

Generation Life

Tax Effective Equity Income Fund

# About the Fund



The Generation Life Tax Effective Equity Income Fund ('the Fund') is designed to provide investors with a regular income stream, generated from a portfolio of high yielding Australian shares.

The Fund is a 'tax paid' investment where tax on the Fund's earnings is paid by Generation Life. Over the long term we estimate the average annual tax paid by the Fund will be less than 10% p.a.<sup>1</sup>. The level of tax estimated to be paid over the long term is based on the existing legislative tax framework that applies to investment bonds.

## Why invest?

Regular (quarterly)  
tax-effective income stream

Estimated long-term average  
tax paid by the Fund less  
than 10% p.a.<sup>1</sup>

Minimal ongoing tax  
reporting

Exposure to an active  
Australian share portfolio  
targeting higher yields

Wealth transfer and estate  
planning options

No minimum investment  
term

Access to ClearBridge  
Investments' expertise<sup>2</sup>



## Who is the Fund suitable for?



### An alternative income source

If you are looking for a regular payment stream with exposure to a diversified portfolio of listed Australian shares.



### To fund regular expenses

If you need to fund regular expenses such as school fees.



### High income earner

If you are on a higher marginal tax rate or looking to manage your marginal tax rate position.



### In retirement

If an additional source of regular cashflow is needed in retirement, with no limits on how much you can contribute.



### Pre-retirement or transitioning to retirement

Where you don't have access to superannuation and you need a tax-effective regular income stream.



### For certainty with distributing wealth and estate planning

Where you need certainty and peace of mind when providing for future generations.

## Tax-effective regular income streams

With the Generation Life Tax Effective Equity Income Fund, you can elect to receive regular quarterly payments. The regular payment amount will typically correspond to dividends and other income generated by the Fund (excluding any realised capital gains or losses) and after allowing for fees, expenses and fund level tax.

If you prefer to build and retain the value within your investment, there is flexibility to elect not to receive a regular payment amount.

### The Fund has been designed to provide the following tax-effective benefits:

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Regular quarterly payment apportioned between tax-free capital and tax assessable income

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A 30% tax offset to reduce personal tax on assessable income

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No personal tax assessable income after 10 years

# Earn regular income without the tax burden. A fresh approach.



## How your regular payment will be taxed

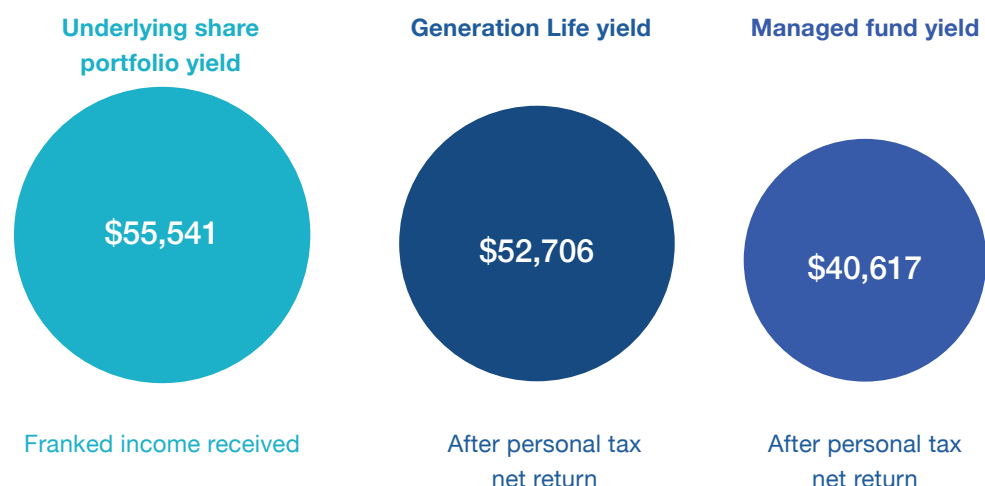
If you choose to receive a regular quarterly payment, a portion of the payment received will be treated as a tax-free component. The balance will be treated as tax assessable income taxed at your marginal tax rate (in the first 10 years of your investment). After 10 years, your regular quarterly payments will normally be received tax-free.

With any tax assessable component of the regular payment you receive, you will also automatically receive a tax offset (currently equal to 30% of the tax assessable amount). This tax offset amount can be used to reduce your annual tax liability in the financial year that the regular payment was made.

This is unlike an Australian shares managed fund where the regular distributions you receive are generally fully tax assessable.

## Generating a higher after tax income

The Generation Life Tax Effective Equity Income Fund significantly improves net after tax regular income payments. The Fund has a portfolio of Australian shares focused on high yielding companies that looks to extract the full benefit of franking credits.



Illustrative comparison shows the average annual regular payment/distribution after personal tax over a 5 year period based on the same underlying investment strategy for both the Fund and a managed fund equivalent. The returns do not represent actual or any forecast performance or returns.<sup>3</sup>

## How the Fund is managed?

### Investment objective

The Fund seeks to generate a growing income earnings profile by investing in a diversified portfolio of high-quality companies. The Fund's investment portfolio aims to provide an after-tax income yield above the S&P/ASX 200 Index yield and to grow this income above the rate of Inflation as measured by the All Groups Consumer Price Index.

### Investment approach

## ClearBridge

A Franklin Templeton Company

Generation Life has appointed ClearBridge Australian Equities Investment Team, a division of Franklin Templeton Australia Limited as the Fund's investment manager. The ClearBridge Australian Equities Investment Team's income approach is premised on the philosophy that high-quality companies with solid earnings can sustain dividends, grow distribution to match rises in the cost of living and are likely to be less volatile than the wider equity market.

The ClearBridge Australian Equities Investment Team's equity strategies have a disciplined and repeatable investment approach based on research across four distinct lenses: Valuation, Quality, Direction and Sustainable Dividend. They believe that the powerful combination of its four different investment lenses provides a broad perspective of security expected returns. The diversity of sources of information across each ensures that the performance of their strategies is less reliant on the correlation of market returns to any one factor.

The ClearBridge Australian Equities Investment Team relies on complementary fundamental and quantitative research, and collective insights into the current investment landscape, to identify the most attractive opportunities.

The Fund is managed in a tax-aware manner to benefit from franking credits and with the aim of maximising after tax returns through management strategies employed in the purchase and sale of securities.

### Investor suitability

The Fund is suited to investors that require a regular payment amount that broadly corresponds to the dividend yield of the S&P/ASX 200 (on an after tax basis).

## Estate planning

The Fund, which leverages the benefits of an investment bond structure, can be a useful estate planning tool. Your investment is an investment-linked life contract where beneficiaries can be nominated to directly receive the proceeds of the investment on the death of the owner (life insured) - in which case the money does not go through the estate and can be paid out quickly. In addition, the proceeds (including accumulated earnings) are not taxable in the hands of the beneficiaries, even if the investment is held for less than 10 years. Unlike superannuation, there are no restrictions on who can receive the proceeds tax-free, and payment is not limited to 'dependants'.

Through the Fund's future event facility, you have the added flexibility to transfer ownership automatically without going through the estate on the death of the owner. There is no tax paid either by the current owner or recipient of the investment bond on transfer.

## Creditor protection

If you own your investment as an individual and you or your spouse are the nominated life insured, you will receive protection from creditors in the case of bankruptcy (provided your intention was not to defeat creditors). This protection applies to the investment bond itself as well as any proceeds from the investment bond received on or after the date of bankruptcy.

## Fund details

<b>Minimum investment</b>	Retail: \$25,000 Wholesale Class D: \$250,000
<b>Minimum additional investment</b>	\$5,000
<b>Regular savings plan</b>	Minimum of \$500 per month
<b>Regular payments</b>	Quarterly
<b>Management fee</b>	1.20% p.a. of the gross asset value of Retail units 0.98% p.a. of the gross asset value of Wholesale Class D units

## About Generation Life

As the pioneer of Australia's first truly flexible investment bond, we have been at the forefront of providing innovative tax-effective solutions since 2004. Today we are a leading specialist provider of investment solutions, with more than \$4.8 billion invested with us to date. Generation Life is a registered life insurance company under the Life Insurance Act 1995 ('Life Act'). Our operations, and the operations of the Fund, are governed by the Fund's Product Rules, the Life Act, the Corporations Act 2001, and the Income Tax Assessment Act 1936, Income Tax Assessment Act 1997 and Income Tax Rates Act 1986.



Outthinking today.

### Contact details

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1. Represents the estimated average level of tax to be paid by the Fund on its annual earnings based on the Fund's stated investment strategy, investment profile, current tax legislation and assumes the historical investment and transacting profile will continue. The estimated level of tax paid is assumed over a long-term and through a full market cycle. The actual level of tax incurred by the Fund may vary and will be dependent on the Fund's actual level of earnings and investment and transacting profile. Past performance is not indicative of future performance. The tax payable by an investor on the Fund's regular payments will vary depending on the individual tax circumstances of the investor, the level of earnings included in the regular payment and the level of the benefit of tax offset available.
2. ClearBridge Investments has been appointed as the investment manager for the fund. ClearBridge Investments is a division of Franklin Templeton Australia Limited (part of Franklin Resources, Inc).
3. Illustration assumes \$1m investment with an annual dividend yield of 5.5% with a 90% franking level, no capital growth and no difference in fee levels.