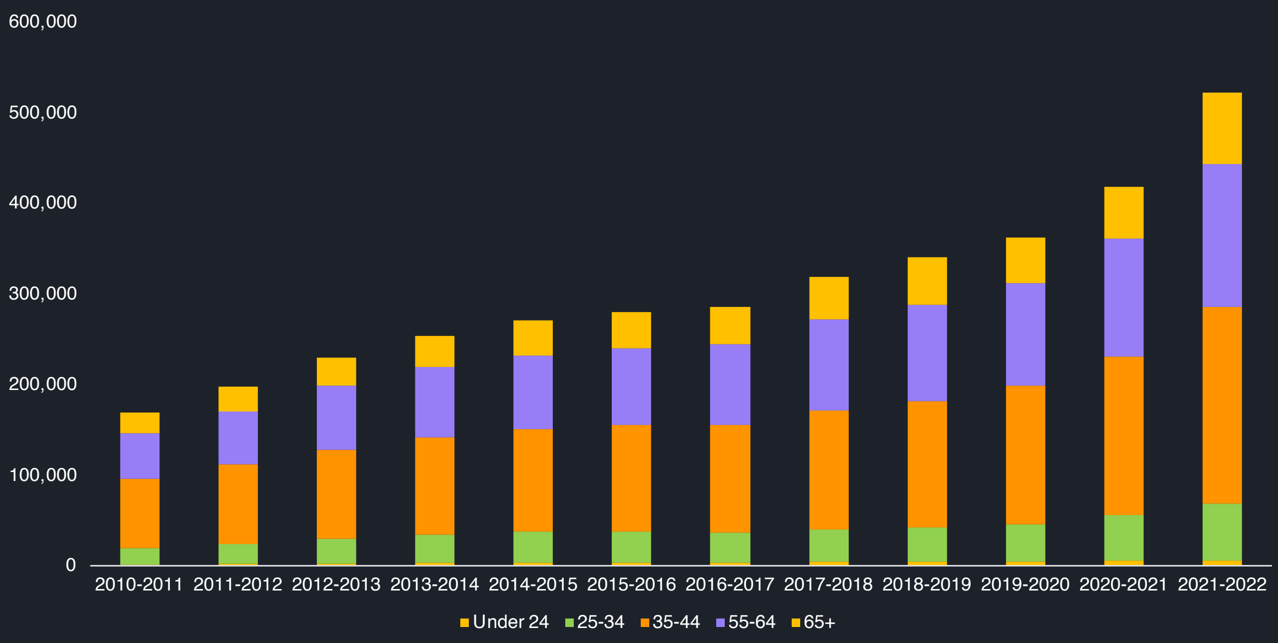
"

Stage 3 tax cut-related bracket creep is going to impact around a million young professional Australians over the next six years or so.[5]

They'll likely be working their way up the corporate ladder, building their investment portfolios and working towards financial goals. Considering the impact of moving through various tax brackets will be an important part of their financial plan."

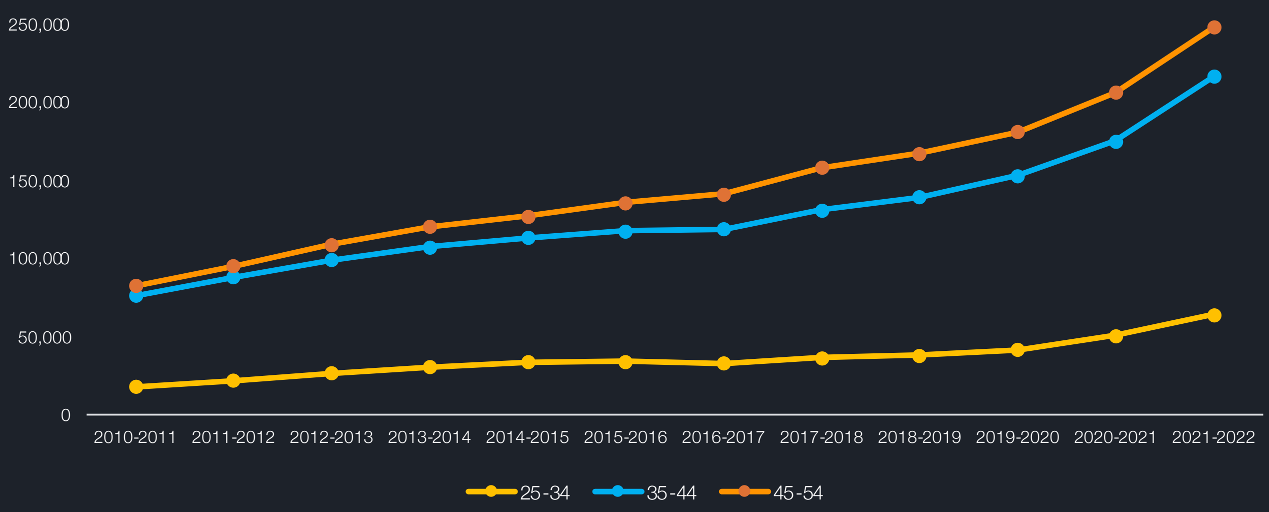
Grant Hackett OAM
Chief Executive Officer | Generation Life

Number of taxpayers with taxable incomes above the highest marginal tax rate.
This number has almost tripled over the past decade due to bracket creep.[6]



Source: Australian Taxation Office, Taxation Statistics 2021–22 for individuals by taxable status, age range and taxable income range, 2010–11 to 2021–22 income years.

How salary inflation is pushing younger Australians to the top 47% MTR sooner than expected.



Source: Australian Taxation Office, Taxation Statistics 2021–22 for individuals by taxable status, age range and taxable income range, 2010–11 to 2021–22 income years.

Breaking down Division 296

The recent changes to personal tax rates have put a sharp focus on exploring tax-efficient investment structures to help mitigate the impact of future tax bracket creep.

Superannuation remains a highly tax-effective way for most Australians to save for retirement, offering concessional tax treatment of contributions and favourable tax rates on earnings within the structure. However, the proposed Division 296 tax on earnings of large superannuation balances above $3 million[7] requires careful consideration when developing financial planning strategies.

This proposed change means that from 1 July 2025, Australians will need to pay an additional 15% tax on any earnings (realised or unrealised gains) on superannuation balances above the $3 million level. This change means that investing into superannuation once your clients have reached, or are likely to reach, the $3 million threshold may no longer be the most tax-effective investment strategy.[8]

It is also very complex to calculate exactly how much additional tax Australians will need to pay on earnings on balances above $3 million.[8] This is an important concern that mid and high-income earners may prepare for, as a combination of wage growth, earnings and non-concessional contributions could push their super balance beyond $3 million before they retire.

Have you considered the potential impact of the proposed Division 296 tax on your clients' superannuation balances?

Planning ahead… The possible future $3m Division 296 threshold issue for various age cohorts at the retirement age of 65.

Current age	25	35	45	55
Year 1 starting salary	$100,000	$175,000	$225,000	$250,000
Starting superannuation balance	$35,000	$250,000	$600,000	$1,400,000
Non-concessional contributions (p.a.)	$5,000	$15,000	$25,000	$40,000
Balance at retirement age	$5,967,046	$6,792,030	$4,981,955	$3,632,782

Assumptions: The table above assumes Year 1 to be the financial year beginning 1 July 2024, the general Transfer Balance Cap, wages growth and the concessional contributions cap for superannuation are indexed at 4% p.a. Super Guarantee contributions are assumed at 11.5% of salary in year 1 and 12% p.a. in the subsequent years. No increase in non-concessional contributions is assumed. Superannuation balance assumes a 7.5% p.a. return after fees and tax return.

"The proposed Division 296 changes provide a dual problem. I believe most people don't know what they are, and they also have the potential to have the greatest impact on the population.

Ultimately, working to set yourself up for success in this context requires long-term thinking and a tax minimisation strategy, which is one of the key things financial advisers help with. For example, we empower our clients to replace their salary income with investment income, while helping them arrange their super and portfolios to reduce tax which can flex over time in response to landscape changes."

Ben Nash
Founder and Adviser | Pivot Wealth

Breaking down inflation's impact

Measured by the Consumer Price Index (CPI), inflation is the rate of increase in prices of goods and services bought by households.[9] The impact of inflation has been an ongoing issue in Australia. The average annual CPI increase over the last 20 years was 2.7%.[10]

The latest CPI figures when this Guide was written, showed that annual trimmed mean inflation in June 2024 was 4.1%, down from 4.4% in May.[11] While the cost of living remains high, Australia's GDP grew by just 1.1% from March 2023 to March 2024, the lowest through the year growth since December 2020.[12] Some of the most significant price rises reported in the June 2024 Monthly Consumer Price Index Indicator were for Housing (+5.5%) and Transport (+4.2%).[11]

"The economic landscape has forced many Australians to become more financially literate over the last few years - they've had to develop a grasp over the likes of interest rates, inflation, and the impact of tax cuts.

Looking generally at my clients, who are professionals aged from their late-twenties to late-forties, they're feeling alert but not alarmed. When the COVID pandemic subsided but the economy was turning down, people needed support on how to bunker down. During the last six to twelve months, my clients are accepting that we're in a period that isn't as fun as others, but there's positivity that things will improve."

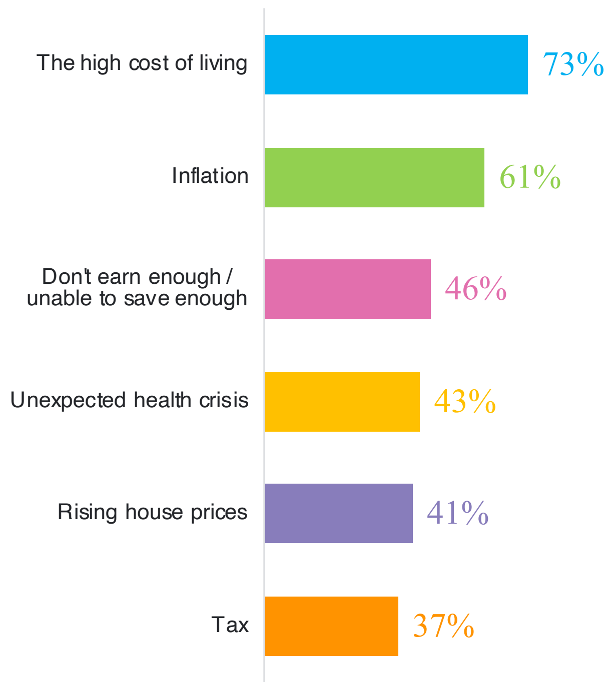
Rebecca Pritchard
Senior Financial Planner and Partner | Rising Tide

Unpacking Australians' understanding of this landscape

Our Not Tomorrow's Problem research revealed that the cost of living is a primary concern for respondents, with about three-quarters (73%) worried this issue may impact their ability to reach their wealth goals. While 61% are worried about inflation generally, and 46% say they don't earn enough or aren't able to save enough money due to the current macroeconomic environment. Sadly, only half (49%) are currently happy with their financial situation.

The positive news is that those who see a financial adviser are almost twice as likely to be happy with their circumstances compared with those who don't (68% of those who are advised, versus 37% of those who do not have an adviser), showing a clear way forward for Australians to achieve financial happiness.

Key issues impacting financial goals



Low awareness across financial policy changes

Whilst Mid-Life High-Net-Worth-Parents and older High-Net-Worth Legacy Builders have a better understanding of current market trends and investing compared to Aspiring Australians and Pre-Retirees, 7 in 10 unadvised Australians may be at risk of financial setbacks due to a low understanding of issues such as bracket creep (as highlighted with recent stage 3 tax cuts) and (79%) proposed superannuation concession changes (87%). This knowledge gap narrows significantly with the guidance of a financial adviser, with 3 in 5 of advised Australians understanding bracket creep issues (61%) and upcoming superannuation concession changes (58%).

At Generation Life, we believe that closing today's knowledge gap drives tomorrow's positive financial outcomes. Financial advisers are essential in bringing this to life for Australians.

"

All Australians have wealth goals, but the number who use a financial adviser remains low and that's a gap we want to help narrow.

It's so important to pre-empt and plan for future challenges, whether they're related to government policy issues, legislative changes, using the right tools and knowledge to impact tax as salary or income increases, or how to invest a lump sum received as an inheritance. It's almost impossible to do this without the help of a trusted financial adviser."

Felipe Araujo
Executive Director and General Manager | Generation Life

02

Part two

Solutions for generations: supporting different Australians

Different investors have unique goals, challenges and requirements of financial advisers which will vary between different demographic sectors, all of which can be fluid.

This section will deep dive into four Australian investor profiles that financial advisers typically service. It will unpack their goals, concerns, current investment approach, and how financial advisers – and Generation Life's solutions – can support their needs.

Aspirational Australians

Demonstrating the value of advice in the transition to High-Net-Worth

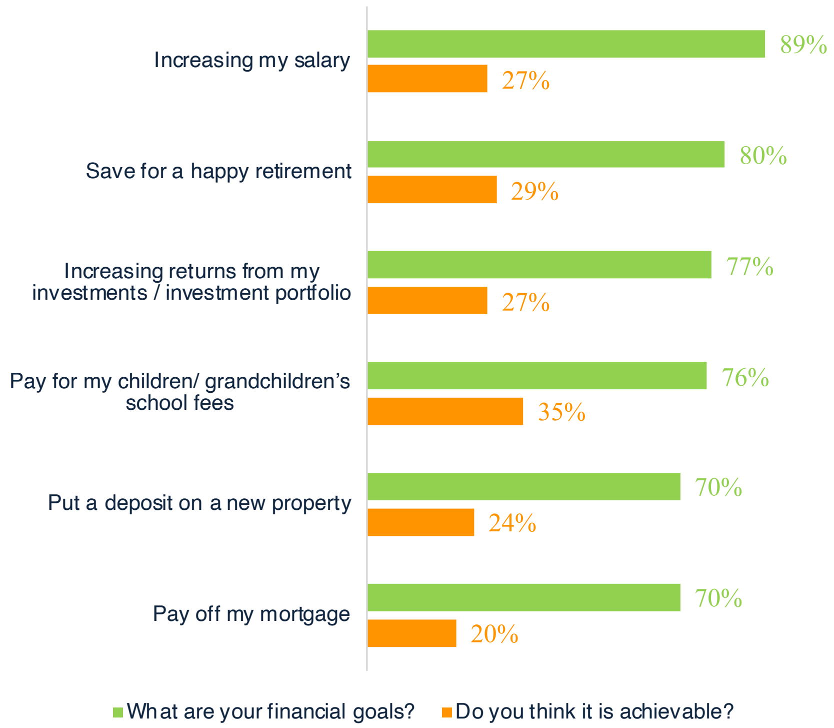
About me

I'm a young, working Australian under 35 years of age earning between $80,000 and $190,000 per annum.

Goals

The property ownership dream is still alive amongst young, ambitious Australians, with 92% of this cohort wanting to either purchase a new property or pay off their mortgage. As Australia's future wealth creators, they are also laser-focused on increasing their salaries, with 89% having this as a primary goal. Interestingly, a significant portion (80%) are also thinking ahead about saving for a happy retirement.

Financial goals for Aspiring Australians and whether they think it is achievable



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Even for ambitious Australians who are doing well from a salary perspective, achieving financial freedom is hard because life is expensive and they're balancing many goals. Many want to get onto the property ladder and grow their family at the same time, while thinking about strategic investments that could help them potentially reduce work hours or even partially retire early.

The most important thing is sequencing, and ensuring you have the right strategies in place for each goal. Reducing expenses and getting budgeting right is the first step, ahead of investing and taking out equities.”

Ben Nash
Founder and Adviser | Pivot Wealth

Concerns

Aspiring Australians may experience setbacks in life due to low awareness of financial policy changes such as the recent stage 3 tax cuts (only 36% understand this) and the proposed superannuation concession changes (just 25% understand this). They may also be at risk of increased tax due to bracket creep but only 16% have a strong understanding of its impact.

Aspiring Australians also facing several barriers to achieving their financial goals. 65% feel they don't currently earn enough or are finding it hard to save, and 63% are challenged by rising house prices. This is supported by an independent industry insight claiming it could take young buyers at least 12 years to save for an average unit deposit and 16 years for an average house deposit.[13] Against the backdrop of inflationary pressures, two thirds of Aspiring Australians (66%) also lack confidence in selecting investments to maximise their position.

As such, the majority may not feel their goals are highly achievable, with sadly only around a quarter (28%) say they are happy with their current financial position.

7 in 10

Aspiring Australians may experience financial setbacks due to low awareness of stage 3 tax cuts and proposed superannuation concession changes.

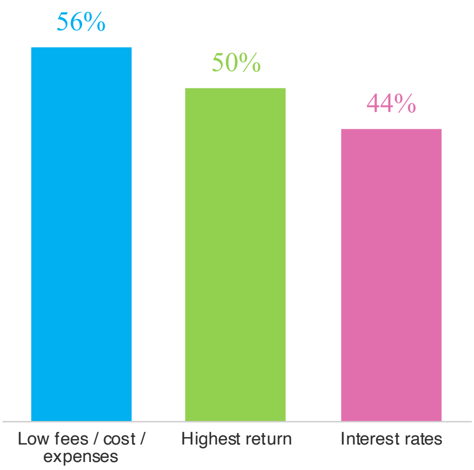
Current investment strategies

While Aspiring Australians earn a good salary, many are not leveraging their income to build wealth for the future through investments. Only half (51%) say they have an investment portfolio, although it appears many are in the early stages of building one with 75% using financial vehicles and assets such as high interest savings accounts (39% use high interest savings accounts).

Most with a portfolio are unsurprisingly early in their wealth creation journey; 46% have $50,000 or less invested so far. However, one in five (20%) with a portfolio have an impressive $450,000 to $750,000 in it. While this could be due to shrewd investing, the greater likelihood is it represents assets received from parents or grandparents.

When it comes to prioritising financial vehicles or asset types, this group is prioritising investment strategies with low fees, costs and expenses (56%). This comes ahead of high returns (50%). This cautious mindset is likely linked to a lack of experience and wanting to ensure their hard-earned dollars are cost-effectively managed.

Top areas to focus on when selecting financial vehicles for Aspiring Australians



“

Aspiring Australians have significant financial decisions and investments ahead of them, whether that's to support buying a home or starting a family. Tax can be one of the biggest costs of any investment. They should be doing everything in the most tax-effective way possible.

This younger cohort are likely to be saving money but may also be considering starting their investment and wealth creation journey so need to learn about maximising returns and minimising costs and taxes in a compliant and sustainable way. After all, investment returns go up when taxes go down. It's that simple.”

Grant Hackett OAM
Chief Executive Officer | Generation Life

What Aspiring Australians need from financial advisers

The majority of the Aspiring Australians cohort (70%) have never engaged with a financial adviser, but 51% are open to doing so in the future. A meagre 7% have an ongoing financial adviser relationship, while a further 14% only use one when required, bringing the total advised within this cohort to one in five.

For those currently unadvised, demonstrating the value of advice is key to engagement:

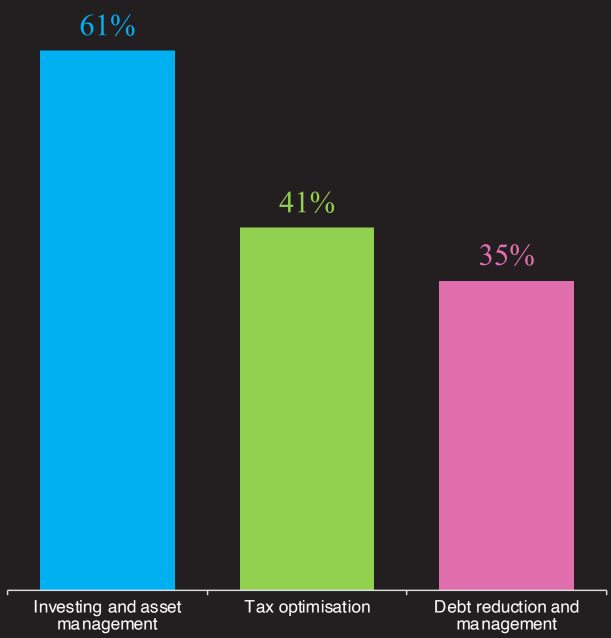
- 44% don't feel they can afford advice, while 39% don't think they have sufficient assets or wealth to justify it. Nearly a third (31%) simply don't know where to start.

The most common reasons Aspiring Australians engage with financial advisers is:

- To seek support in pursuit of their financial goals (48%), particularly regarding property investment (50%), and a review of their investment strategy and portfolio (47%).
- They are also looking for more support around tax optimisation and self-managed super funds (33% and 30%), indicating a desire to make the financial system work for them, rather than against them.
- They may also need basic support. Less than three-fifths (59%) feel they can confidently create and stick to a long-term budget, save for emergencies (59%), or purchase an insurance policy (52%). And only a third (34%) are confident they can select strategic investments.

Ultimately, Aspiring Australians are the nation's future wealth creators, set to take the place of the current cohort of Mid-life High-Net-Worth Parents. The challenge is belief. They lack confidence in making key financial decisions, underpinned by a low understanding of key financial metrics.

Reasons Aspiring Australians want to seek financial advice for in the future



"Aspiring Australians benefit massively from financial advice, and as financial advisers it's our job to demonstrate this value from the outset of the relationship.

Younger clients want to partner with someone who is empathetic to their situation, someone who has perhaps been on a similar journey, and want to see the short-, medium- and long-term value of advice."

Rebecca Pritchard
Senior Financial Planner and Partner | Rising Tide

Solutions: helping to solve tomorrow's problems, today

Generation Life Investment Bond

Generation Life's investment bonds can set Aspiring Australians up for future success, empowering them to build wealth and strategically save for long-term goals like buying a property and setting up their family.

How it works

Operating as a tax-paid structure, investment earnings from an investment bond are taxed at a maximum rate of 30% and do not form part of an investors' personal taxable income. The actual effective tax rate can be even lower, with Generation Life's Tax Optimised investment series generally ranging between 10-15% over the long term.[14]

This can help simplify Aspiring Australian's personal tax affairs and support them to avoid the potential of creeping into the next tax bracket and experiencing unexpected tax liabilities.[15] This makes an investment bond a great way for Aspiring Australians on a marginal tax rate of 30% or above to make the most of their savings and reduce the amount of tax they pay.

Beyond tax efficiency, Generation Life's investment bonds offer stability and flexibility. With a robust legislative framework, no contribution limits, coupled with the ability to access funds at any time, they provide investors with certainty and control over their financial future. Find out more at **genlife.com.au/ investment-bonds**.

Key benefits for Aspiring Australians:

- Build wealth or save for a specific life event tax-effectively
- Ideal for those above the 30% marginal tax rate
- Flexibility in contributions and investment choice
- Ability to set up a Regular Savings Plan
- Easy access to your clients' investment at anytime
- Access Generation Life's Tax Optimised investment series - long-term effective tax as low as 10-15% p.a.[14]
- Maximise after-tax return
- Compounding returns – the less tax that is paid, the more that is left to be invested
- No annual tax reporting – simplifying tax affairs
- Allows for transfer of ownership without triggering income tax, capital gains tax, or stamp duty

Case study

Tax-effectively save for a first home

Meet Ruby

Ruby is a 25-year-old Business Analyst earning $125,000 p.a.

She currently contributes $5,000 p.a. through a salary sacrificing arrangement with her employer on top of the superannuation guarantee she receives.

She also saves $500 per month and has $30,000 saved in a term deposit portfolio earning 5% p.a. She has a HELP debt repayment rate of 8.0% or $10,120 p.a.

Ruby's objectives...

Ruby's top financial goal is to increase the returns of her investments to save for her first home sooner. At the back of her mind, she also wants to build a strong investment portfolio, so she's set up for a happy retirement.

She estimates that she'll need around $130,000 deposit for her first home in 10 years' time.

She would like to continue her salary sacrificing arrangement with her employer. She would also like to increase her returns but avoid having the earnings from her investments being eroded by tax.

Ruby speaks with her financial adviser...

Ruby sought financial advice on how to help reduce the cost of tax and increase her investment performance to pay for the deposit of her first home. Her financial adviser showed her how a combination of changing her investment mix from a term deposit strategy to a conservative diversified strategy and using investment bonds can help her accumulate wealth quicker compared to her current approach and also defer the payment of part of her HELP debt.

Investing directly

9 years

Investment bond

7 years

Ruby's outcome...

Through this new strategy, Ruby...

Has a new investment strategy which means her savings period is reduced by 7 years to 9 years

Can tax-effectively accumulate wealth and save outside her superannuation

Should pay less tax on her investment (compared to investing directly), so receives a higher after-tax performance on her investment

Can avoid earnings from her tax-paid investment bond being included in her personal assessable income

Able to reduce the impact of HECS or HELP debt because investment bond earnings are not tax assessable income in her hands

Due to less tax paid, the more Ruby will have left to be invested. The compounding benefit of this can be significant over time.

Assumptions: Term deposit strategy assumed to return 5% p.a. on a pre-tax basis. Diversified growth strategy assumed to return 7.9% p.a. with a 69.5% franking level. Assumed PAYG assessable income assumed to increase by 3% per annum. Marginal tax rates based on 2024/2025 tax rates including Medicare Levy.

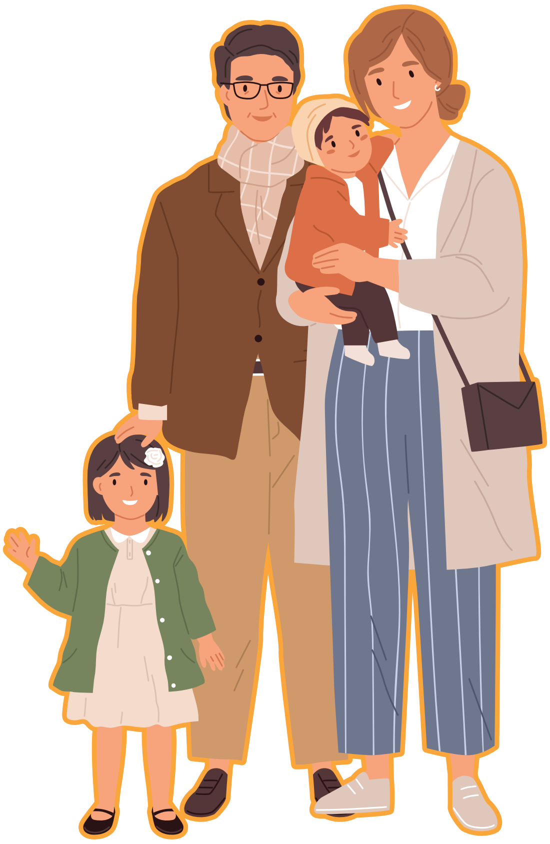
"

Investment bonds are a fantastic vehicle for young, ambitious Australians because they're flexible and come with great tax benefits. I always explain to my clients the importance of 'doing something the future-you would thank you for'. And my investment bond journey is a prime example of this.

I started seeing a financial adviser at 23 because my goal was to be financially comfortable. I started by putting $200 into a Generation Life Investment Bond and $250 into shares every month, alongside paying off my first mortgage.

Starting these habits and thinking longer-term so young, meant my wealth accumulation grew with me. This approach meant my partner and I were able to buy a holiday home when we were just 29-years-old."

Rebecca Pritchard
Senior Financial Planner and Partner | Rising Tide



Mid-Life High-Net-Worth Parents

Thriving under pressure due to quality advice

About me

I'm a high-net-worth parent under 50 with an investment portfolio of at least $1 million in net investable assets. I'm a family person with at least one child under 21.

Goals

Aside from saving for retirement (90%) and paying off their mortgage (89%), this cohort is focused on securing the financial wellbeing of their children. Their top priorities are paying for their children's school fees (88%) and setting money aside to help them purchase their first home (80%). At the back of their mind is they must also ensure they'll have money left over to leave an inheritance when they pass away (84%).

"

Mid-Life High-Net-Worth Parents may have made it through significant financial moments in their lives, have surplus cash flow, and may be in the highest marginal tax bracket.

Since they are the 'Sandwich Generation', they are managing varying family responsibilities such as their own kids whilst also looking after their own parents and helping them navigate changing life and financial needs. They are likely also considering what's next: do I want to start transitioning to retirement a little early; do I need to start building a legacy for my children; what do I do when I receive an inheritance from my parents? They're in a good, but complex and uncertain position, so support is essential to guide them to ongoing success, especially considering how time-poor they can be."

Grant Hackett OAM
Chief Executive Officer | Generation Life

Concerns

The so-called 'Sandwich Generation' are having to balance prioritising their financial goals with caring for children and elderly loved ones.[16] Indeed, our research uncovered that a third (31%) are concerned they will need to take time out of work to care for loved ones. This pressure, alongside high taxes and rising house prices (both 40%), is considered this group's main barrier to financial goal achievement.

Despite being under-fifty years old, less than half (40%) are already confident they will achieve their primary goals of saving for a happy retirement and increasing investment portfolio returns, and over half believe they will be able to pay off their mortgage (54%) and have enough to leave a legacy behind when they pass away (51%).

Ultimately, having a financial adviser helps this group feel more confident they'll be able to achieve their goals, and the majority (69%) are currently advised. Those with a financial adviser are nearly twice as likely to feel that increasing returns from their portfolio is achievable (48% feel that it is very achievable, compared to 25% of those without a financial adviser). Alongside this, they are hitting other major goals like buying an investment property (52%) and helping their child buy their first home (50%).

Overall, this group is the most likely out of all survey respondents to feel happy with their personal financial situation (70%), despite feeling the most pressure.

Current investment strategies

There are clear differences in investment strategies between the advised and unadvised in this group. The advised are almost twice as likely to make voluntary contributions to their superannuation (38%, versus 20% of the unadvised), tying to their goal of preparing for retirement. In addition, term deposits (31%) and investment bonds (27%) are commonly leveraged by those with advice, linked with other key wealth-building and gifting goals.

Interestingly, advised Mid-Life High-Net-Worth Parents are also more likely to value flexibility when assessing a financial vehicle or asset class to use (49%, versus 19% of the unadvised). In today's challenging market, the savvy investor looks for options that fit their unique circumstances best, bearing in mind their risk appetites and long-term financial goals.

Surprisingly, only 31% of advised and 27% of unadvised Mid-Life High-Net-Worth Parents consider the impact of tax when prioritising financial vehicles or assets. Tax is one of the biggest costs of any investment, which presents a unique opportunity for financial advisers to help educate their clients on its impact and how they can maximise after-tax returns - the consumable return clients will keep. Whilst low fees are important, the biggest impact toward maximising returns will be from effectively managing the cost of tax on a portfolio.

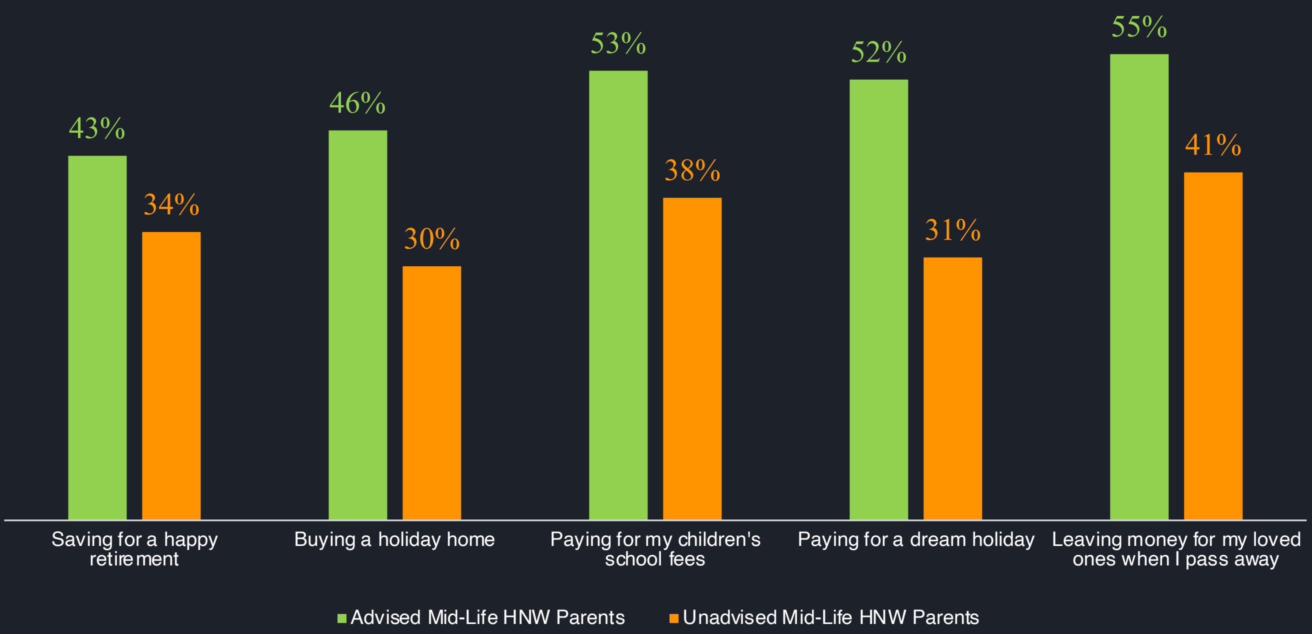
“

My Generation X and Millennial clients are looking to achieve a kind of flexible stability. Stability means smart investments and money in the bank.

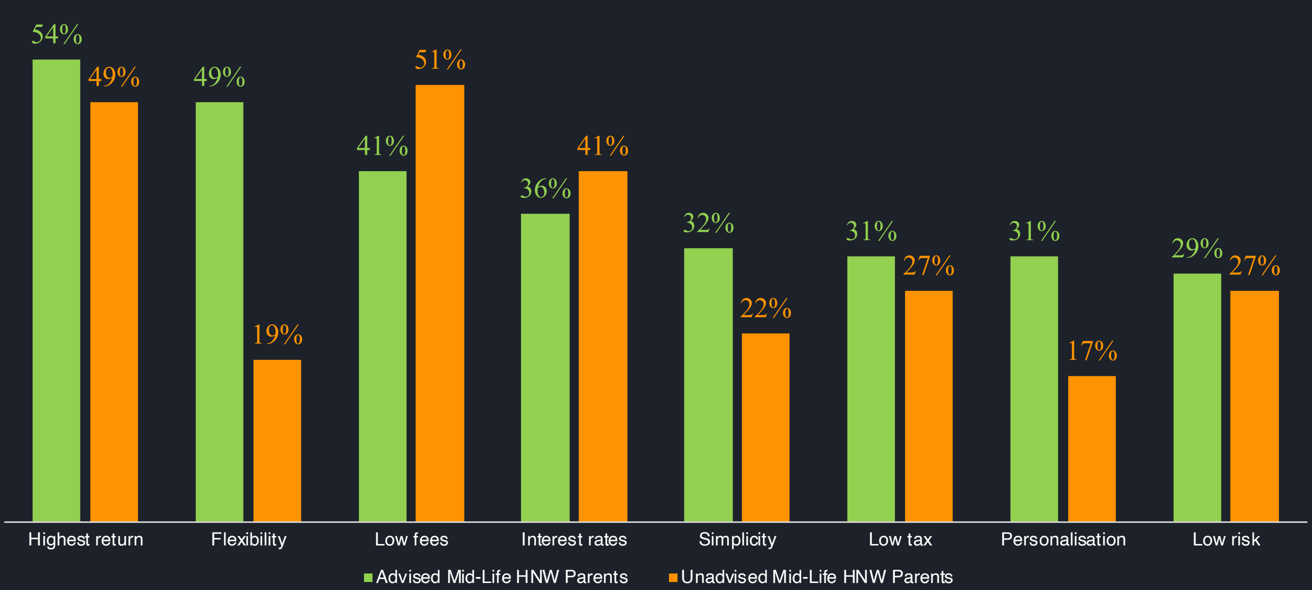
Right now, they see inflation as the biggest barrier preventing them from achieving stability, and there's an increased desire to invest to protect themselves. Investing is seen as one of the most defensive plays they can do during this period because this money is locked away and generating investment returns.”

Rebecca Pritchard
Senior Financial Planner and Partner | Rising Tide

How optimistic advised and unadvised Mid-Life High-Net-Worth Parents are when it comes to achieving their financial goals



Factors Mid-Life High-Net-Worth Parents consider when prioritising financial vehicles or assets



Common structures for Mid-Life High-Net-Worth Parents

With tax minimisation a key driver, understanding the tax treatment of various investment structures is crucial for high-net-worth people navigating today's complex financial landscape.

Superannuation

A tax-effective structure where earnings on investments are taxed at a maximum rate of 15% with tax concessions on contributions up to $30,000 a year from 1 July 2024.

However, there are some key things to be aware of for high-net-worth people:

- If an person's income and concessional super contributions combined exceed $250,000 during a financial year, they will be subject to the Division 293 tax, meaning they may have to pay an additional 15% tax on some or all their concessional contributions.[17]
- Superannuation preservation rules restrict access to accumulated savings.
- The non-concessional contributions cap is $120,000 from 1 July 2024 for people who have less than the total superannuation balance cap of $1.9 million. Penalty tax may apply if an person's caps are exceeded and not rectified.[18]
- The Federal Government's proposed Division 296 tax would add an additional 15% tax on 'earnings' (including both realised and unrealised gains) on superannuation account balances greater than $3 million. The $3 million threshold is not proposed to be indexed.[7]

Trusts

Trusts are popular amongst high-net-worth investors and generally distribute all income and realised capital gains each year to beneficiaries. Once a trust distributes to its beneficiaries, the beneficiaries are responsible for any tax liability associated with the distribution.

If the trust does not distribute, then the trust itself will generally be liable to pay tax on its earnings (normally at the highest marginal tax rate).

While trusts do assist in effectively managing access to wealth through management and distributions, there may be more tax efficient alternate structures.

For instance, trusts may not be effective where a beneficiary's personal taxable income level means tax may be payable at higher marginal rates. The use of child beneficiaries (like grandchildren) may also not be effective as minors may face penalty tax rates on unearned income.

Corporate beneficiaries

A corporate beneficiary is a company that receives distributions or benefits from a trust and is taxed at the company tax rate of 30%. The corporate beneficiary may ultimately distribute its earnings through the payment of company dividends to its shareholders (which may in some cases be the trust). It is in effect a tax deferral mechanism, as the company dividends will ultimately be assessable in the hands of the recipient of the dividends, whether that is the company shareholder or beneficiaries to the trust.

There may also be tax implications when winding up, or distributing earnings, from a corporate beneficiary company. A "top up" tax may be payable where there is a difference between the tax already paid at the company level and the tax payable at the corporate beneficiary's shareholder's (or trust beneficiary's) marginal tax rate.

If the trust distributions come with franking credits attached, the corporate beneficiary may use these credits to offset tax payable. Franking credits represent the tax already paid on the certain investment profits upon distributing dividends to eliminate a double taxation of earnings. There is significant complexity associated with the use of a corporate beneficiary arrangement as this approach requires proper structuring to ensure compliance with tax laws and in particular, no breaches of anti-avoidance measures, particularly under Division 7A of the Income Tax Assessment Act 1936, which can reclassify certain transactions, such as loans or gifts, as dividends for income tax purposes.

The new generation of investment bonds

Tax-effective investment bonds can be a powerful alternative investment solution for high-net-worth investors for several reasons:

- Governed by life insurance and tax legislation, investment bonds are a tax-paid investment-linked life policy product designed to facilitate the accumulation and distribution of wealth.
- They are taxed at a maximum rate of 30%, however through the investment bond's unique structure, tax optimisation can lower the effective tax paid.
- Investment bonds offer more flexible wealth transfer arrangements when compared to some other structures, including superannuation. When used for succession planning and estate management, investors have full control over who the ownership of the investment bond is transferred to, and can restrict or otherwise manage the recipient's access to funds according to the investor's wishes.
- With proposed changes to how earnings on large superannuation account balances above $3 million will be taxed under the proposed superannuation Division 296 tax,[7] investment bonds can be a tax-effective alternative structure to use when the $3 million threshold is reached.
- Investment bonds can be used as complementary solutions to trust structures. For example, an investment bond (which is non-distributing and retaining earnings) purchased by a trust can help manage the trust's distributable income (with no forced distribution from the investment and no personal tax assessable amounts to deal with).
- Tax assessable amounts from investment bonds only occur, to the investor, if a withdrawal is made within the first ten years of investment, and even then, a tax offset up to 30% is available for investors (or if held through a trust structure by trust beneficiaries) to reduce or eliminate any tax payable.
- Allows for transfer of ownership without triggering tax, capital gains tax, or stamp duty.

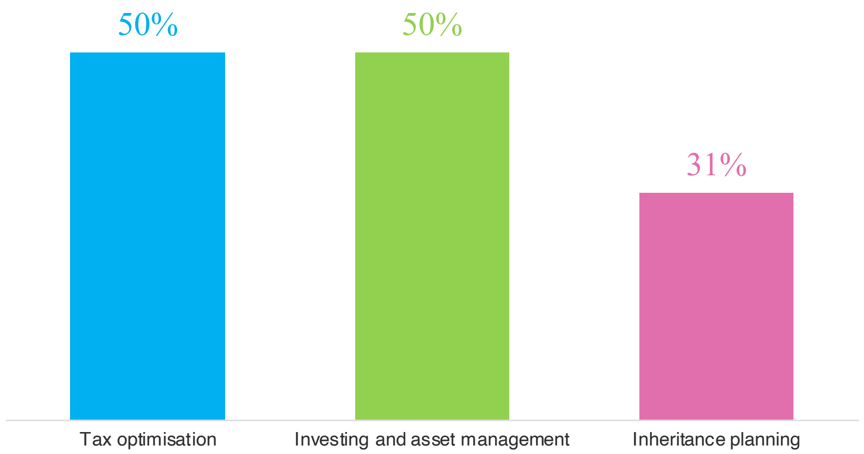
Investment bonds stand out for their tax advantages, flexibility, cost effectiveness and simplicity to implement, manage and access.

What Mid-Life High-Net-Worth Parents need from financial advisers

69% of this group rely on the expertise of a financial adviser and 81% of those that do are happy with their financial situation. The advised are also more likely to leverage a broader range of investment vehicles, including investment bonds (27%). They understand advice is pivotal to maximising their financial potential.

The unadvised investors are seeking support for tax optimisation, investing and asset management (with 50% indicating these are key drivers for seeking financial advice). A third have also said that inheritance planning is one of their top drivers towards advice. Ensuring these are key words financial advisers use in their messaging to potential clients in this group will help demonstrate that they understand what is needed to achieve their goals.

What are unadvised Mid-Life High-Net-Worth Parents seeking support for?



Solutions: helping to solve tomorrow's problems, today

Generation Life Investment Bond

Generation Life Investment Bonds can help Mid-Life High-Net-Worth Parents achieve their medium and long-term goals, whether that's looking to minimise the impact of the proposed Division 296 tax on earnings on superannuation balances above $3m, funding private school fees or setting a child up to buy their first home.

Below, we have modelled a scenario, with an excess super balance of $2 million above the proposed $3 million large super balance threshold.[7] In the example below, we can see the impact that allocating $2 million into an investment bond can have on after-tax return outcomes, with the impact increasing over time due to the power of compounding.

When incorporating investment bonds, it is not an all or nothing situation. To complement returns from super, Generation Life investment bonds provide added benefits such as, having the ability to access money at any time, more control and certainty when passing on wealth, with the potential for no superannuation death benefit tax when paying to non-dependants. Investment bonds are paid tax-free upon death regardless of who the beneficiary is.

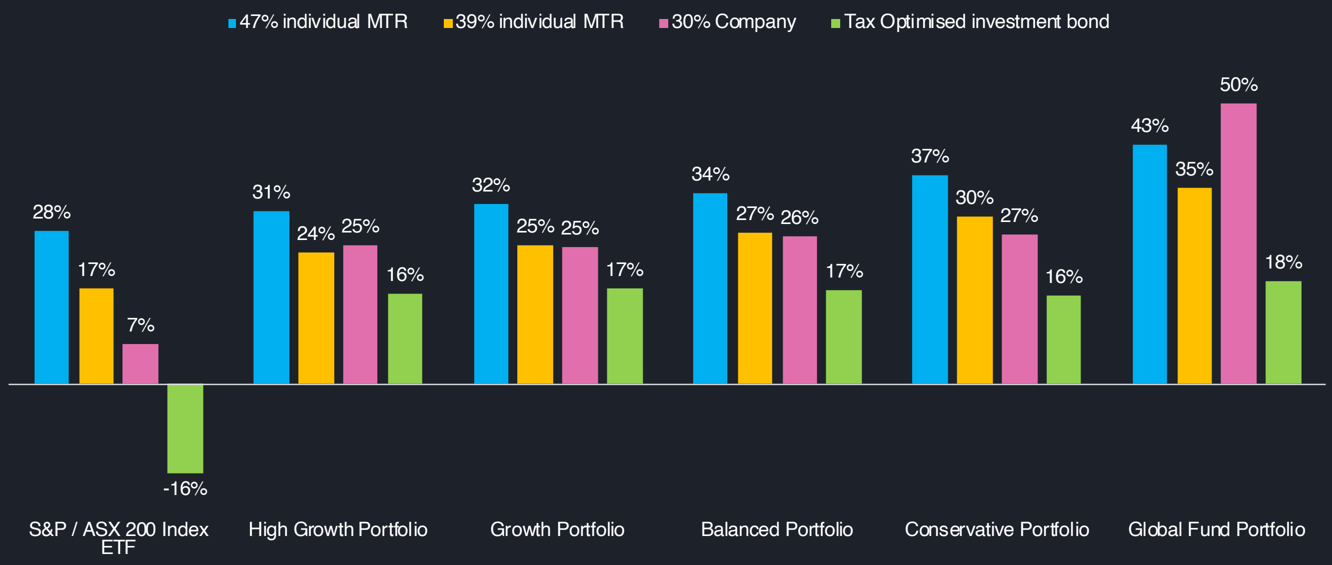
Table: Comparing investment strategies held through a Generation Life Investment Bond against similar investment strategies held through a superannuation fund on the $2 million above the $3 million proposed Division 296 tax threshold, over a 10-year period.

	$2m excess superannuation invested into an investment bond	$2m excess superannuation invested under proposed superannuation rules	Additional after-tax benefit from investment bond	% benefit from investment bond on initial investment
Vanguard High Growth Portfolio Fund	$4,636,320	$4,336,849	$299,471	15%
Barrow Hanley Global Share Fund	$4,450,866	$3,992,699	$458,187	23%
Generation Life Tax Effective Australian Share Fund	$4,802,915	$4,115,678	$687,236	34%

Assumptions: Client is over 65 and superannuation is in the accumulation phase. Returns are based on historical investment returns and expected tax assessable amounts based on tax rates effective 1 July 2024 plus proposed Division 296 tax rates without taking into account fees, charges and expenses. Generation Life does not make any guarantee or representation as to any particular level of investment returns. The calculation of the proposed Division 296 tax is based on the methodology described in Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023 and Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023. Past performance is not an indication of future performance. The table is for illustration purposes only based on information current at preparation and is subject to change. It is not intended to imply any recommendation or opinion about superannuation products or superannuation investments. It does not consider the investment objectives, financial situation or needs of any person. Professional advice should be sought.

Comparing effective tax rates for different asset classes

Investment bonds are taxed at a maximum of 30% but if tax optimised within the unique investment bond structure, this lowers the long-term effective tax rates to generally between 10%-15%.[14] Governed by Life Insurance and tax legislation, investment bonds have a consistent legislative framework designed to facilitate both the accumulation and distribution of wealth for Mid-Life High-Net-Worth-Parents.



The graph above compares the actual annual effective tax rates on earnings by different tax structures between the 2019 financial year and 2023 financial year. Past based performance and rates is not an indication of future performance and rates.

Key benefits for Mid-Life High-Net-Worth Parents

- Tax-optimised through the unique investment bond structure
- Access Generation Life's Tax Optimised investment series - long-term effective tax generally as low as 10-15%
- Ideal for Mid-Life High-Net-Worth Parents at the 47% marginal tax bracket (including Medicare levy)
- A tax-effective alternative to superannuation for those looking to minimise the impact of the proposed Division 296 tax on earnings on superannuation balances above $3 million
- Life insurance contract – providing greater certainty for succession and estate planning
- Flexibility to transfer ownership of the investment bond before or after death with no tax consequence
- Ability to place restrictions on how and when funds will be accessed after the investment bond is transferred
- Investment bonds can be structured as a non-estate asset, meaning people have the option to bypass the will and/or estate when transferring wealth
- Ability for no superannuation Death Benefit tax of 15% plus Medicare levy on taxable components applicable when paid to non-dependants
- Creditor protected during bankruptcy[19]

"Investment bonds help build savings for the next generation, whether they are used to fund private schooling or university, and they can even set a child up to buy their first home.

People can link the investment bond to the child they're looking to support, meaning the tax arbitrage benefit can be significant, especially if the person and their partner are high-income earners. The investment bond recipient then benefits from its tax-effective value because they don't have to declare what they receive and spend, whereas with vehicles like a trust fund you do.

We envisage a future where trust fund kids become investment bond kids, set up by their parents to achieve specific goals in a tax-effective way that will help them live happy, fulfilled lives."

Felipe Araujo
Executive Director and General Manager | Generation Life

Case study
Helping the next generation

Meet Gordon and Mel…

Gordon and Mel are both 41 years old, are married and have two children aged 12 and 9.

Gordon and Mel's situation…

Gordon and Mel are both corporate professionals working full time and are on the highest marginal tax rate. They currently both maximise their concessional contributions each year.

Gordon and Mel have paid off their home, have a total of $10,000 saved and combined surplus after-tax income of $2,000 per month.

Gordon and Mel's concern…

As inflation and house prices continue to rise, Gordon and Mel are concerned that both their children will struggle financially and would like to give them a financial head start in life. They would also like to ensure any inheritance provided to their children will be primarily used as a deposit to purchase their first home, so would like to restrict the use of funds in the future.

Gordon and Mel speak to their financial adviser to determine how to best enable their children to benefit through wealth transfer and how to achieve this through tax-effective investing.

Gordon and Mel's solution…

Gordon and Mel establish two investment bonds of $5,000 each.

They also set up a Regular Savings Plan of $1,000 per month for the first ten years for each investment bond.

In the future, they would like to transfer the ownership of the investment bonds to their children. Using the Future Event Transfer facility, they nominate the date of transfer for each investment bond to occur when each child turns 30 years old. They also place restrictions on their children's access to funds for a further ten years and nominate themselves as the Co-Signatories of the investments to enable one-off withdrawals to fund their respective child's home deposit.

Gordon and Mel's outcome…

Both Gordon and Mel can tax-effectively help their children save, giving them a financial head start in life and provide each child with a deposit for their own first home. The remaining funds can be used as their children wish.

Investment bonds are 'tax-paid' investments where tax on the investment bonds' earnings is paid within the investment bond structure, rather than tax being paid by Gordon and Mel at their personal marginal tax rates. The lower effective tax paid within the investment bond means after-tax returns will compound at a greater rate (compared to being taxed at their personal marginal tax rate) helping them grow their investment much quicker.

Whilst they can't specify how recipients can use the proceeds of an investment bond, the Future Event Transfer Co-Signatory feature requires once-off withdrawals by their children to be approved by Gordon and Mel. This can provide greater certainty that Gordon and Mel's intentions will be met.

Assumption: Assuming an initial investment of $5,000 and a Regular Savings Plan of $1,000 per month for the first 10 years. The total annual after-tax investment return of 8.51% p.a assumed. Estimated average fees and costs of 0.67% p.a. over investment term with an effective bond tax rate of 7.56% p.a..

Pre-Retirees

Knowledge, tools and advice for a happy retirement

About me

I'm over 50 years-old and not yet retired. I have an income of between $80,000 to $190,000 per annum.

"

People approaching their 50s today are now firmly from Generation X and their retirement is going to be different to previous generations.

Many in this generation have enjoyed access to some of the housing boom that began in the 2000s. They've also had access to superannuation all their lives, and more particularly through the height of their higher-paying working lives at reasonable percentages.

But most don't pay much attention to their super, and they don't know where to start in thinking about retirement.

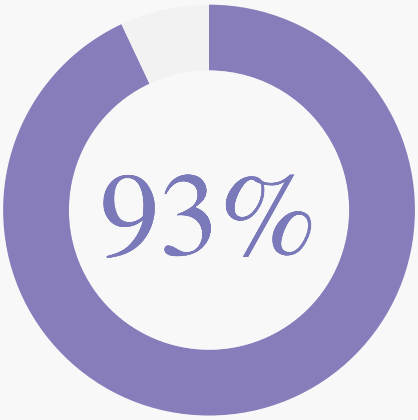
There's a huge amount of work to do for the whole ecosystem to help educate this group that they don't need to panic about retirement, but rather just think about it a little differently and shape the life they want, have time to plan for and can probably afford if they get started early."

Bec Wilson
Retirement Expert and Author | Epic Retirement

Goals

3.6 million baby boomer Australians are expected to leave the workforce in the next decade.[20] This should continue in the coming years if late-Baby-Boomers and early Gen-Xers retire.

The biggest financial goal for Pre-Retirees is unsurprisingly to save for a happy retirement (93%). This is followed by increasing investment returns (84%) and contributing more to their superannuation accounts (72%), which are both also likely in support of their transition into retirement.



of Pre-Retirees have said their primary goal is to save for a happy retirement.

Concerns

Pre-retirement is an emotional time in Australians' lives. Having worked through the past few decades, they are now facing what can be a very positive, happy time, but one that requires significant planning and a mindset change.

There is a lot on their minds. Alongside financial barriers to achieving their goals (80%), this group are worried about the high cost of living and a third (33%) said they don't earn enough. This group is also worried that an unexpected health crisis (47%) will disrupt their future.

But arguably, their biggest challenge is a lack of knowledge, and a resulting fear of the unknown when looking towards their retirement. For example, 84% don't have a strong understanding of how the proposed Division 296 superannuation changes could impact them.

With proposed changes adding to an already complex retirement and superannuation landscape, alongside what retirement 'looks like' shifting in response to a higher cost of living and longer life spans, financial advice is more important for this group than ever before. This is backed up by our research which found only 16% of unadvised Pre-Retirees feel confident they'll be able to save for a happy retirement, compared to 49% with access to financial advice.

"

The period between 48 and 75, or our Prime Time, can be the best time of our lives, and for many, they don't need to wait for retirement to start enjoying it.

Superannuation has been around for 32 years, giving the generation approaching retirement in the next decade a lot more choice than previous generations have ever had.

Working with a financial adviser can help people to identify the right time to make change and for many, retirement isn't the end game anymore.

The real key to retirement is to start early and take the time to setup your financial plan as the kids leave the nest, to enable you to enjoy your prime time years of working and adding more to your lifestyle; then to support a happy, smooth transition to part-time work and eventually, an epic retirement."

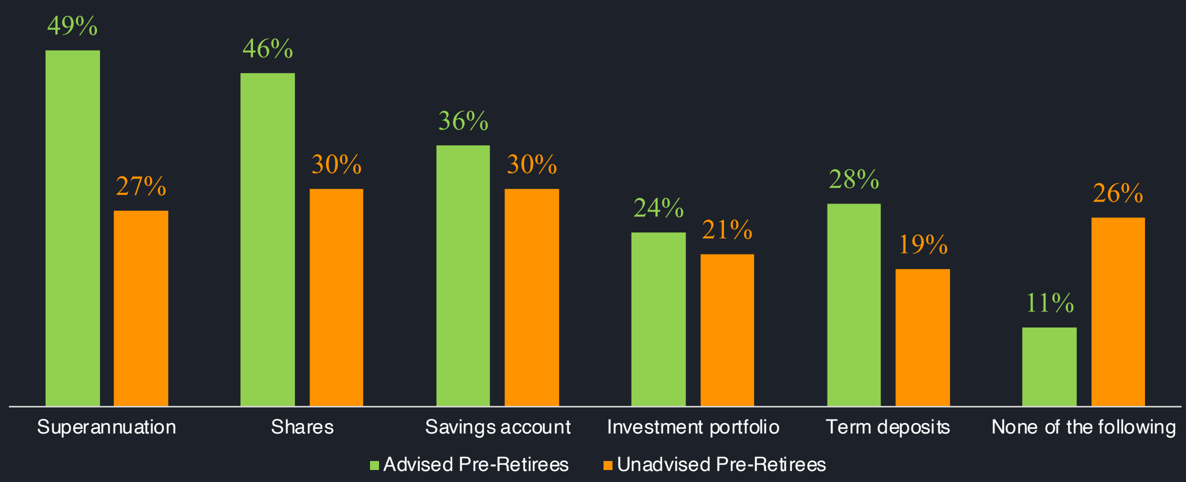
Bec Wilson
Retirement Expert and Author | Epic Retirement

Current investment strategies

Again, showing that a knowledge gap is a key challenge for Pre-Retirees, only one in five (20%) understand the different investment approaches and strategies available to them, and even fewer (13%) have a strong understanding of current investment market themes and trends.

As such, many appear to have a defensive mindset when it comes to prioritising investment options. Just over half prioritise low fees, cost, and expenses, marginally ahead of high return (51% and 46% respectively). There is a high reliance on voluntary contributions to superannuation as an investment vehicle, with a third using it as an option (34%) alongside shares (35%) and high-interest savings accounts (32%). Over a quarter (26%) of unadvised Pre-Retirees don't use any financial vehicles at all.

Financial vehicles or asset types Pre-Retirees use to improve their financial situation



"

Retirement is a huge turning point in Australians' lives. They may already be considering dialling down working hours, but with life and economic pressures may require added liquidity to make this possible.

Tax-effective, additional income streams can be a huge support for these people, alongside the support of a financial adviser. For people as young as their mid-forties, retirement shouldn't be considered tomorrow's problem – thinking and planning early is so important to help alleviate stress and secure the happy retirement they deserve."

Grant Hackett OAM
Chief Executive Officer | Generation Life

What Pre-Retirees need from financial advisers

The Australian retirement landscape is complex, and financial advice is required to help Pre-Retirees look forward and plan with confidence.

Advised Pre-Retirees are more assured in their understanding of the impact of inflation and the upcoming superannuation concession changes (46% of the advised understand inflation well compared to 23% of the unadvised, and 24% versus 13% for the upcoming superannuation concession changes).

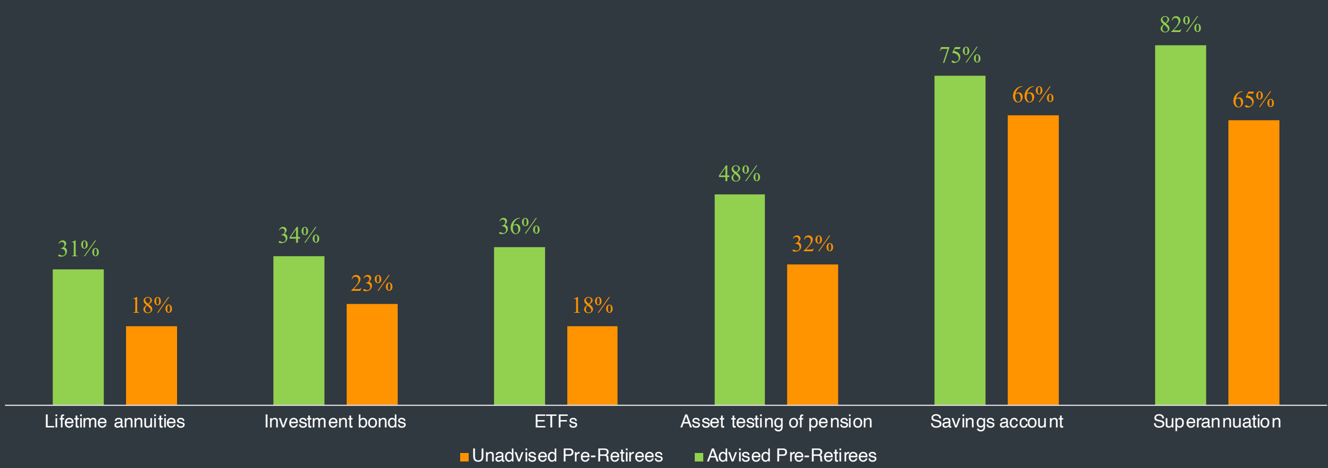
They are also three times (49% for the advised, versus 16% for the unadvised) more likely to view saving for a happy retirement as a very achievable goal. This is because they're planning ahead and taking action, for example with nearly half (49%) of advised Pre-Retirees currently making voluntary contributions to their superannuation, compared to just a quarter (27%) without a financial adviser.

With the support of a financial adviser, they also have the confidence to work towards goals outside of retirement planning, like setting aside money to help their child buy their first home (39% of the advised feel this is a very achievable goal, compared to 17% of the unadvised).

Advised Pre-Retirees also have a significantly better understanding of how to restructure their assets for retirement preparedness, alongside maximising retirement income through layering.

They better understand not only superannuation, but also asset testing for pension (28% of advised, compared to 12% unadvised), investment bonds (20% of the advised, versus 10% of the unadvised), and lifetime annuities (16% of the advised, versus 7% of the unadvised) which can all support a happy, fulfilling retirement.

Financial vehicles Pre-Retirees understand



Retirement preparedness considerations

Getting ready for retirement isn't just a financial decision, it's an emotional journey. The number one financial goal for Australians is to save for a happy retirement. But a financial knowledge gap amongst the nation's over-50s means they could be missing out on the retirement they deserve.

1.

Timing – when do your clients want to retire?

For more affluent older Australians, retirement is increasingly seen as less of a forced stage of life and more a time when they can scale back from work and enjoy their life. Eligibility for the pension is now seen as less important than feeling, and being, ready for retirement. Around two in five aim to retire before the age of 65, ahead of qualifying for any government benefits.[21]

Over a third also feel that at 67, the qualifying age for the Age Pension, they will still be working at least part-time, but out of choice not due to financial reasons.[21]

Key drivers include keeping the mind active, maintaining social interaction, and having a purpose in life. As well, around about half say they like having a source of income beyond a pension.

Being "old" is less about age and is more a mindset. Therefore, if not age, then what are the triggers to feeling retirement ready?

Our research indicates that retirement readiness must be built on solid financial foundations. Top priorities include owning a home, having ongoing income certainty (over the pensioned amount), and financial asset flexibility.

2.

Retirement spending

What do retirees want to spend their money on?

In the early years of retirement, many want to tick items off their bucket list, like travelling.

When they're at home, many fill their time pursuing hobbies old and new. Over two-thirds plan to increase their pursuit of hobbies once retired, alongside socialising more with friends and family.[21]

3.

Am I on track?

Keeping busy takes up a large percentage of retirement income, and so does staying healthy. Retirees aim to increase exercise and health-related activities, alongside eating healthier.

So, how much is required to retire comfortably? According to the ASFA Standard, the minimum annual budget of a comfortable retirement for a couple is $73,337 and $52,085 for a single person.[22] This assumes they own their own home and aren't paying a mortgage or rent. To achieve this, according to ASFA, couples are required to have $690,000 in combined superannuation balance, or $595,000 for a single person, at age 67.[22]

However, recent insight from CoreData's Best Possible Retirement Index 2024 uncovered that pre-retirees in 2024 feel they need $856,209, to retire today.[1] Interestingly, people who have already retired are slightly more conservative, saying they need $721,867 to see them through retirement.[1]

4.

Saving for retirement: Superannuation

There are a few ways to contribute more to superannuation.

Making non-concessional contributions can be another way to further boost superannuation balances. If your clients receive a lump sum inheritance or sell an investment property, they can make after-tax contributions to their superannuation.

It's important to note that the Federal Government's proposed Division 296 tax could add an additional 15% tax on 'earnings' (including both realised and unrealised gains) on superannuation account balances greater than $3 million. The $3 million threshold is not proposed to be indexed.[7]

5.

Saving for retirement using other tax-effective structures, like investment bonds

Investment bonds are a great way to tax-effectively save for retirement. An ideal alternative to superannuation, especially for balances greater than $3 million that could soon experience additional tax under Division 296,[7] investment bonds are taxed at a maximum of 30% but if tax optimised within a unique investment bond structure long-term effective tax rates can be as low as between 10%-15%.[14]

They're also helpful for people who may have recently received a lump sum inheritance or sold an investment property because there are no limits on how much can be contributed to an investment bond in the first year.

Investors can also make a withdrawal at any time, with no restrictions on how much they can withdraw.

If a withdrawal is made within the first ten years of owning the investment bond, the investor can receive a 30% tax offset to reduce their tax payable amount for the same financial year. If the withdrawal takes place in years nine or ten of the investment, the tax assessable amount is reduced by 1/3 and 2/3 respectively. After ten years, there is no personal tax assessable amount.

This can be used to kick-start retirement, or even fund a semi-retirement before superannuation becomes accessible at preservation age.

6.

The power of income layering

One of biggest fears for retirees across the nation is running out of money during retirement, and the consequential impact this will have on their quality of life. As a result, many retirees only draw down the minimum and lack the confidence to spend, only to later regret being overly frugal in their early years of retirement. This is called regret risk.

Everyone's retirement plan will be different, because everyone's objective, preference and circumstances are different. A critical part of a retirement plan should be maximising a combination of retirement income from different sources. This is what we define as income layering.

A retirement plan that focuses on income streams, rather than balances, can help counter this, boosting retirement income and providing people with more confidence to spend in retirement.

Income layering addresses both immediate and future income needs. By adding one or more income streams to a retirement plan, retirees can use these multiple income streams for both their essential spending needs and to help them save for big-ticket items they have been dreaming of.

Prioritising what matters most in retirement, and having the guidance of a financial adviser, can help counter regret risk.

7.

Key considerations ahead of retirement when it comes to income layering

Account-based pension

An account-based pension is a flexible superannuation income stream offering a wide investment choice, access to capital for one off large expenditure, and ability to vary income (annual minimums apply). Earnings generated from an account-based pension are exempt from tax and any withdrawals are tax-free for those above 60 years old.

It is however important to note that an account-based pension can run out and there is no guarantee of a regular income for life. This risk may make retirees cautious about spending their retirement savings, particularly in the earlier years of their retirement.

When should I apply for the Age Pension?

The current Age Pension qualifying age is 67 years and it's worth planning ahead to apply in a timely manner. Australians on average apply for the Age Pension just over 2 years after they become eligible. These delays are estimated to be costing single retirees an average of $37,000 in Age Pension entitlements, while couples are estimated to lose close to $60,000.[23]

Qualifying for the Age Pension can represent significant annual savings for retirees and can typically include reductions in local council rate fees, reduced vehicle registration costs and access to cheaper medicines under the pharmaceutical benefits scheme.

Lifetime annuities - creating an income guaranteed for life

Lifetime annuities can provide a regular income that's guaranteed for life and can enhance access to the Age Pension. They can complement account-based pensions by addressing longevity risks. Retirees can allocate a portion of their superannuation to purchase a lifetime annuity. However, despite its immense value, only 15% of all Australians understand lifetime annuities well.

Modern lifetime annuities are no longer fixed income products like they were before legislation changes in 2017. Lifetime annuity providers were granted freedoms to innovate and adapt their offerings. Regulation enabled income to be linked to investments, delivering greater flexibility, versatility, returns, and therefore long-term financial security for retired Australians.

Generation Life's investment-linked lifetime annuity is one such example of this new breed of retirement income stream where annual income is linked to the performance of an investor's chosen investment option(s). This ensures retirees have a regular income with the potential to grow over the course of their retirement.

Research has shown that incorporating a lifetime income solution into retirement can create a positive psychological impact.[24] They are proven to transition retirees from fear to confidence, leaving them safe in the knowledge that they can spend, and achieve their dream golden years without running out of money.

Solutions: helping to solve tomorrow's problems, today

Generation Life LifeIncome – investment-linked lifetime annuity

With LifeIncome, people can exchange a lump sum for a regular income guaranteed for life that's linked to the performance of their chosen investment option(s).

Generation Life's investment-linked lifetime annuity can help to eliminate any concerns retirees may have with their account-based pension, like a market correction reducing their capital, or that it might run out before they do.

With LifeIncome, investors can remain fully invested in an appropriately risked portfolio. It provides a regular income guaranteed for life, providing greater confidence to enjoy retirement, and building a greater legacy.

Through income layering, where people combine LifeIncome with an account-based pension, and if eligible, the Age Pension, they can address inflation and investment risk, and the fear of running out of money.

Key benefits for Pre-Retirees

- Helps prevent 'regret risk' - the notion of not spending retirement savings out of fear of running out of money and then looking back with regret at not enjoying the early years of retirement
- The ability to purchase an annuity with non-super or superannuation monies
- Has concessional social security treatment and provides the potential to access some or more of the Age Pension and ancillary benefits
- The choice of fortnightly or monthly income payments, made for life
- When combined with an account-based pension and, if eligible, the Age Pension, helps address inflation, market and longevity risks
- The ability to nominate a reversionary beneficiary to receive income when the policy holder passes away and to nominate a reversionary beneficiary other than a spouse (for non-superannuation policies only)
- 29 investment options managed by professional fund managers in a broad range of asset classes
- The ability to elect to receive more income as a couple, in return for reduced income when one partner passes away (called LifeIncome Flex)

"

Our solution is designed to provide an income for life, with both longevity and flexibility in mind. We know that Australians need more income in early to mid-retirement, when they are often traveling and enjoying retirement life to the fullest.

Later in life, spending typically decreases, especially after the loss of a partner. Unlike many other solutions, ours is designed to adapt to these changing circumstances."

Felipe Araujo
Executive Director and General Manager | Generation Life

Case study
Retiring comfortably with an income for life

Meet Karlee and Adam

They are both 65 and entering retirement. Karlee and Adam would like to have $100,000 p.a. to retire comfortably and would like their income to evolve with their living costs.

They both currently have:

$1,100,000
Superannuation balance (combined)

$10,000
Personal assets

Karlee and Adam's objectives...

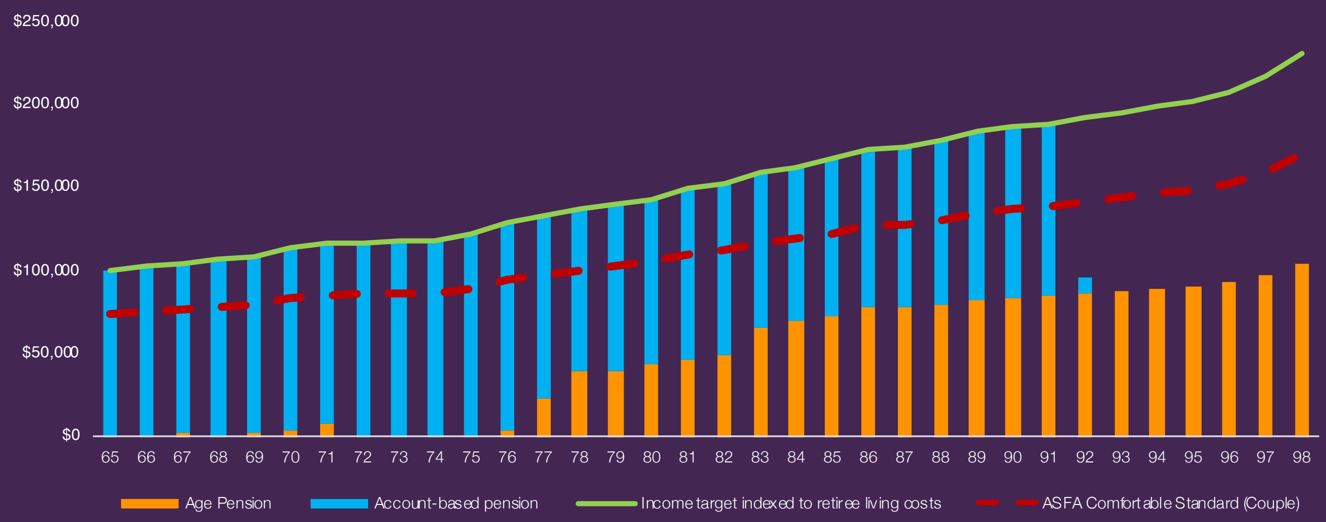
They want a reasonable combined income stream of at least $100,000 p.a. that grows with their living costs to allow them to retire comfortably.

They are worried that due to having to spend more because of the rising cost of living, their account-based pensions will run-out and they will have to solely rely on the Age Pension in the later years of their retirement.

Karlee and Adam recently read how lifetime annuities can add an additional layer to their retirement portfolio and help maximise their retirement income.

Karlee & Adam's current situation…

What if they relied on their account-based pensions?

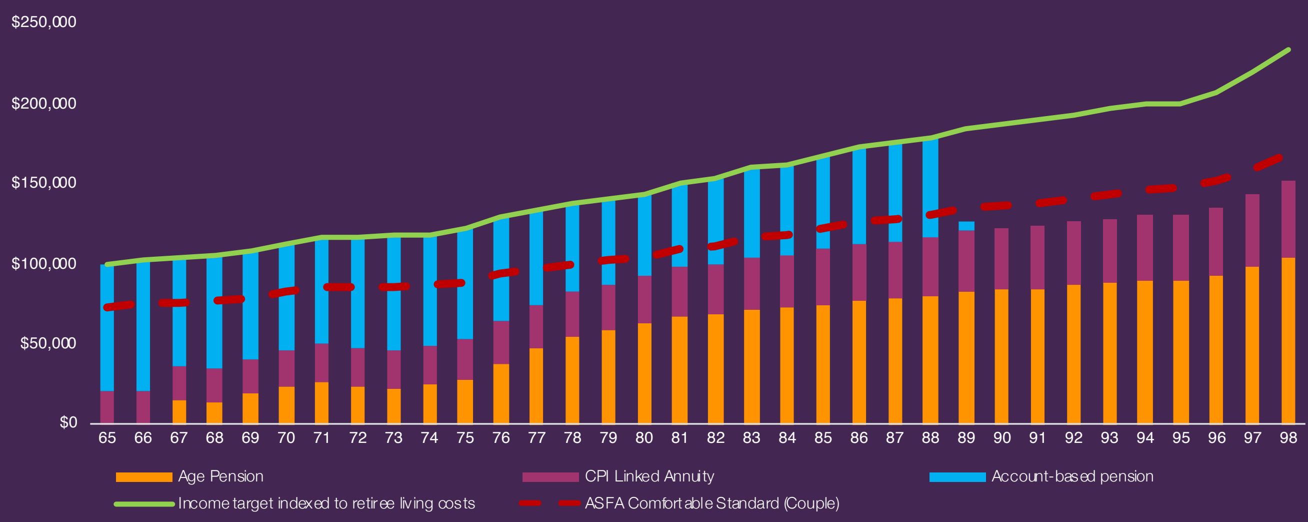


If Karlee and Adam relied on their account-based pensions, they would run out of their account-based pensions at age 92 and will solely rely on the Age Pension in their later years of retirement.

Assumptions: Based on a 65 year old homeowner couple with a superannuation balance of $1,100,000 and $10,000 in personal assets. Target annual income and the ASFA Retirement Standard are indexed based on historical changes in the CPI from 1990 to 1998, and the Self-Fund Retiree Living Cost Index (LCI) from 1998 to 2023, as published by the Australian Bureau of Statistics (ABS). The ASFA Retirement Standard used is 'comfortable lifestyle' for a couple at June 2024. Annual income illustrations are shown in nominal dollars. Account-based-pension drawdown amount is to help meet the target income, minimum account-based pension drawdowns do apply. Age Pension rates and thresholds are as at 20/09/2024. The illustration uses historical investment returns commencing 1st July 1990. The account-based pension invested into a 70/30 diversified index portfolio which consists of a 30% allocation to ASX All Ordinaries, 40% to MSCI World Ex Australia Index, 20% to Bloomberg Global Aggregate Bond Index (AUD Hedged) and 10% to Bloomberg Ausbond Composite Index. Estimated administration costs of 0.3% p.a. for the account-based pension. Past performance is not a reliable indicator of future performance.

Karlee and Adam speak with their financial adviser and are provided two options…

What if Karlee and Adam decide to combine a traditional lifetime annuity with their account-based pensions?

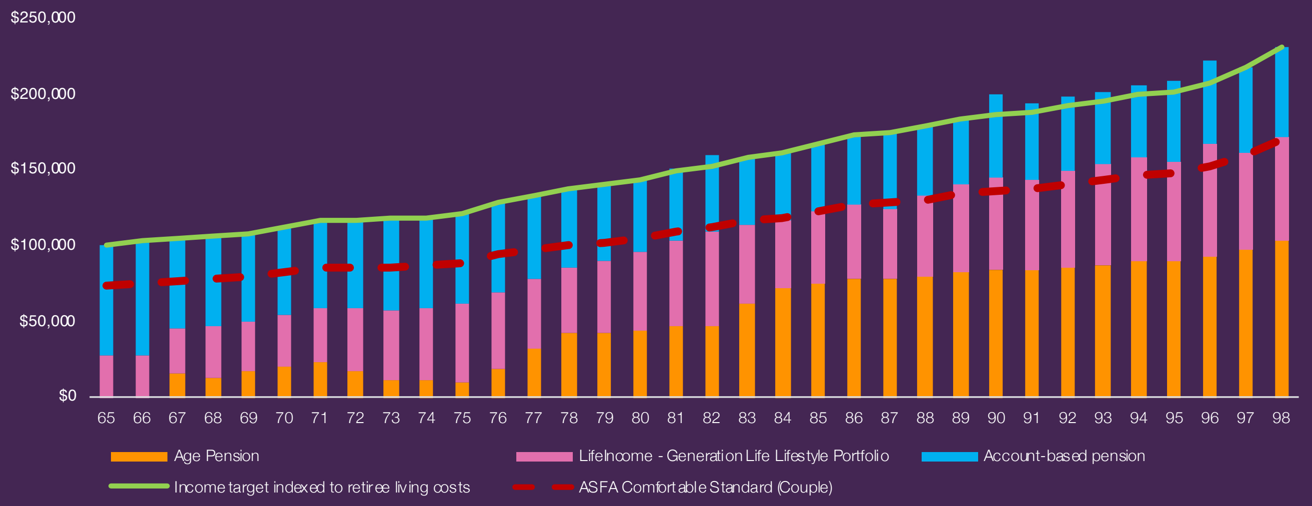


By adding a traditional lifetime annuity to their retirement income portfolio, Karlee and Adam would still run out of their account-based pensions at age 89. They will however still receive income from two income sources in their later years of retirement.

A traditional lifetime annuity provides a regular income guaranteed for life that is indexed annually to CPI (in this example). To meet the annual income target, additional drawdown, above the minimum level, from the account-based pensions are required.

Assumptions: Based on a 65 year old homeowner couple with a superannuation balance of $1,100,000 and $10,000 in personal assets. Target annual income and the ASFA Retirement Standard are indexed based on historical changes in the CPI from 1990 to 1998, and the Self-Fund Retiree Living Cost Index (LCI) from 1998 to 2023, as published by the Australian Bureau of Statistics (ABS). The ASFA Retirement Standard used is 'comfortable lifestyle' for a couple at June 2024. Annual income illustrations are shown in nominal dollars. Account-based-pension drawdown amount is to help meet the target income, minimum account-based pension drawdowns do apply. Age Pension rates and thresholds are as at 20/09/2024. The illustration uses historical investment returns commencing 1st July 1990. The account-based pension invested into a 70/30 diversified index portfolio which consists of a 30% allocation to ASX All Ordinaries, 40% to MSCI World Ex Australia Index, 20% to Bloomberg Global Aggregate Bond Index (AUD Hedged) and 10% to Bloomberg Ausbond Composite Index. Estimated administration costs of 0.3% p.a. for the account-based pension. Past performance is not a reliable indicator of future performance.

What if Karlee and Adam decide to combine a LifeIncome investment-linked lifetime annuity with their account-based pensions?



LifeIncome is an investment-linked structure with a wide range of investment options to choose, that can help grow annual income over time. This means they can potentially drawdown less from their account-based pensions to meet their annual income target. Our investment-linked lifetime annuity also gives them ability to switch investment option(s) at any time.[25]

Karlee and Adam's outcome…

By investing in LifeIncome compared to solely relying on their account-based pension…

$228,538
balance in their account-based pensions at age 100

They will also never experience income below their target income

$156,459
more Age Pension by age 100

$854,407
additional cumulative income by age 100

Assumptions: Based on a 65 year old homeowner couple with a superannuation balance of $1,100,000 and $10,000 in personal assets. Target annual income and the ASFA Retirement Standard are indexed based on historical changes in the CPI from 1990 to 1998, and the Self-Fund Retiree Living Cost Index (LCI) from 1998 to 2023, as published by the Australian Bureau of Statistics (ABS). The ASFA Retirement Standard used is 'comfortable lifestyle' for a couple at June 2024. Annual income illustrations are shown in nominal dollars. Account-based-pension drawdown amount is to help meet the target income, minimum account-based pension drawdowns do apply. Age Pension rates and thresholds are as at 20/09/2024. The illustration uses historical investment returns commencing 1st July 1990. The account-based pension invested into a 70/30 diversified index portfolio which consists of a 30% allocation to ASX All Ordinaries, 40% to MSCI World Ex Australia Index, 20% to Bloomberg Global Aggregate Bond Index (AUD Hedged) and 10% to Bloomberg Ausbond Composite Index. Estimated administration costs of 0.3% p.a. for the account-based pension. Past performance is not a reliable indicator of future performance.

High-Net-Worth Legacy Builders

Reducing the tax burden and optimising outcomes

About me

I'm a high-net-worth person over 50 with an investment portfolio of at least $1 million. I'm approaching retirement, partly retired, or fully retired.

"

A key priority for wealthy older Australians is estate planning, with everyone navigating unique complexities affecting this journey.

Over-50s receive the highest percentage of wealth transfers in Australia, so they may have recently received a lump sum inheritance and be unsure where best to invest it. Putting it into their super doesn't make sense because they'll likely already be over the $3 million threshold, so they need a tax-effective alternative.

They may also be grandparents which affects the structure of their estate planning strategy. Furthermore – even though they're still young – these people want the reassurance they have income guaranteed for the rest of their life with a decent return, that also protects them if their partner passes away, or vice versa.

Making effective decisions today ensures that significant financial goals in later life are met according to a persons' wishes."

Grant Hackett OAM
Chief Executive Officer | Generation Life

Goals

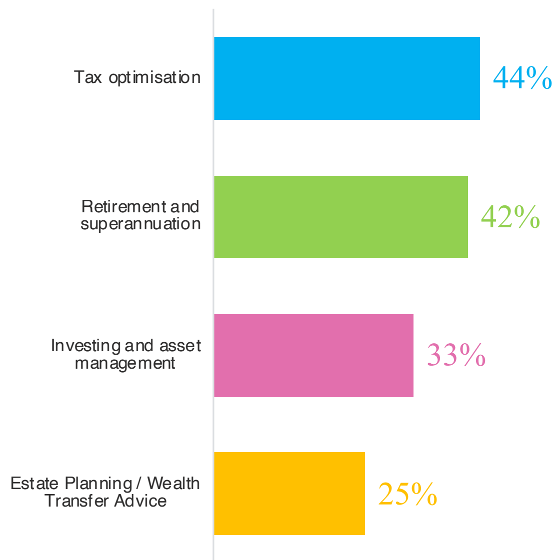
63% of High-Net-Worth Legacy Builders aim to leave an inheritance for their loved ones when they pass away. Beyond planning to leave that legacy, they also plan to support their children across specific financial goals including focussing on helping their children to buy their first home (53%) and paying for future weddings (43%). This mindset extends beyond children to grandchildren, with 40% saying that paying for their children's and grandchildren's school fees is a priority.

Concerns

Building knowledge and maintaining confidence as they live through retirement and plan their legacies are key focus areas for this group. They have reached financial stability but, while they understand most financial metrics well, less than a third (29%) profess a strong understanding of current investment market trends.

Just under half use a financial adviser (45%), and those without would most like support with tax optimisation (44%), retirement and super (42%), and investing and asset management (33%). A quarter would also like support with estate planning and wealth transfer advice (25%).

Key areas unadvised High-Net-Worth Legacy Builders would seek financial advice



"Wealthier, older Australians have to rely on their own assets for income, usually over their whole retirement.

And they want to plan this out properly to ensure their money lasts, and to give them the confidence to frontload their lifestyle spending into their early retirement years without missing out later in life.

For many, this means they will look to free up money that is locked up in their home, shifting it into income generating assets. If they do, they'll want to maintain awareness of their ability to access the age pension, and associated benefits which kicks in if their financial assets fall below $1,045,500 (September 2024). Even one dollar of the age pension will give them access to valuable concessions on the cost of living and healthcare.

This person can really benefit from advice, both to guide their investment and drawdown strategy in their future plan."

Bec Wilson
Retirement Expert and Author | Epic Retirement

Current investment strategies

This group prioritises financial vehicles and asset types with high returns (58%), flexibility (42%), and low tax (33%), but those with advice are about 2.5 times more likely to value personalisation and customisability (26% compared to 10% of the unadvised). This reflects an increased recognition by knowledgeable Australians that invests in portfolios should not be one-size-fits-all but tailored to individual circumstances.

While all members of this group leverage property as an investment, the advised also engage with a broader range of vehicles and asset classes. 47% make voluntary contributions to their superannuation, compared to 31% of the unadvised. The gap between the advised and unadvised grows across those who use other physical asset investments, investment bonds and lifetime annuities.

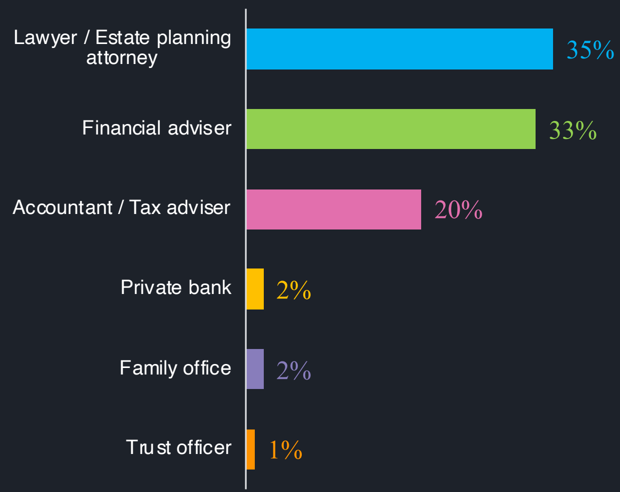
For example, only 6% of unadvised Australian High-Net-Worth Legacy Builders are using investment bonds, compared to around one in five (19%) of those with a financial adviser.

What High-Net-Worth Legacy Builders need from financial advisers

Ultimately, financial advice can play a huge role in optimising outcomes for Legacy Builders. For example, 64% of this group overall wants to contribute more to super. However, they lack understanding around the upcoming superannuation concession changes (such as the proposed Division 296 tax which will affect earnings on superannuation balances above $3 million) with only 28% understanding this well, even though it will likely impact them significantly.

Overall, this cohort is happy with their circumstances. They believe they have 'done it on their own', with 57% of the unadvised preferring to manage their own affairs. Yet as the market and financial landscape undergo significant change, there is limited understanding of market trends (29%), proposed superannuation concession changes (22%) and tax changes such as the stage 3 tax cuts (34%) by unadvised legacy builders in this cohort, which may be a pitfall for these investors. Financial advisers play a vital role in helping navigate them through such complications, and indeed are the preferred choice for this group when it comes to aiding with estate or succession planning.

Preferred professional to assist with estate or succession planning



“

For wealthier Australians thinking about estate planning, a family trust is often the go-to strategy. Many Australians also expect to use their superannuation to leave their legacy, when its intended use is to help fund retirement. Financial advisers can educate their clients on the benefits of investment bonds as a significantly more flexible option, with valuable tax-effective benefits.

People need to feel empowered to take a proactive approach to succession planning that prioritises family communication, estate equalisation in line with the person's wishes, and a wealth transfer plan ensuring the maintenance of family unity.”

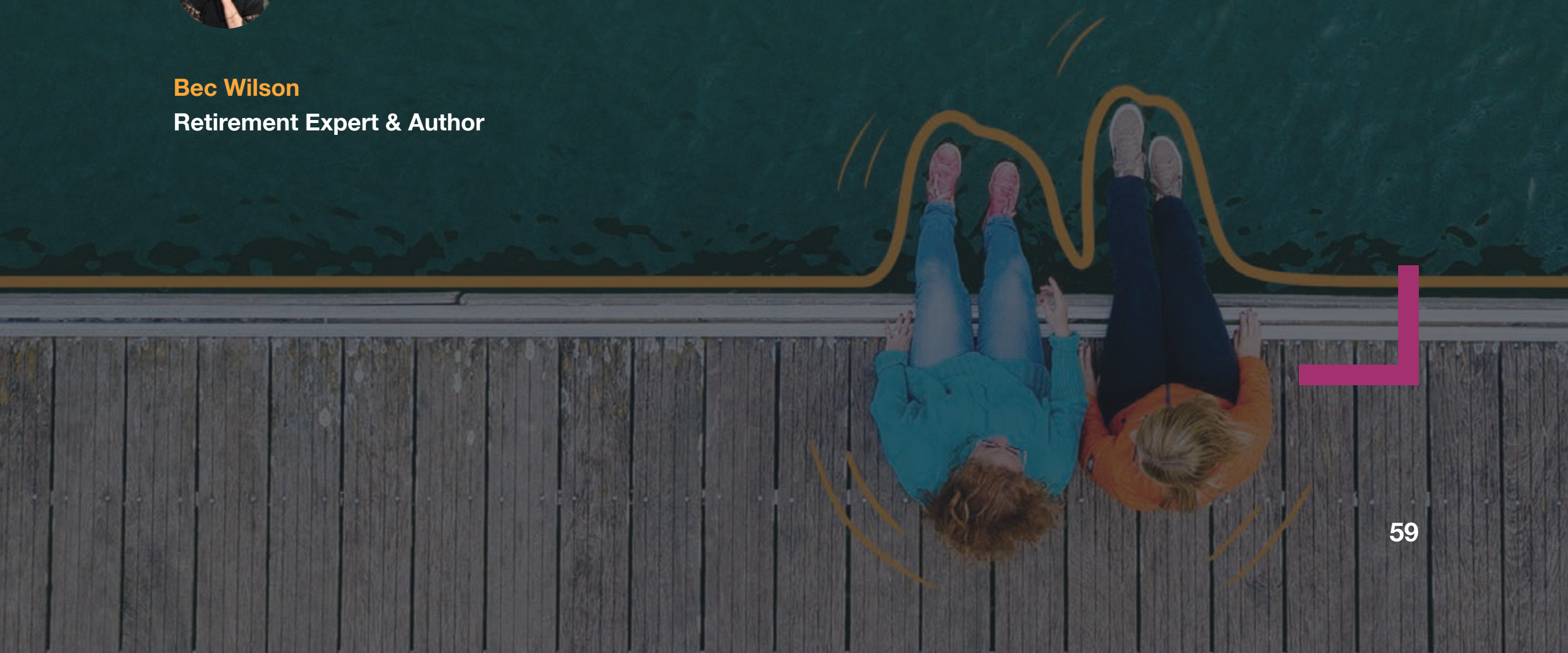
Felipe Araujo
Executive Director and General Manager | Generation Life

“

Financial advisers need to demonstrate their expertise in retirement and how they can support with structuring, empathy and good quality advice that will help their clients explore their goals and set their plans for the future. Think of your role in retirement financial advice as part adviser and part coach. People want help building their confidence, and the coaching style and relationship could be powerful in encouraging them to live the life they want to.

They need a well thought through plan that they can understand, with appropriate investments that allow them to combine their goals of leaving a legacy with their ambitions of living a great life too.”

Bec Wilson
Retirement Expert & Author



Transferring wealth: considerations when using superannuation

Generation Life's Reimagining Legacy 2023 Guide revealed one in three Australians believe super is the best way to optimise wealth and leave a legacy, despite this not being its purpose.[26]

Under the current legislation, the tax treatment of superannuation death benefits varies depending on whether it is paid out as a lump sum, an income stream, or a mix of both, and if the beneficiaries are considered 'dependants' or 'non-dependants' for tax purposes.[27]

Lump sum superannuation death benefits paid to a dependant, like a spouse, child under 18, financially dependent person, or those in an interdependency relationship are paid out tax-free. However, any lump-sum death benefits paid to 'non-dependants' may be subject to tax of up to 15% plus the Medicare levy on the taxable component, reducing the size of the legacy left behind.[28]

Furthermore, the proposed Division 296 tax on earnings on total superannuation balances above $3 million has sparked new debate around whether superannuation is the optimal structure to accumulate and transfer wealth.

Comparing the impacts of tax when transferring wealth

It's important to consider the superannuation Death Benefit tax along with the proposed Division 296 tax and how this will impact your clients' investments. Investment bonds offer a highly tax-effective and flexible way to transfer wealth.

Assumptions: Assumes an initial investment of $4m invested in the Vanguard Balanced Portfolio with a franking level of 51.7% and total underlying investment return of 6.2% p.a. Superannuation balance assumes an 80% taxable component. Where Division 296 tax applied based on current form to earnings on total superannuation balances above $3m. Returns based on tax components to 30 June 2023 of the portfolio and return history of the portfolio from inception to 31 December 2023. Past performance is not an indication of future performance.

Transferring wealth: considerations when using a family trust

Discretionary or family trusts are often used to help with the management and distribution of wealth to beneficiaries. Their objectives are generally to protect assets, maintain control and most often, minimise tax.

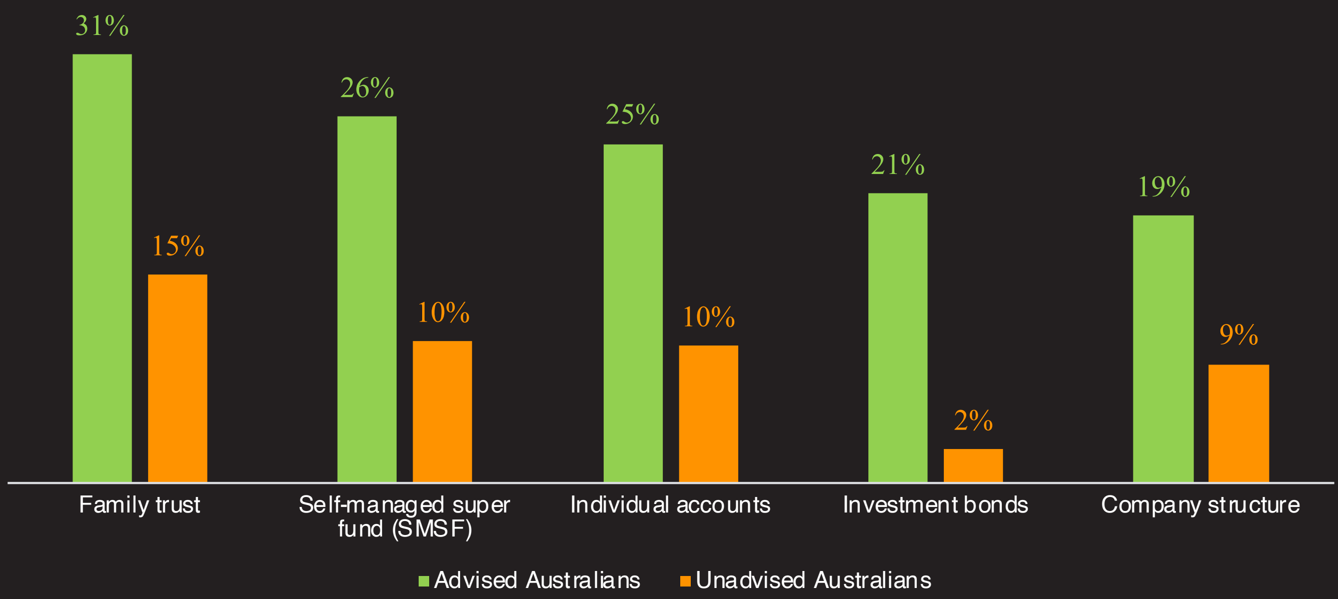
Trusts generally distribute any assessable income and realised capital gains each year to beneficiaries. If the trust does not distribute, then the trust itself will generally be liable to pay tax on its earnings (normally at the highest marginal tax rate). Once a trust distributes to beneficiaries, the beneficiaries handle any tax liability associated with the distribution. While trusts assist in effectively managing access to and the distribution of wealth, there will be times where the structure may not be as tax-efficient as some alternatives.

At some point, discretionary or family trust distributions may not be as tax-effective where the trust's beneficiaries' personal, taxable income levels are subject to higher marginal tax rates. Distributions to child beneficiaries (like grandchildren) may also not be tax-effective, as minors may face penalty tax rates.

Where a testamentary trust has been established under a will for estate planning, the practicalities of managing the trust on an ongoing basis may also prove expensive or burdensome for appointed trustees.

Common structures used for estate planning outside of large superannuation funds

Have you considered what structures your clients are using for estate planning outside of large superannuation funds and the impact of tax?



It is important to understand the different structures available to make the right decision when it comes to estate planning. Below is a comparison of some of the common structures available:

	Superannuation	Discretionary trust	Wills / estates	Investment bonds
Estate planning	• Some estate planning benefits • Limited by SIS Act • Limited concessional beneficiary types • May be subject to trustee discretion	• Strong estate planning benefits • Multiple beneficiary types available • Challenges can often create conflicts • Subject to trustee discretion	• Challenges can often create conflicts • Multiple beneficiary types available • May be subject to executor discretion	• Strong estate planning benefits • Multiple beneficiary types available • Can help to avoid beneficiary conflicts
Set up	Easy to set up	Can be complex	Can be complex	Easy to set up
Cost-effective	Ongoing administration fees	Set-up and ongoing costs i.e. tax reporting, accounts, legal, trustee	Set-up and ongoing costs i.e. legal, executor/trustee, probate costs	Ongoing administration fees
Tax consequences to beneficiaries	Non dependants may be subject to death tax on taxable components Non-dependants can't receive an income stream	Ongoing tax depends on tax status of trust beneficiaries	Subject to estate	Tax-free to beneficiaries on payment of death benefit or opportunity to transfer tax-free through a Future Event Transfer
Accessibility upon death	Subject to SIS Act and trustee processes	Subject to trustee discretion	May be subject to lengthy probate delays and legal challenges	Typically, beneficiaries receive funds within 7 business days of receiving documentation
Creditor protection	Generally protected*	Generally protected*	Not protected	Generally protected*

* Generally, bankruptcy exemptions apply provided that, amongst other things, the intention of the investment must not have been to avoid or mitigate a creditor's access to funds.

Solutions: helping to solve tomorrow's problems, today

Generation Life Investment Bond

Beyond their role in wealth accumulation, Generation Life Investment Bonds serve as an invaluable tool for estate and succession planning for High-Net-Worth Legacy Builders. They can be structured as a non-estate asset where beneficiaries are nominated, and bypass probate. Generation Life Investment bonds also offer a streamlined approach to wealth transfer that minimises delays and the administrative burdens typically associated with the distribution and finalisation of deceased estates.

Additionally, the flexibility to control when and how beneficiaries receive inheritances, with the added layer of protection in the event of bankruptcy, further enhance the appeal of Generation Life Investment Bonds.

Key benefits of investment bonds for High-Net-Worth Legacy Builders

- Flexibility to either transfer wealth as a lump sum payment on death or transfer ownership to an intended recipient either on a specified date or death
- Can be structured as a non-estate asset and does not need to form part of the estate
- Ability to select one or more nominated beneficiaries for a lump sum payment on death
- Option to place restrictions on when the recipient of a transfer can access funds, including the ability to set up a regular income payment after the transfer has occurred
- Should a nominated beneficiary pass away before the person does, the nomination will be managed automatically if they chose the joint survivorship or down-the-line nomination features
- Ability to set up one or more co-signatories for once off withdrawals if restrictions on future access to a transfer recipient are put in place
- Death benefit payments are paid tax-free and transfer of ownership also happens tax-free for income and capital gains tax purposes
- Creditor protected from bankruptcy*

Case study

Leaving a legacy with confidence, even in a complex situation

Meet Charles...

Charles is 76 years old and a widower. He has two children, Shane and Jess, and five grandchildren.

Charles currently has:

- A home valued at $3,000,000
- Superannuation balance of $4,000,000 (80% taxable component)
- Term deposits worth $100,000
- Two investment properties with a yield of 4.5% p.a. worth $2,000,000

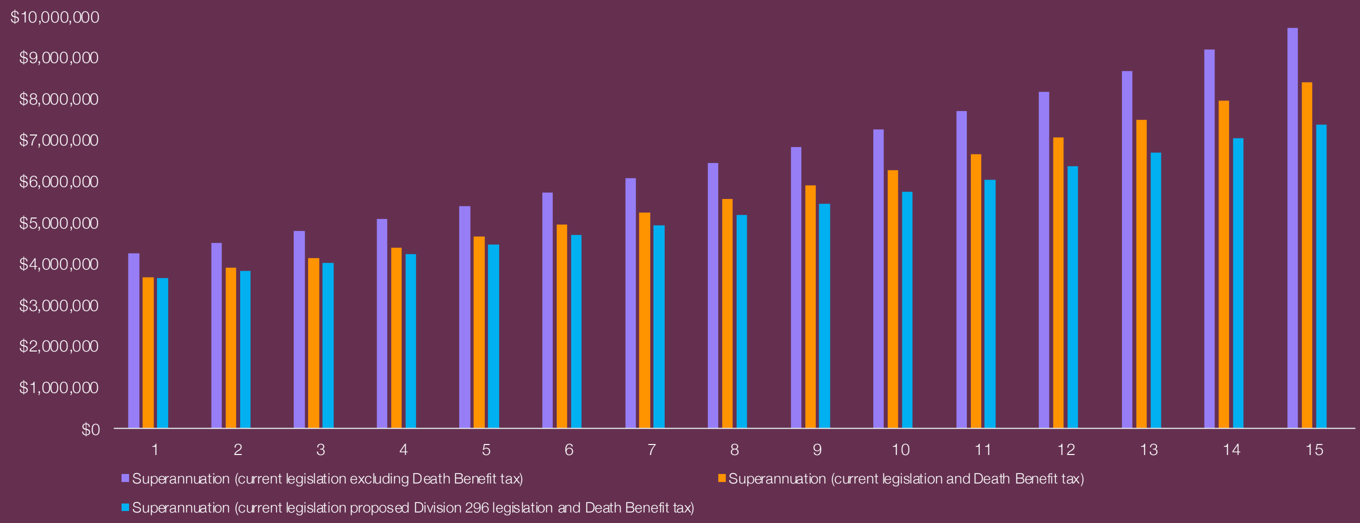
Charles's concerns…

Charles wants to leave an inheritance to his children while giving his grandchildren a financial head start in life. He is worried that Shane's wife is primarily in the relationship for the inheritance Shane will receive from Charles.

He is also concerned about the proposed Division 296 tax on earnings on his superannuation balance above $3 million.

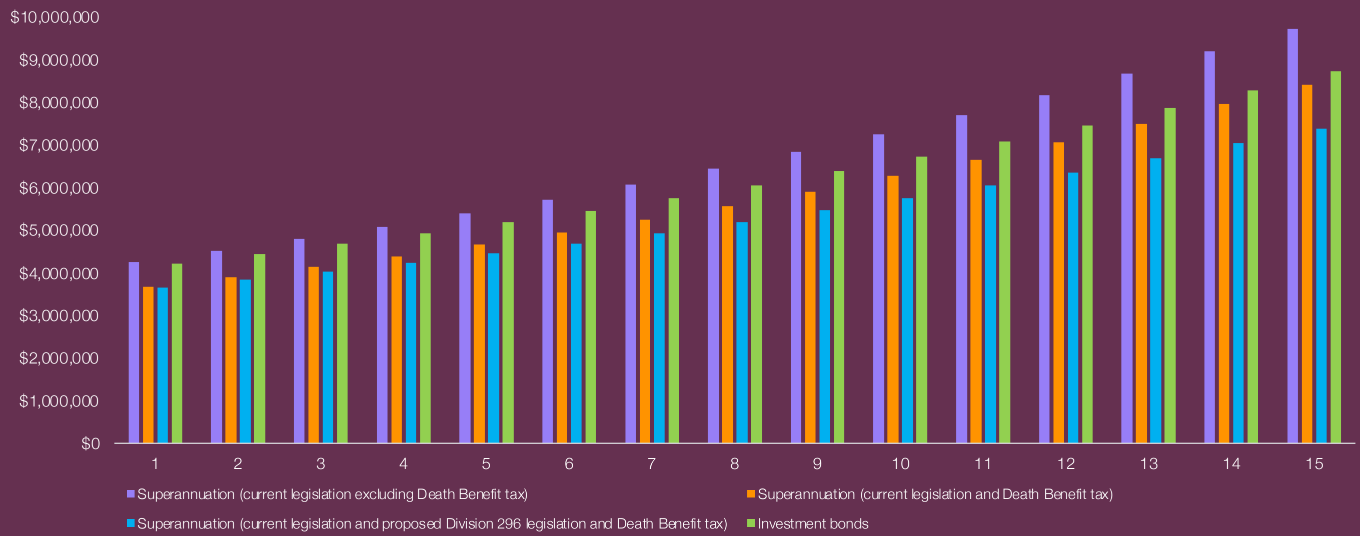
Charles's current situation…

What if Charles was to pass on his superannuation, and what are the effects of the proposed Division 296 tax and Death Benefit tax?



Charles speaks with his financial adviser…

He decides to transfer wealth using investment bonds, as it will give him more control over his legacy. Investment bonds are more tax-effective than relying on superannuation in Charles' case, which will mean he is able to leave his loved ones with more money when he passes away.



Assumptions: Assumes invested in the Vanguard Balanced Portfolio with a franking level of 51.7% and total return of 6.2% p.a. Where Division 296 tax applied based on current form on earnings on total annual superannuation balances above $3m. Average return calculated using tax components to 30 June 2023 and return history of the fund from inception to 31 December 2023. Past performance is not an indication of future performance.

Working with his financial adviser, Charles establishes multiple investment bonds for Shane and Jess, and his five grandchildren…

$500,000 to establish 5 investment bonds

5 grandchildren

Future event transferees

Establish 5 investment bonds at $100,000 each

Select Future Event Transfer facility to transfer ownership upon Charles's death with a Regular Income Payment of $18,000 p.a. in the first 5 years with Shane and Jess as the co-signatories.

$1,750,000 to establish 1 investment bond

Jess

Future event transferee

Establish a $1,750,000 investment bond nominating Jess as the beneficiary upon Charles's death

$1,750,000 to establish 2 investment bonds

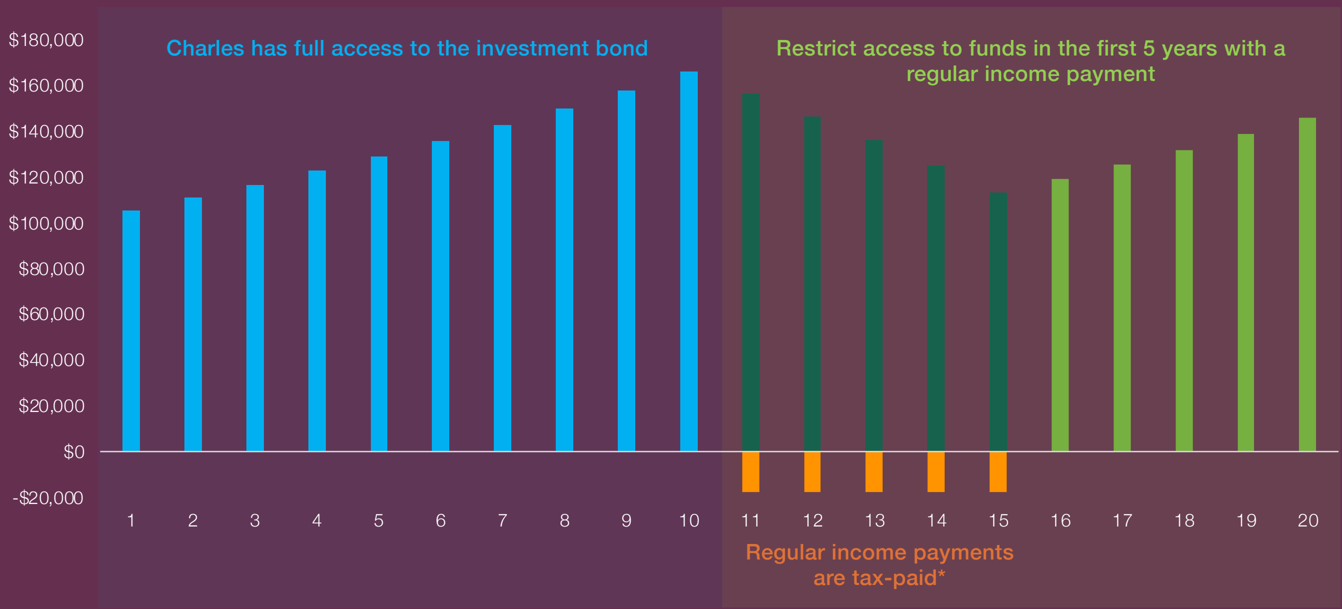
Shane

Future event transferee

Establish a $1,250,000 investment bond with a Future Event Transfer upon Charles's death

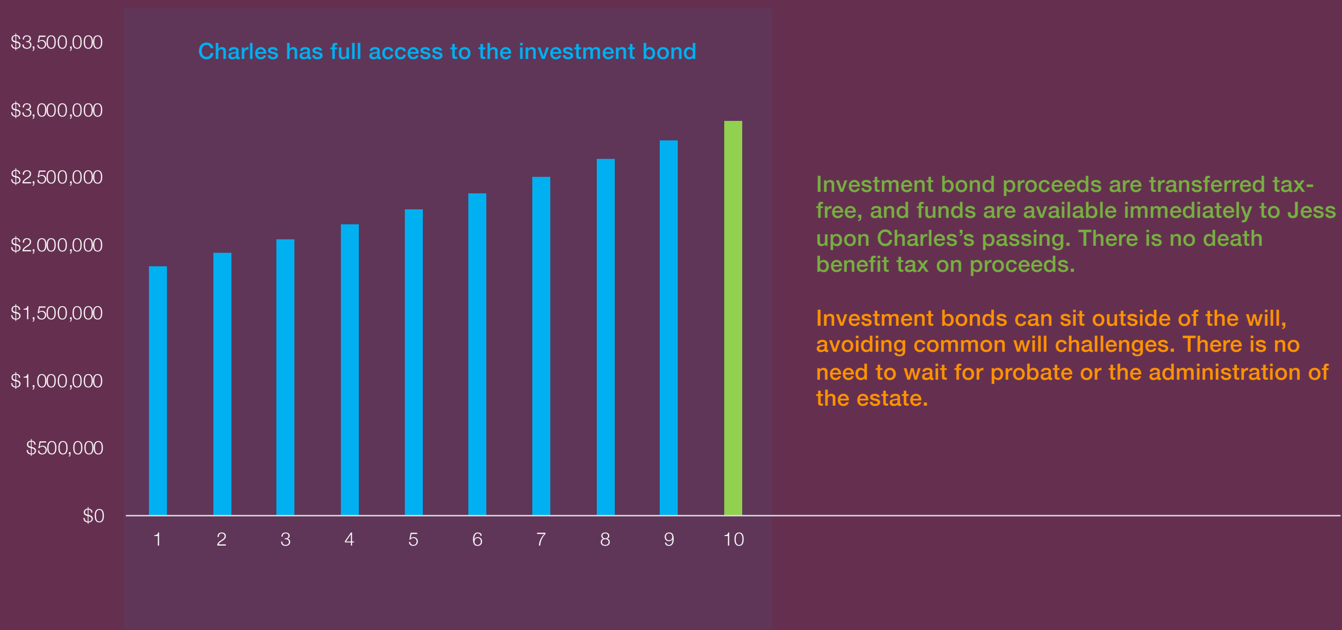
Establish a $500,000 investment bond with a Future Event Transfer to transfer ownership to Shane in 5 years.

If Charles passes away at age 87…
Let's look at his grandchildren's investment bond of $100,000 each…



Assumption: Assuming an initial investment of $100,000 with a total annual after-tax investment return of 5.2% p.a. Estimated average fees and costs of 0.67% p.a. over investment term with an effective bond tax rate of 15.7% p.a.

Let's look at Jess's investment bond of $1,750,000…

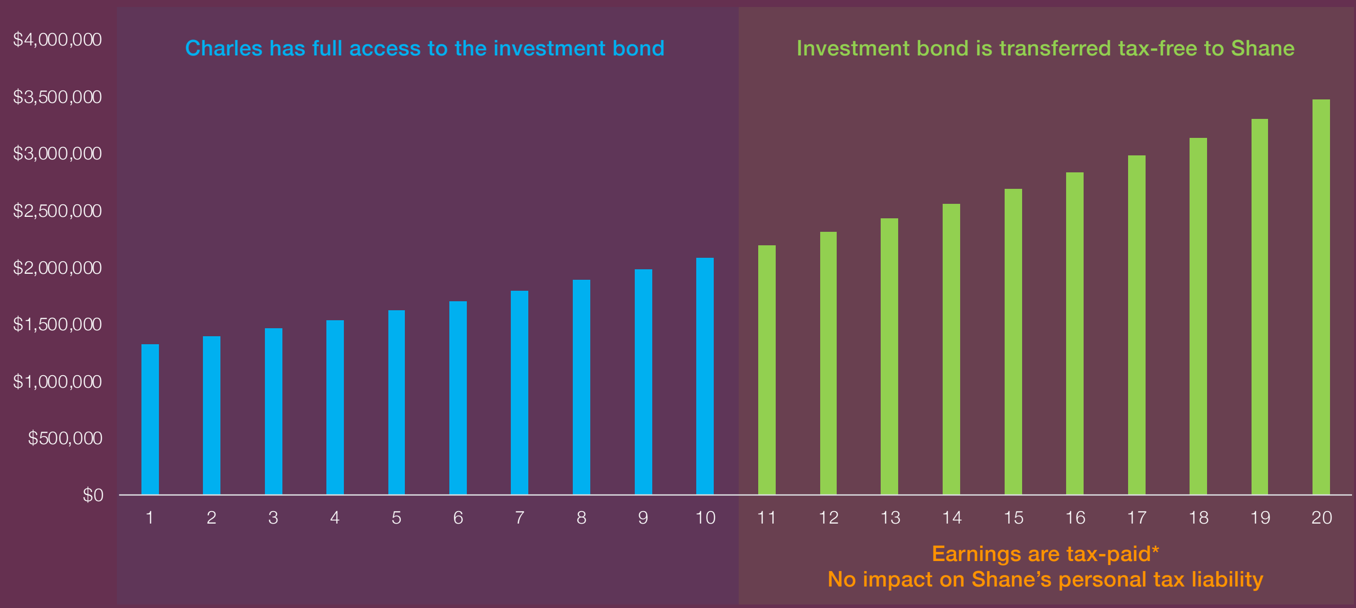


Investment bond proceeds are transferred tax-free, and funds are available immediately to Jess upon Charles's passing. There is no death benefit tax on proceeds.

Investment bonds can sit outside of the will, avoiding common will challenges. There is no need to wait for probate or the administration of the estate.

Assumption: Assuming an initial investment of $1,750,000 with a total annual after-tax investment return of 5.2% p.a. Estimated average fees and costs of 0.67% p.a. over investment term with an effective bond tax rate of 15.7% p.a.

Let's look at Shane's investment bond of $1,250,000…



Assumption: Assuming an initial investment of $1,250,000 with a total annual after-tax investment return of 5.2% p.a. Estimated average fees and costs of 0.67% p.a. over investment term* with an effective bond tax rate of 15.7% p.a.

Let's look at Shane's investment bond of $500,000…

Assumption: Assuming an initial investment of $500,000 with a total annual after-tax investment return of 5.2% p.a. Estimated average fees and costs of 0.67% p.a. over investment term* with an effective bond tax rate of 15.7% p.a.

Charles's outcomes...

By using investment bonds instead of solely relying on his superannuation to leave a legacy to his loved ones, Charles will:

Avoid the implications of the proposed Division 296 changes to superannuation, and Death Benefit Tax

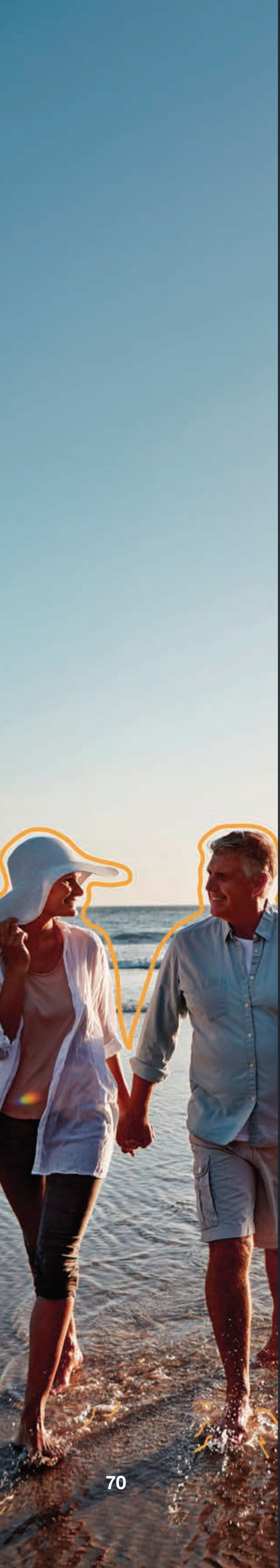
Retain full ownership before the transfer occurs

Reduce or has no impact to his loved ones' personal tax positions if the investment bonds are transferred to the intended recipients

Be able to place restrictions on fund access, such as, by setting up Regular Income Payments

Enable the automatic ownership transfer of the investment bonds at a time of his choosing (even before or when he passes away)

Be able to nominate Co-Signatories to make once-off withdrawals so restrictions are in place



Thinking outside the box

Using lifetime annuities to protect your loved ones

Generation Life LifeIncome
Investment-linked lifetime annuity

How can Australians ensure their loved ones are cared for long after they're gone with an income guaranteed for life?

Ensuring loved ones will be well taken care of when a person has passed away is top of mind for many older Australians. Furthermore, the traditional cycle of adult children caring for their elderly parents, can be complicated if their child has special needs. Not only must parents continue their care of the adult child well into retirement, but they must plan for their financial future after they're gone.

Figuring out how to ensure a partner or vulnerable loved one is taken care of when they are no longer around can be stressful. In this situation, financial advisers face the unenviable position of guiding clients through one of – if not - the most emotionally charged chapters of their lives. They must work together to put in place a robust, reliable, and deeply personal plan to protect their loved ones' future financial security and quality of life.

The financial sector is presented with a monumental responsibility to support older Australians with the right advice, education, and tools to successfully manage these emotionally charged decisions. Crucially, those resources cannot be cookie cutter answers. Solutions must be flexible and personalised to offer long-term security and peace of mind.

An alternative way of transferring wealth with certainty

One unexpected, and slightly unfamiliar, beneficiary payout tool that helps challenge the uncertainty of leaving a legacy comes in the form of the investment-linked lifetime annuity. Similar to Generation Life Investment Bonds, our investment-linked lifetime annuity, LifeIncome is governed by the same protections of a life insurance policy, like creditor protection from bankruptcy and challenges from estate claims.

Investment-linked lifetime annuities like LifeIncome are typically used by retirees to provide a lifetime investment-linked stream of income, that can complement their super and any other income sources, like their Age Pension. And they are hugely successful at this too. But interestingly, our Generation Life technical team has seen a recent uptake of lifetime annuities to provide for loved ones after clients are gone, including where their loved one is in the next generation.

Bringing this to life

Financial advisers can listen and understand their clients' priorities, then set up a LifeIncome investment-linked lifetime annuity that will deliver on their unique concerns. For instance, a financial adviser can set up LifeIncome for their client's beneficiary to receive either a lifelong income stream or a lump sum after their client passes away. For an income stream they have the flexibility to dial up the income they receive while they are alive, in return for a reduction in income when either they or their beneficiary pass away.

Lifetime annuities can free Australians from the confines of believing that a great retirement comes at the expense of leaving something behind for their loved ones.

It is time for us to start thinking outside of the box when it comes to beneficiary planning, to ensure that we continue to adapt and innovate for the changing needs of Australian families with dependent children or loved ones.

Planning for their financial future, their way

LifeIncome offers a level of innovation that's not often found in traditional financial solutions; they are flexible and can be creatively applied in ways that cater to any family situation.

When setting up a LifeIncome, the investor can choose when they receive their income and have a choice of different investment options they can switch between, over the life of the annuity. Importantly, they can also select a beneficiary that will also be paid a lifetime income.

Ultimately, the annuity empowers the recipient and leaves the investor free to enjoy their final chapters knowing that their loved ones will be looked after when they're gone.

Key benefits of LifeIncome for High-Net-Worth Legacy Builders

- The ability to purchase an annuity with non-super or superannuation monies
- Flexibility to nominate a loved one, such as a child, sibling or any other person whom you wish to receive an income guaranteed for life if commenced with non-superannuation money
- Access to a wide range of investment options across all asset classes, including growth assets to increase annual income over time
- Any earnings are tax free while they remain in the account, regardless of the persons' age
- Income payments are also tax-free if using superannuation money and above 60 years old

Case study
Protecting a loved one by giving an income for life

Meet Wendy...

Wendy is a 76-year-old woman in her prime years of retirement. Wendy currently has:

- $500,000 in her account-based pension
- $50,000 in savings
- $30,000 by way of car and contents

Wendy's concern...

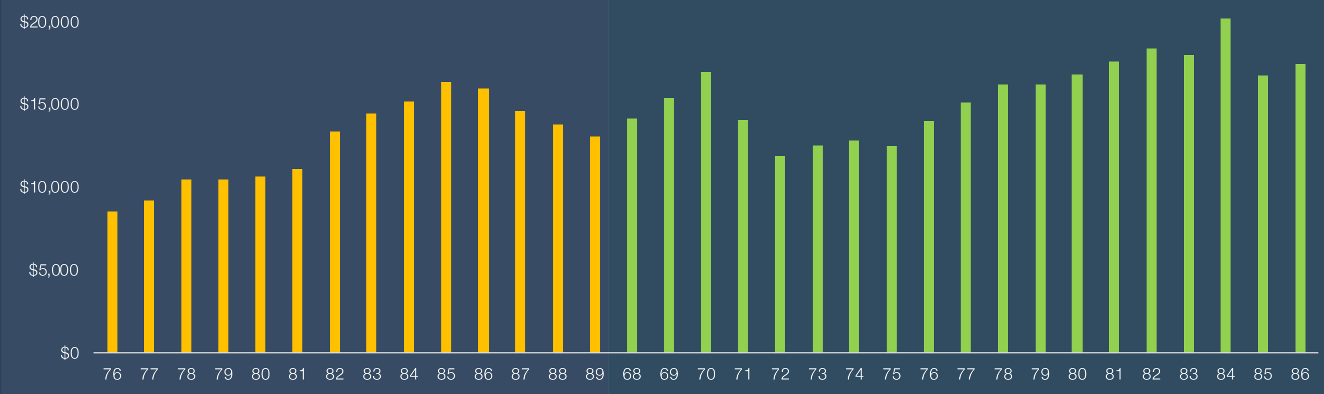
Despite these assets, Wendy is hesitant about her spending as she wishes to leave regular income guaranteed for life to support her daughter, Jennifer.

Jennifer is 55-years-old and has a mild mental health condition. This impacts her ability to spend her income within her means. Based on Jennifer's history, Wendy is worried that Jennifer could bankrupt herself unless she has a regular, long-term stream of income.

Wendy's solution...

By working with her financial adviser, Wendy sets up a LifeIncome investment-linked lifetime annuity for herself using $200,000 she withdraws from her account-based pension. Wendy nominates Jennifer as the reversionary of the annuity.

If Wendy passes away at age 89…



Wendy receives $207,718 in cumulative income by when she passes away at age 89.

Jennifer, now aged 68 herself, will receive $532,670 in total by life expectancy at age 86 and will continue to receive an income for life after that (assuming she lives beyond this).

Wendy's outcome...

Wendy invested $200,000 of her account-based pension into a LifeIncome, giving her an income stream guaranteed for life. If Wendy were to pass away at age 89…

Jennifer will continue receiving an income for life

Wendy doesn't need to worry about anyone else trying to access Jennifer's future income

This is because Wendy's LifeIncome policy provides protections of a life insurance policy

Lifetime annuities can free Australians from the confines of believing that a great retirement comes at the expense of leaving something behind for those you care about. It is time for us to start thinking outside of the box when it comes to beneficiary planning, to ensure that we continue to adapt and innovate for the changing needs of Australian families with dependent children or loved ones.

Assumptions: Based on a LifeIncome policy for Wendy with Jennifer as the reversionary beneficiary (reversionary percentage 100%), by investing $200,000 into a superannuation investment-linked lifetime annuity with a LifeBooster 2.5% rate. Annual income illustrations are shown in real dollars. Cumulative income figures are shown in nominal dollars. Investment returns use the Vanguard Growth Portfolio and are net of investment management fees commencing 1st July 1992. Inflation rate source: Reserve Bank of Australia, Statistical Tables, Consumer Price Inflation – G1, https://www.rba.gov.au/statistics/tables/ published 2024. No adviser fees have been charged. Estimated fees, expenses and costs of 1.19% p.a. for investment-linked lifetime annuity. Fees on investment-linked lifetime annuity are a percentage of the annual income. There are no fees and costs on the income paid from investment-linked lifetime annuity in the first financial year (or part thereof). Jennifer's life expectancy is based on her current age using life expectancy from Australian Government- Social Security Guide - 4.9.5.49 Table of life expectancy – payments commenced on or after 01/01/2020. Past performance is no indicator of future performance.

03

Part three

The value of advice

Demonstrating value and building trust are the keys to fostering quality advice relationships.

As explained in this Guide, Australians with a financial adviser are more confident they'll achieve their financial goals and are overall happier with their finances.

Financial advisers are key

Over the next decade, it's likely financial advisers will become even more important in building client wealth.

As financial policies like superannuation and tax legislation continue to change and inflationary pressures continue to impact investors, coupled with a complex investment market and the fear of running out of money in retirement, Australians need expert support and guidance more than ever.

The specialist expertise of financial advisers can help Australians of all ages and demographics navigate these changes and find the best investment solutions to suit their needs.

There is no denying the immense value of financial advice. Our research proved this immense value with higher levels of financial education and overall happiness experienced by our advised research respondents:

Advised **Aspiring Australians** are 4.5 times more likely to have a strong understanding of the upcoming superannuation concession changes, and 2.5 times more knowledgeable about how the stage 3 tax cuts will affect their future finances. Being advised gives this group the confidence to proactively start their wealth accumulation journey.

Mid-Life High-Net-Worth Parents are the Australians most likely to have engaged a financial adviser. They understand the value of having a holistic view when investing and leveraging a broader range of investment vehicles, and the benefits of looking for after-tax returns and outcomes rather than just top-line numbers (40% get advice on tax-reduction strategies).

Advised **Pre-Retirees** are three times more likely to feel that saving for a happy retirement is a very achievable goal than the unadvised. This allows them to focus on other financial goals, in particular more legacy-focused ones such as paying for school fees (48%), saving for weddings (40%), and leaving an inheritance (61%). It also gives them the confidence to spend on themselves and plan to buy a car or boat (41% versus 28% of the unadvised) or take a bucket list holiday (66%).

High-Net-Worth Legacy Builders are doing well financially, but professional adviser knowledge is needed to guide them through a shifting financial landscape. Around half of those that use financial advice understand what a professional can do for them beyond their own abilities (46%), and this is reflected in their overall knowledge and use of various financial vehicles. For example, those with advice are more likely to understand ETFs, investment bonds, and lifetime annuities, and leverage these as part of their financial strategies (those who are advised are 3 times as likely to use investment bonds or lifetime annuities).

Demonstrating value and building trust

"

Demonstrating financial advice's ROI and value needs to take place throughout the client relationship and include a mix of tangible non-quantifiable (peace of mind and control) and quantifiable (dollars and cents) benefits.

We start our relationships showing the immediate value of advice, helping our clients make small changes like shifting super funds or increasing monthly savings so they grow their wealth quickly. Then when we build and update their full financial plans, we show side-by-side the upside if they follow our advice versus if they continue the trajectory they were on.

We aren't afraid to talk about this ROI consistently because we know it matters to our clients: it's on our website that in the last 12 months, the average annual upside of our clients' financial plans was $71,203 after advice fees."

Ben Nash
Founder and Adviser | Pivot Wealth

"I prefer to manage my own financial affairs"

31% of the unadvised believe they're best placed to DIY their finances, but as our research has shown the benefits of having a professional guide you through the complexity of the current financial landscape are significant. Financial advisers can emphasise to prospective clients the benefits they bring beyond what the average person can do.

"I can't justify the cost for the value received"

This is a barrier for 30% of the unadvised. It is unlikely that financial advisers want to compete on cost, and therefore their focus can be on the value received. This can be landed with prospective clients through direct growth value (like support with investments and budgeting), but also the savings derived from an optimised tax and superannuation strategy.

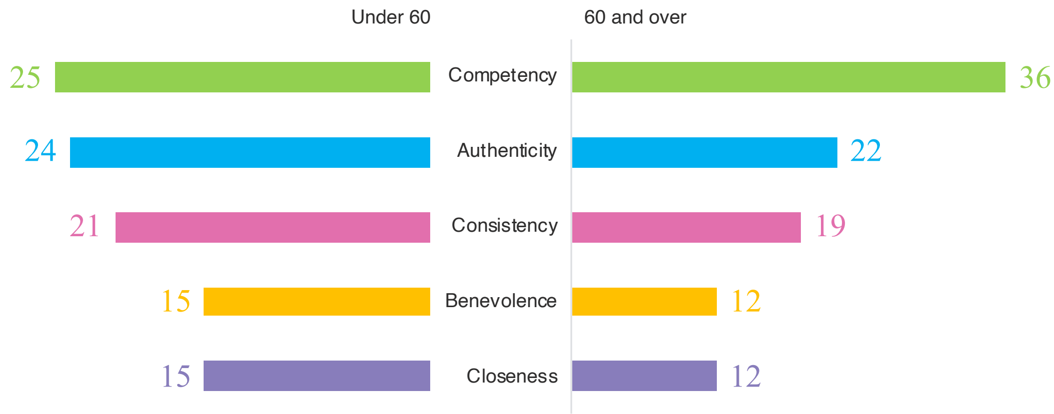
"It's difficult to find someone I can trust"

22% of the unadvised cite trust as a barrier to advice. The 2019 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services affected trust in this critical sector, but it has slowly been recovering.[29]

The importance of showing trustworthiness throughout the client acquisition and management journey stays crucial as this is still top of mind for many.

Drivers of trust with age

The value of trust and authenticity in advice relationships is high, particularly amongst younger cohorts. Authenticity is seen as being as important as competency in building trust with a financial adviser amongst an increasingly large proportion of the population.[2] Financial advisers must be seen to not only be technically sound but also have the interests of the client at heart.



"Trust in financial advice has come a long way since the Royal Commission. Our sector is demonstrably more effective, has higher standards, uses more technology, and there's less low value advice on the market. Clients who have been along for the journey can really see the difference. But ultimately, a lack of understanding about the industry, and how strategic and in-depth advice is, means that for some people there's still a trust barrier.

As an industry we need to keep demonstrating our experience, education, and the quality of our advice. A lot of the time we do this by telling client stories, boosting trust and getting new clients excited about advice's potential by showing the impact we've had on people just like them."

Ben Nash
Founder and Adviser | Pivot Wealth

Conclusion

What to take away from this Guide

Key learnings

Australia's financial landscape is complex and has undergone significant change recently - this is causing different Australians stress because they aren't sure how to best manage their finances to achieve their goals in this context.

Having a financial adviser directly correlates with increased financial happiness, especially for younger Australians, parents and pre-retirees - the important thing for financial advisers to do is find ways to show this value in a meaningful way to different kinds of people.

- **Aspiring Australians** need to be motivated to start their financial advice and wealth accumulation journey. Financial advisers must demonstrate they can help with property investment and broader investment strategy support.

- **Mid-Life High-Net-Worth Parents** rely on financial advisers for their financial happiness. They're under pressure and are looking for ways to continue to boost wealth in a tax-effective and tax-optimised way as they approach retirement, and to support their children's futures.

- **Pre-Retirees** are worried they won't be able to afford the retirement they've always dreamed of. They need empathy and assurance from financial advisers who can support them to build out a portfolio enabling them to transition towards the retirement they deserve.

- **High-Net-Worth Legacy Builders** are looking to advisers for support making their portfolio as tax-effective and tax-optimised as possible. They're open to considering various vehicles that enable them to manage their estate with control, and fund a happy, dignified retirement.

Flexible, tax-effective investment solutions to help solve tomorrow's problems, today:

- **Investment bonds** can help Australians of all ages build wealth in a tax-effective, flexible way - whether they're saving for a house, paying for private school fees, looking for a tax effective alternative to superannuation, or leaving a legacy to loved ones with certainty and simplicity.

- **Investment-linked lifetime annuities** provides pre-retirees and retired Australians the confidence and peace of mind that they will be able to enjoy the secure and happy retirement they deserve without running out of money.

Our goal at Generation Life

At Generation Life, we are proud to support you and your clients with innovative investment solutions that help you drive success. Our aim is to help you plan for tomorrow for all generations and provide excellent ongoing advice.

We know financial advisers play a crucial role in helping Australians build, protect, leave and preserve their wealth. Over the next decade, your role in helping them to navigate challenges, gain essential knowledge, and ultimately achieve their goals has never been more important.

We're here to support you towards continuing to make a real difference to the financial futures of Australians - because this is certainly not tomorrow's problem.

Access our range of calculators, resources and educational materials on Generation Life's Adviser Online for all the information you'll need to help your clients, including:

Adviser tools at your fingertips

We have developed a range of digital tools like calculators and comprehensive reports to help you tailor illustrations and projections to your clients' financial objectives.

Strategies and case studies

We can help you find a solution to your clients' wealth building challenges and identify all relevant opportunities.

Tax Optimised performance reporting

Comparing our Tax Optimised investment options' returns against three investor profiles on an after-tax basis – individual investors with a marginal tax rate of 47% or 39%, and a company investor on the standard 30% company tax rate.

Educational and informative sessions

We offer educational events nationally throughout the year and regularly sponsor industry events, offering meaningful and insightful experiences.

Ongoing support and services

We offer a personalised approach to helping you and your clients manage their investments. Whilst you can access everything online, we are always here to support you in person.

Research methodology

In October 2024, Generation Life released research titled 'Not Tomorrow's Problem' deep diving into four key Australian life stages. This aimed to outline respondents' financial objectives, the fluidity of their goals and what changes them, their current investment portfolios, and their understanding of how the changing financial landscape affects them.

Australians need support and guidance to help them navigate this environment successfully and be empowered to take control of their financial future. Therefore, Generation Life's Not Tomorrow's Problem research aims to raise awareness of the value of financial advice, empowering Australians to plan for their financial future more effectively.

1,021 total respondents participated in the survey June 2024, with an average survey length of twelve minutes. The online survey was co-designed by Generation Life, CoreData and Sefiani. Respondents included:

- n=308 Aspiring Aussies, defined as under 35-year olds with an income of $80,000 to $190,000 per annum
- n=204 Mid-life High-Net-Parents, defined as those 50-years-old and under with an investment portfolio of at least $1,000,000 and at least one child under the age of 21
- n=276 Pre-Retirees, defined as those over-50 who are not retired and have an income of $80,000 to $190,000 per annum, and
- n=233 High-Net-Worth Legacy Builders, defined as those over 50 who have an investment portfolio of at least $1,000,000.

Fieldwork was conducted by CoreData and respondents were sourced through CoreData's proprietary panel and through research panel partners. CoreData also undertook the process of data cleaning to ensure that results would be accurate, consistent, and reliable, reducing the risk of error and bias in the analysis, and from there developed critical, robust insights for this research.

About Generation Life

We understand that finding the right investment partner is important to you.

As the pioneer of Australia's first truly flexible investment bond, we have been at the forefront of providing innovative tax-effective investment, estate planning and retirement solutions since 2004 with $3.3 billion in funds under management.

Generation Life, a wholly owned subsidiary of Generation Development Group (ASX:GDG), is a life company registered under the Life Insurance Act 1995 (Cth).

Generation Life is regulated by the Australian Prudential Regulation Authority ('APRA') and as such, we are required to hold a minimum amount of capital, determined by APRA, to ensure we can meet the payment obligations we have to our clients. APRA is the same independent statutory authority that supervises banks. The rules that underpin the operation of our investment options are also approved by APRA. Each investment option is held separately and distinctly from the other investment options and assets of Generation Life. Importantly, this means each investment option is legally independent and is quarantined and protected from any potential adverse positions that may impact either Generation Life or any of the other investment options.

About CoreData

CoreData Research is a global specialist financial services research and strategy consultancy, founded in 2002 and headquartered in Australia, with operations in Sydney, Perth, London, Boston and Manila.

We provide clients with bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research, database hosting and outsourcing services.

CoreData provides both business-to-business and business to-consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

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