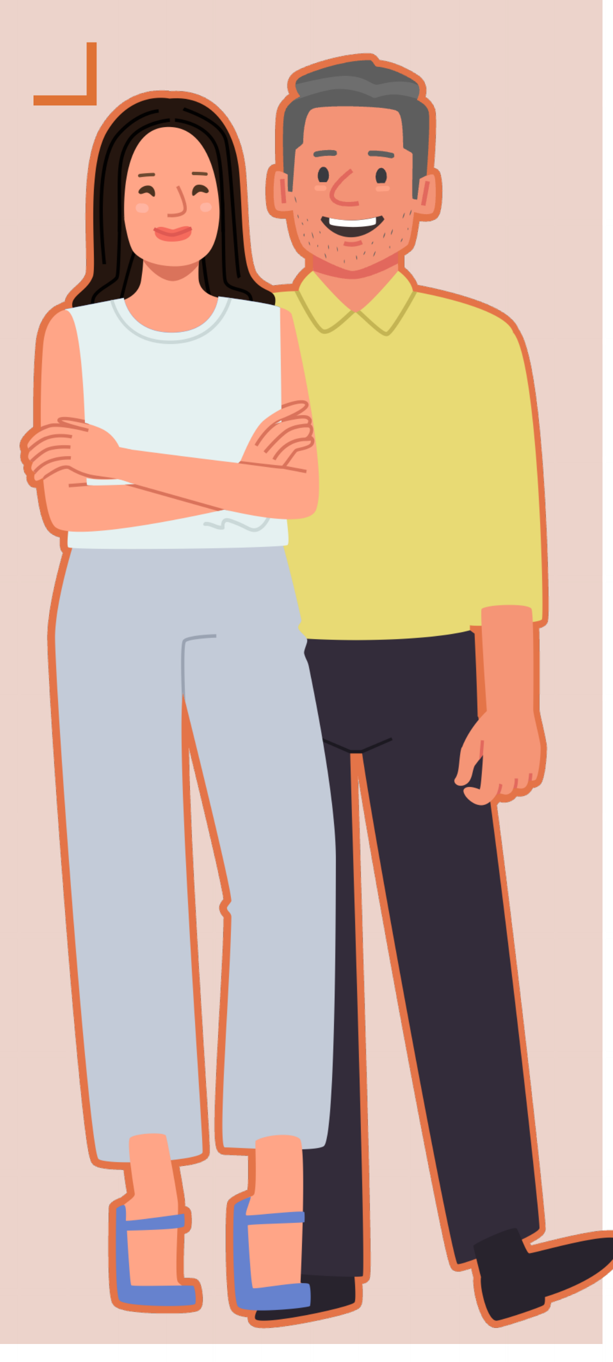
Case study

Gearing solution

Beyond super: navigating the next phase of tax and wealth reforms



Meet Michael and Rebecca

Age	Michael (48) and Rebecca (45)
Family	Two adult children both students at university
Tax	Combined income of $520,000 p.a. – both on top marginal tax rates
Situation	Has $450,000 available to invest after maximising their superannuation contributions and paying off their mortgage. Looking to reduce their taxable income and provide a legacy for the kids

Michael's and Rebecca's concerns

- ☐ Potential changes means they won't be able to implement their geared residential property strategy
- ☐ They don't have the capital needed to gear into commercial property and don't have the experience to do so

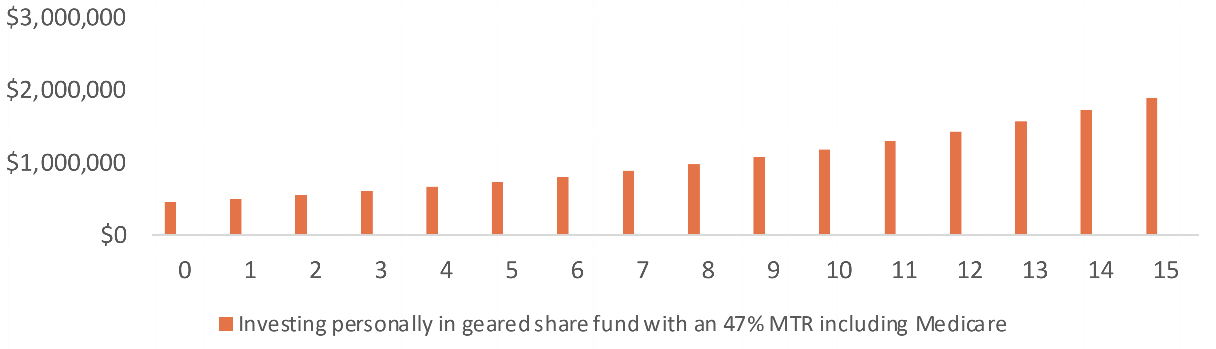
Michael and Rebecca look at 3 options…

1. Invest in a geared Australian share managed fund
2. Gear directly into shares or managed funds
3. Invest in an investment bond that is geared in Australian shares

Michael's and Rebecca's

Option 1 - Invest in a geared Australian share managed fund...

Michael and Rebecca contribute $200,000 of the inheritance to Rebecca's superannuation, then invest the remaining $450,000 into a geared Australian share fund held in their personal names.

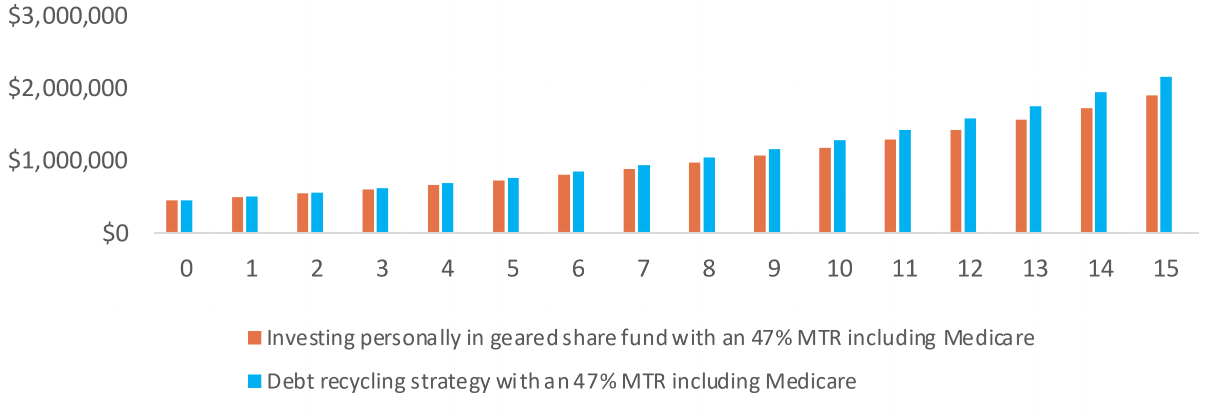


Assuming a total ungeared pre-tax and expenses return of 8.92% p.a. with income returns of 3.56% p.a. and growth returns of 5.36% p.a. Excludes the impact of administration and tax management costs. Assumes all interest costs are fully tax deductible within investment vehicle or strategy. Assumed interest rate margin above institutional interest rates assumed for investment bond and managed fund borrowings equivalent to 1.00% p.a. reflecting residential property owner occupied lending rates. Excludes the cost of any loan establishment charges. Assumes annual rebalance to target gearing level of 45% of asset/security value. All loan facilities are interest only with interest costs capitalised.

Michael's and Rebecca's

Option 2 - Gear directly into shares or managed funds...

Same $450,000 of investable capital — but instead of relying on a fund's internal gearing, Michael and Rebecca utilise a debt recycling strategy against their family home in their own names and invest directly into Australian shares or managed funds.



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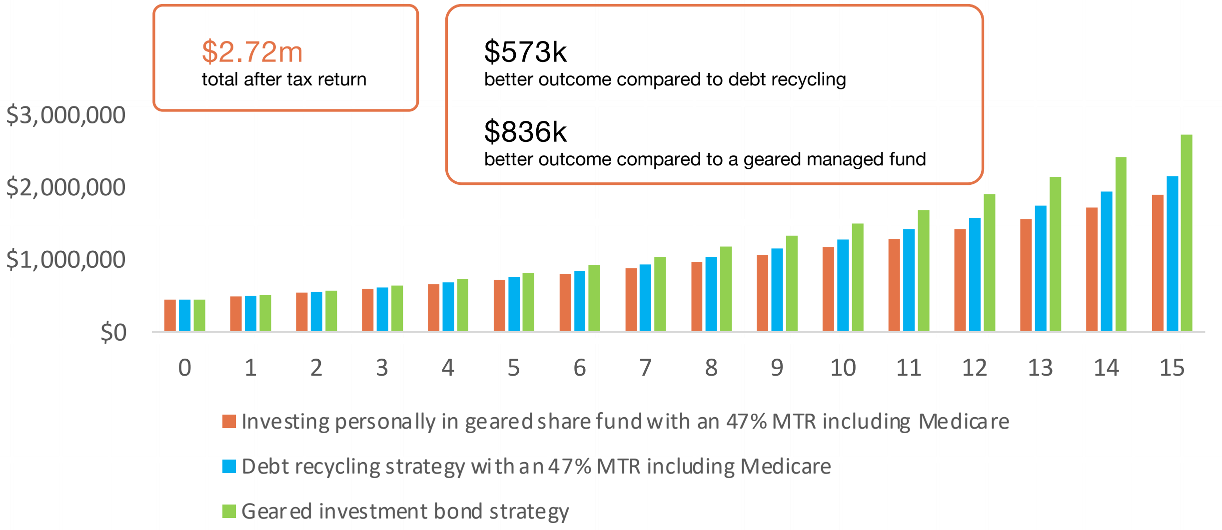
Michael's and Rebecca's

Option 3 - Invest in a geared investment bond strategy…

Same $450,000 of investable capital — but they establish a $450,000 investment bond and invest into the Generation Life Tax Effective Australian Share Fund (Geared).



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Michael and Rebecca's outcomes…

- Access to a geared strategy
- No personal CGT impact
- No personal borrowing required & institutional rates
- No loan management obligations
- Tax-paid investment structure and with no impact to MTR
- Estate planning opportunities

About Generation Life

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We've been helping Australians since 2004 across all life stages and multiple generations. Today, we area pioneer in providing market-leading investment bond and investment-linked lifetime annuity solutions to help secure the financial future of many Australians and their families.

As part of an ASX listed company, we're passionate about innovating and providing the best outcomes for our investors. We believe in putting our investors at the heart of everything we do.

Do you have client scenarios in mind?

Our specialist team is here to help. Contact one of our Technical team members at **technical@genlife.com.au** about running client scenarios for you today.

Awards

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Outthinking today.

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