Case study

The family trust dilemma

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

Meet Travis and Lisa

Age	Travis (53) and Lisa (52)
Situation	Travis is a business owner Lisa is full time mother
Investments	$5.6m in a discretionary (family) trust $4.2m in superannuation
Family	Two adult children
Situation	Using a family trust to hold multiple assets and distribute income

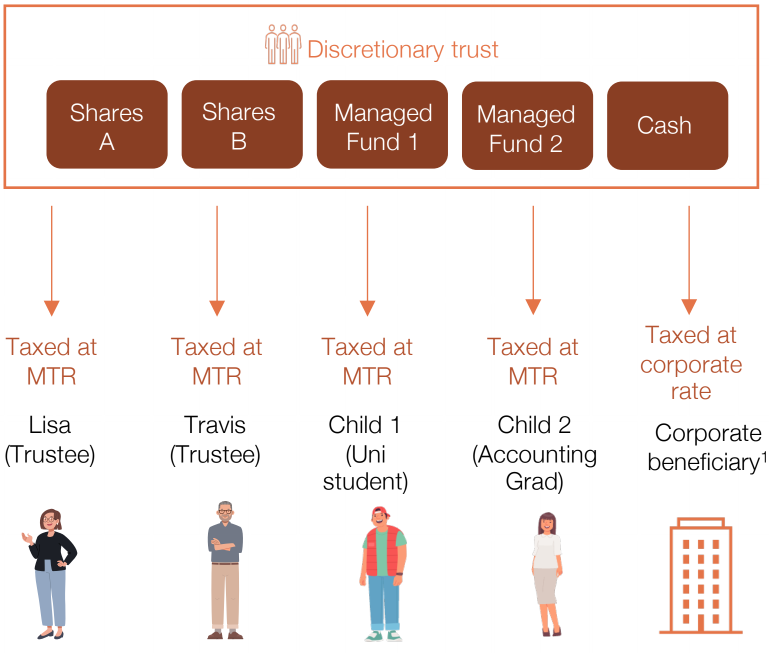
Travis and Lisa's concerns

- Concerned about the distributions in the trust being taxed at a minimum of 30%
- Want to maintain flexibility and family control
- Want certainty around intergenerational wealth transfer

Travis and Lisa look at 2 options...

1. Maintain current trust structure
2. Sell trust assets and establish investment bonds

Travis & Lisa's current structure based on current rules…



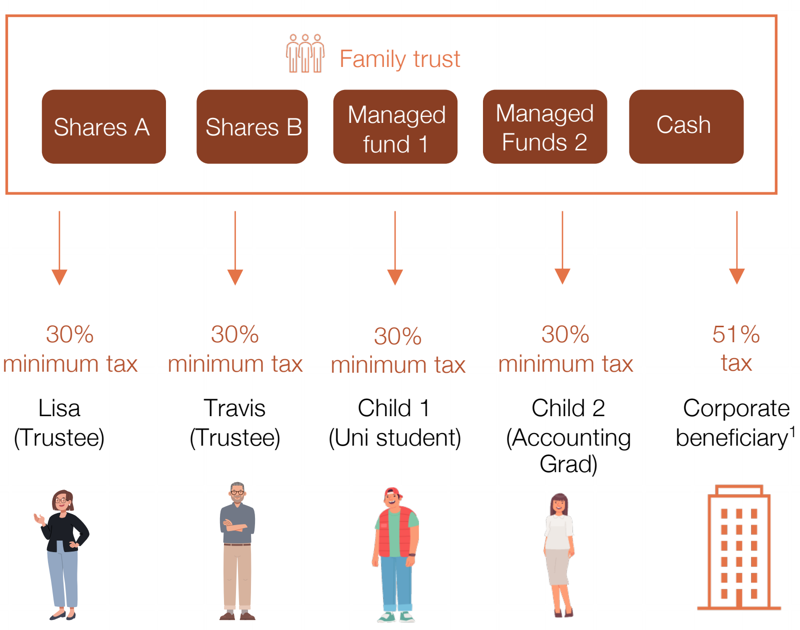
Have been used for income streaming

Taxed at beneficiaries' MTR

Stream income to corporate beneficiary

Corporate beneficiary is in effect a tax deferral strategy

Travis and Lisa's current structure based on the new rules…



Minimum tax of 30% for beneficiaries below 30% MTR

Assets held within trust subject to CGT

Distribution to bucket company subject to potential double taxation

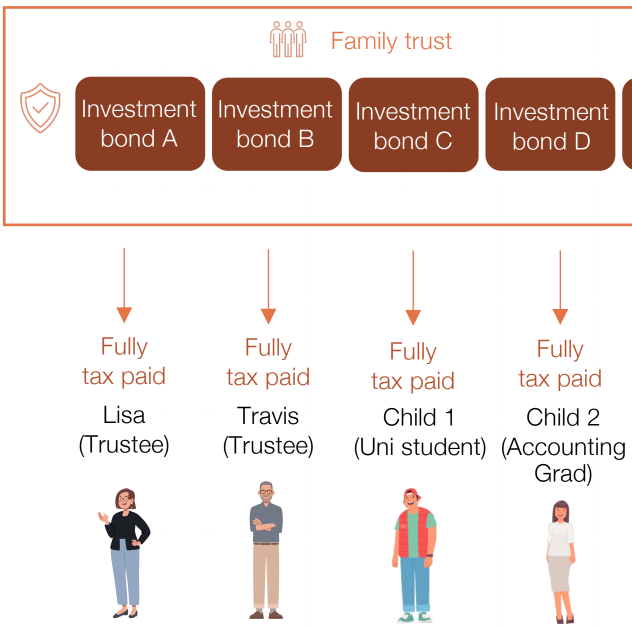
No longer an income streaming strategy to beneficiaries

Non-refundable tax credit for individual beneficiaries

No tax credit for corporate beneficiary

1. Corporate beneficiary that distributes back to discretionary trust to then distribute to individual beneficiaries may be viewed as a high-risk tax avoidance strategy depending on the arrangement and purpose.

Setting up investment bonds within a trust



Investment bonds are tax-paid with a maximum rate of 30%

Tax-Optimised – effective tax rate generally ranging between 10%-15% over the long term[1]

Does not distribute income – no corporate beneficiary required to manage tax

Income to beneficiaries can be controlled when needed through withdrawals

30% tax offset available against personal tax liability for pre-10 year withdrawals

1. Indicative effective average tax rates representing the estimated average annual tax as a percentage of earnings for each 12-month period over a future period of 15 years. Actual tax amounts payable are not guaranteed and may vary from year to year based on, amongst other things, the earnings of an investment option.

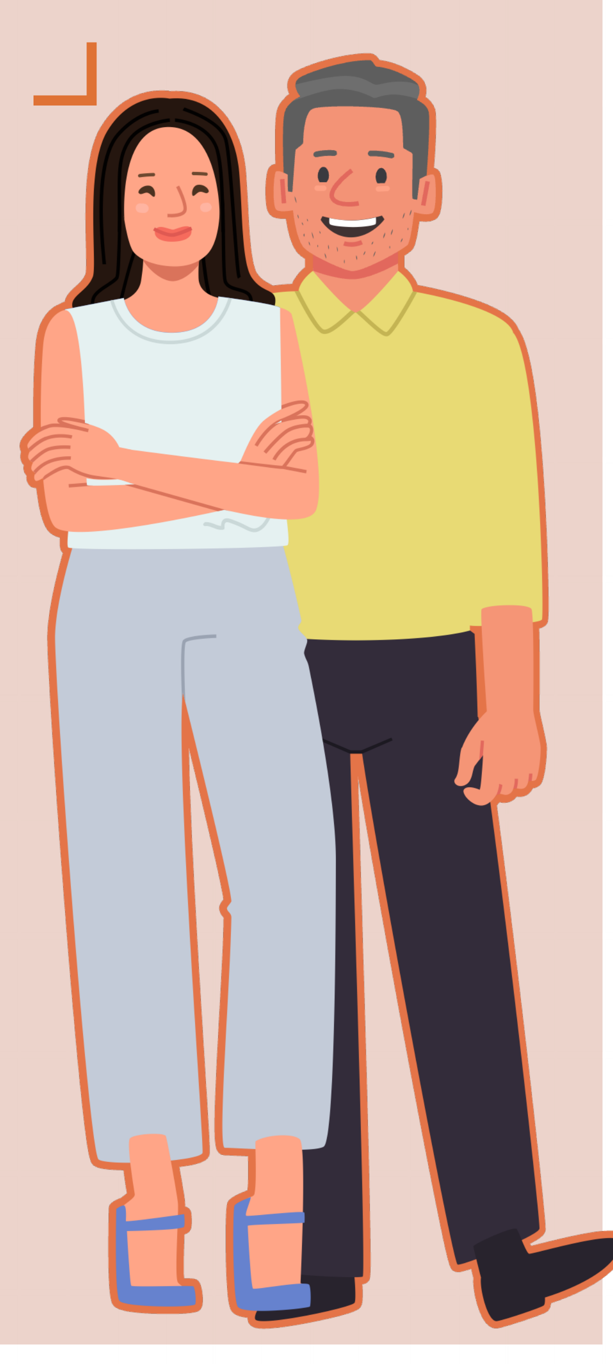
Travis' and Lisa's outcomes…

- ☑ Retained family control via trust structure
- ☑ Simplified administration over time
- ☑ 30% tax offset available on withdrawals before 10-years for adult children to reduce their personal tax liability
- ☑ Greater certainty and control when transferring wealth to the next generation
- ☑ Tax-paid at maximum rate of 30% – Tax optimisation can further reduce effective tax rate

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

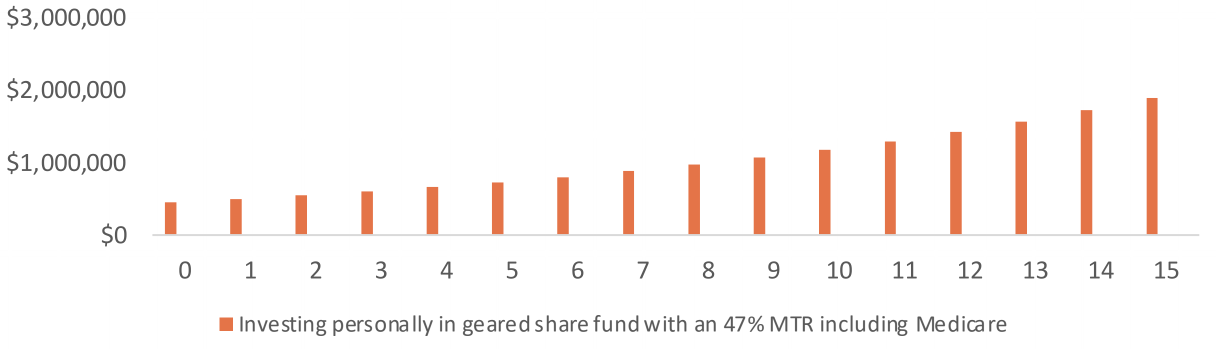
Michael and Rebecca look at 3 options...

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.

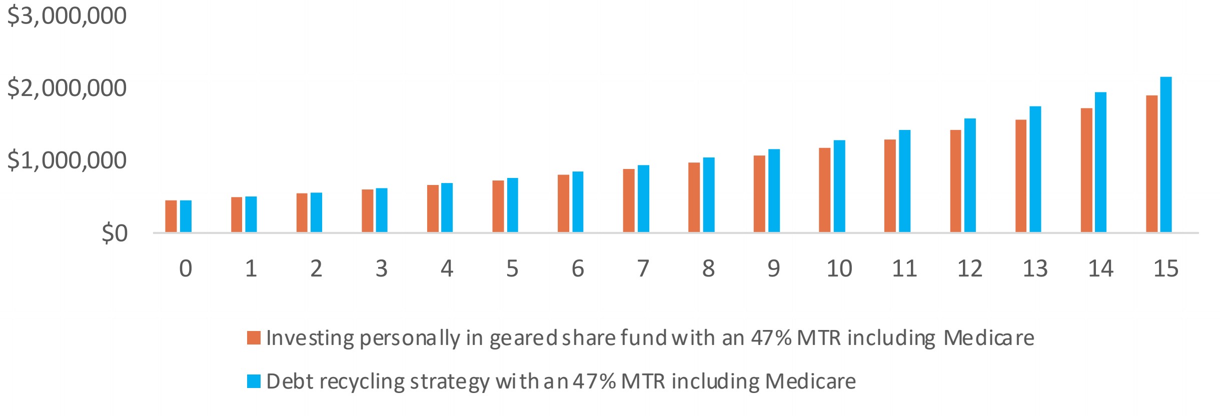


Assuming a total ungeared pre-tax and expenses return of 8.92% p.a. with income returns of 3.56% p.a. and growth returns of 5.36% p.a. Excludes the impact of administration and tax management costs. Assumes all interest costs are fully tax deductible within investment vehicle or strategy. Assumed interest 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

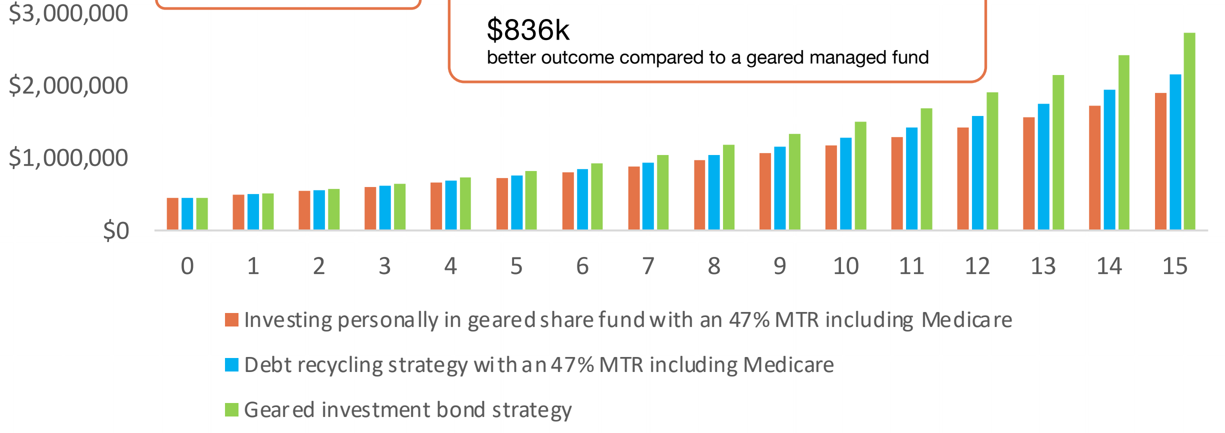
Option 3 - Invest in a geared investment bond strategy…

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).

$2.72m
total after tax return

$573k
better outcome compared to debt recycling

$836k
better outcome compared to a geared managed fund



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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

Case study

Division 296 and death tax

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

Meet Sandra

Age	75
Situation	Widow
Super	$2.1m in pension phase $3.9m in accumulation phase 70% taxable component for both
Family	Four grandchildren

Sandra's concerns

- ☐ Reduce the impact of Division 296
- ☐ Flexibility to access funds whenever she wants, before she passes away
- ☐ Transfer wealth to her grandchildren tax-effectively by managing the impact of super death taxes

Sandra looks at

3 options...

1. Leave balances above $3m in super and pay death benefit tax upon death
2. Withdraw balance above $3m from superannuation and establish four investment bonds

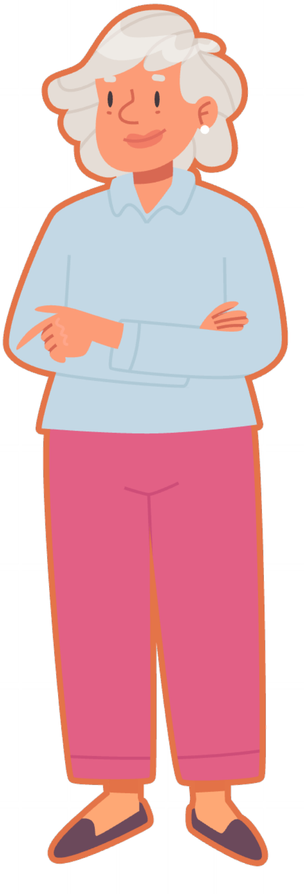
What if Sandra establishes four investment bonds?

Age	Super with Division 296 tax	Super Death Benefits tax	Net super proceeds after death benefits tax	Investment bonds
85	$4.84M	($0.58M)	$4.26M	$4.84m
90	$6.17M	($0.73M)	$5.44M	$6.18M
				+$0.74M

The graphs above illustrate the comparative outcomes of a Super accumulation account subject to the Division 296 taxes and investment bonds on initial amounts in excess of the Division 296 Total Superannuation Balance thresholds invested over 15 years without drawdowns. The scenario compares investment amounts in excess of the proposed $3m threshold. The pre-tax investment returns assume a total return of 6.08% p.a., comprising a total income return of 1.96% p.a. and total growth return of 4.13% p.a., a franking level of 36.2% and excludes the impact of administration fees for both super and investment bond accounts. The illustration considers the TSB value at the end of each financial year and assumes that the payment of tax happens at the end of the financial year from the super account balance. Taxable Division 296 income is assumed to be grossed up (i.e. including franking credits and other tax offsets applicable) and realised gains earnings are discounted by 33.33%. TSB thresholds are assumed to be indexed in line with Division 296 indexation levels assuming an annual CPI rate of 3%. Taxable super component of 70% is assumed. Benefits are assumed to be paid to non-tax dependants with a death benefit tax rate of 15% plus 2% Medicare Levy. The illustration is based on Generation Life's understanding of the Division 296 tax outlined in the Treasury Laws Amendment (Building a Stronger and Fairer Super System) Act 2026 and the Superannuation (Building a Stronger and Fairer Super System) Imposition Act 2026. Actual outcomes may vary depending on investment performances, the assumptions actually occurring, tax regulation, and individual investor circumstances. Past performance does not indicate future performance.

Sandra's outcomes…

- ☑ Full access to funds whenever she needs
- ☑ Able to transfer wealth to her grandchildren tax-effectively
- ☑ She can nominate a Co-Signatory to make once-off withdrawals as restrictions are in place
- ☑ No impact on recipient's personal tax position if investment bond is transferred to his intended recipients
- ☑ She can place restrictions on accessing funds, including setting up a Regular Income Payment
- ☑ She avoids Division 296 tax and death benefit tax on balances above $3m



About Generation Life

At Generation Life, we know that finding the right investment partner is important for your future success.

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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