

Investment bonds in action



Technical guide

Adviser use only



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The essentials

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Investment bond overview

Investment bonds offer flexibility, control and access at any time accommodating a wide range of investment needs.

Investment bonds are a tax paid investment vehicle, sometimes called insurance bonds. Investment bonds are a powerful, long-term tax-effective way to accumulate wealth for investors.

Investment bonds are primarily governed by the Life Insurance Act 1995, APRA Prudential Standards, the Income Tax Assessment Act 1997, the Income Tax Assessment Act 1936, the Income Tax Rates Act 1986 and the Corporations Act 2001.

Investment bonds have enjoyed stability in their tax legislative framework having largely remained unchanged since the tax rate was aligned to the current company tax rate of 30% in 2001. This contrasts with superannuation related legislation, which has had over 30 major changes to its legislation and related government policies since the introduction of compulsory superannuation in 1992. More recent changes to superannuation legislation from 1 July 2017 have sought to further restrict the level of contributions able to be made into and held in superannuation as well as restricting transfers to pension phase.

Broad investor appeal

An investment bond is a tax-effective investment solution providing flexibility, control and access at any time. Investment earnings are taxed at a maximum rate of 30% within the investment bond, rather than the investor's marginal tax rate. The actual effective tax rate may be lower than 30% as a result of tax offsets received by the investment bond such as imputation credits and foreign tax credits. No tax is paid by the investor on the investment earnings while they remain invested. Investors also have the flexibility to alter their investment options at any time without any fees or personal tax implications.

Investment bond overview

Investment bonds provide access to a range of investment options to accommodate individual investment preferences and risk tolerances. Income and growth generated by an investment bond is not distributed to investors and is held within the investment bond instead. This can help with managing personal tax liability and income levels.

An investment bond is a type of life insurance investment contract which has an investor (owner) and a life insured (which can also be the owner). Similar to superannuation, beneficiaries can be nominated (including entities such as companies and trusts) to receive the investment bond's proceeds in the event of the death of the life insured. Investment bonds provide flexible options to manage intergenerational wealth transfer and manage estate planning outcomes simply and cost-effectively.

In some cases, investors also have the flexibility to transfer the investment bond as a whole to another person; either at a nominated date or in the event of the owner's death.

Investment bonds accommodate a wide range of investment needs such as wealth creation, tax planning, giving a child a financial head start, retirement savings, intergenerational wealth transfer and helping to manage income levels in trusts.

A funeral bond is also an investment bond that has the added benefit where it may help investors qualify for both income and asset test exemptions if they receive a means-tested pension or benefit from Centrelink or the Department of Veterans' Affairs.

Core uses of investment bonds:



As a tax-effective supplement or alternative to superannuation



Estate planning



Trusts / Reducing distributable income



Meeting the rising costs of future generations



Improving pension entitlements



Meeting funeral expenses

Tax advantages of investment bonds

Investment bonds give investors flexibility and efficiency in Australia's complicated tax regime.

Investment bonds offer a wide range of tax advantages:

- Taxed at a maximum rate of 30%
- Tax paid proceeds if held longer than 10 years
- Tax-free benefits paid on death (not applicable for funeral bonds)
- Tax-free transfers between parties
- No capital gain or income distributions
- No tax file number required
- No personal capital gains tax on investment switching

Tax on earnings

Investment bonds are tax paid investments. This means, Generation Life pays the tax on earnings at the current company tax rate of 30% rather than the investor's personal marginal tax rate and these earnings do not contribute to the investor's personal income.

Also, the actual tax paid by an investment bond may be lower than the 30% company tax rate due to tax credits such as imputation credits and foreign tax credits.

This makes investment bonds a tax-effective investment solution for those with a marginal tax rate higher than 30%. No tax is paid by the investor on the investment earnings while they remain invested.

As a non-distributing investment for tax purposes, investment bonds can provide tax management opportunities for clients that need to manage their taxable income levels, whether they are high income earners, minors, private or family trusts, or recipients of certain government benefits or entitlements.

Once investment bonds meet the 10-year rule requirement (not applicable for funeral bonds), there will be no personal income tax liabilities on investment earnings and investors do not have to declare any income in their annual tax returns when making withdrawals (refer to 'The 10-year rule' on page 7 for more information). Keep in mind that investors can access their investment at any time (does not apply to funeral bonds) (refer to 'Managing withdrawals' on page 24 for more information).

The 10-year rule

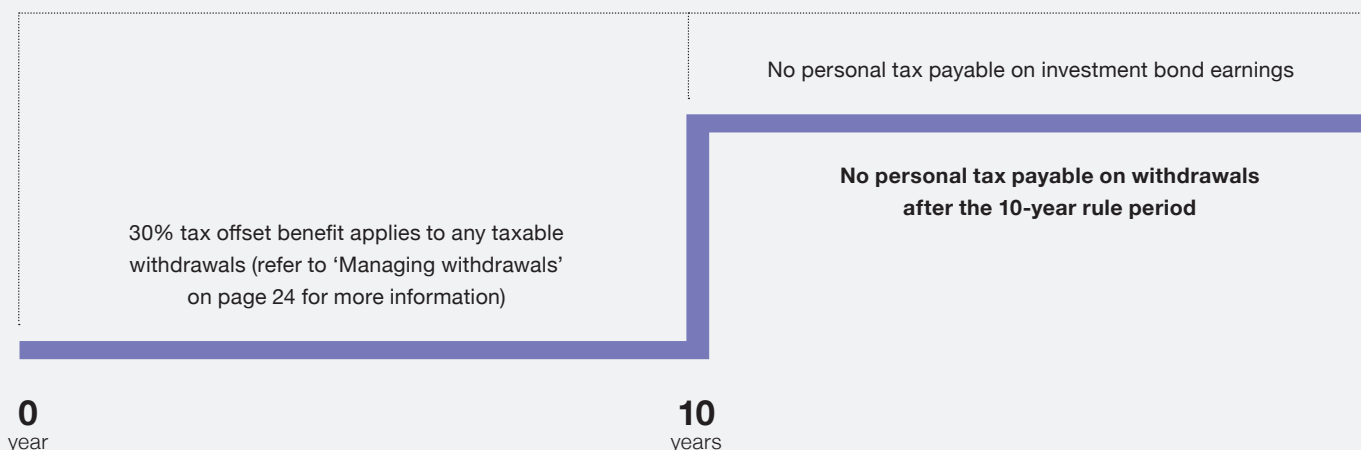
Earnings on investment bonds are generally free from personal income tax liability for withdrawals made after the investment bond has been held for 10 years.

If an investor makes a withdrawal (partial or full) within 10 years of their initial investment date they will generally need to include a portion of the earnings generated by the investment bond as part of their tax assessable earnings for that financial year. The amount of earnings that needs to be included as part of their tax assessable earnings, will depend on how long after the 10-year starting date the withdrawal is made (refer to 'Managing withdrawals' on page 24 for more information).

If an investment bond has been held for 10 years, there is no personal tax payable on withdrawals made after this time. This is commonly referred to as the 10-year rule and the 10-year rule period begins on the date the investment is first established. The 10-year rule can be reset in certain circumstances (refer to 'The 125% opportunity' on page 8 for more information).

It is important to note that the 10-year rule does not apply to funeral bonds and that a different tax treatment applies on the payment of a FuneralBond benefit (refer to 'Managing withdrawals' on page 24 for more information).

The 10-year rule



The 125% opportunity

Utilising the 125% opportunity to maximise the 10-year rule.

Increase the level of contributions each year with the 125% opportunity

Based on total contributions of \$10,000 in the first year and additional contributions each subsequent investment year of 125% of the previous investment year's contributions, over a period of 15 years. The 125% opportunity can continue for the life of the investment and is not reset after 10 years.

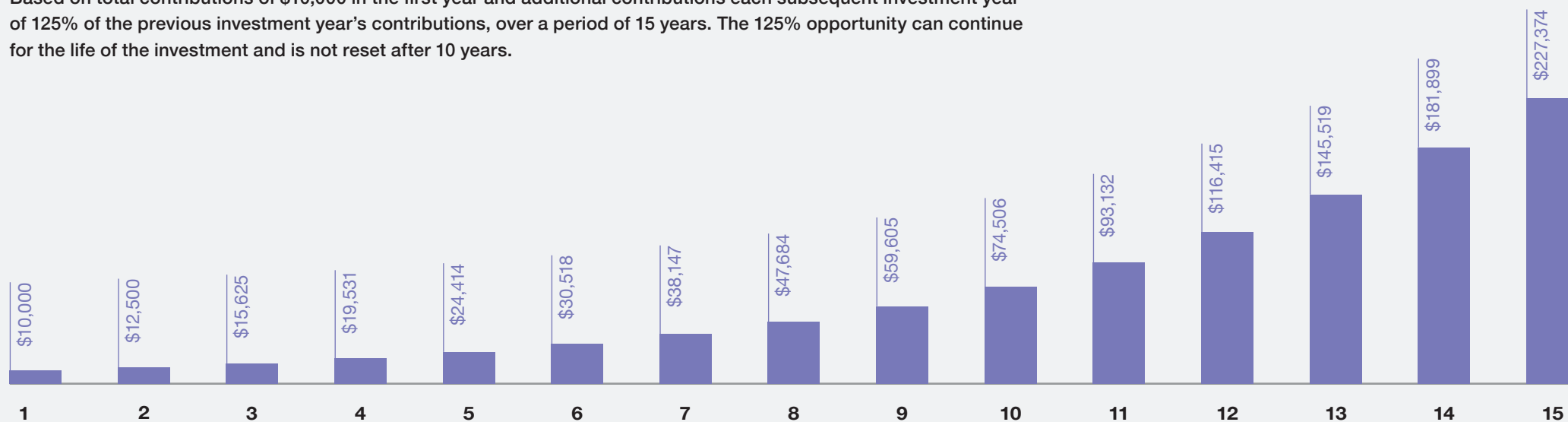


Illustration of contribution levels to take advantage of the 125% opportunity and does not include any projection returns.

The 125% opportunity

Investment bonds are popular because unlike superannuation, where personal contribution amounts are capped and subject to penalty tax rates if exceeded, investment bonds give much greater flexibility on how much can be contributed to an investment.

With an investment bond, there are no limits on the amount you can invest in the first year or how many investment bonds you can own. Each subsequent year, you can contribute up to 125% of the previous year's contributions without resetting the 10-year period (refer to 'The 10-year rule' on page 7 for more information). This is known as the 125% opportunity. This will ensure the investor continues to maximise their investment bond's valuable tax status as these additional contributions do not have to be invested for the full 10 years to be included as part of the 10-year rule period.

If contributions in the second and subsequent investment years exceed 125% of the previous investment year's contributions, then the start date of the 10-year rule resets to the year that the excess contributions were made. Resetting the 10-year rule start date will mean that the full tax benefits of the investment will be delayed (refer to 'Managing Withdrawals' on page 24 for more information).

Example

Jenny started her investment on 1 March 2024 (this is the initial start date) by investing \$10,000 and does not make any further contributions for the rest of her first investment year.

On 30 March 2025 Jenny contributes an additional \$15,000 which is 150% of her previous investment year's total contributions.

Because the contribution was greater than 125% of the previous investment year's contributions, her 10-year rule start date was reset to 1 March 2025. When determining any tax assessable earnings on future withdrawals, this new reset date will determine what portion of the earnings, if any, will be tax assessable (refer to 'Managing Withdrawals' on page 24 for more information).

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Our products

Generation Life offers investment bond products catering to a wide range of investment needs and strategies.

LifeBuilder

A flexible, tax-effective investment solution that puts you in control.

LifeBuilder offers investors a tax-effective investment solution that can assist with wealth creation, retirement savings, tax planning and estate planning. With a broad range of investment choices available, investors have the flexibility to switch between investment options at any time with no personal tax implications.

Investors can also add to their investment regularly and elect to have their investment mix automatically rebalanced annually to reflect their preferred investment allocation. If no withdrawals are made within the first 10 years, there will generally be no tax reporting required, as opposed to investing directly in shares or managed funds (refer to 'The 10-year rule' on page 7 for more information).

ChildBuilder

A smart way to provide a child with a financial head start in life.

Designed for parents, grandparents, family and friends wanting to establish a tax-effective investment for a child's future such as education expenses, a first home deposit or a car. It is simple, cost-effective and can also create inheritances for children to transfer wealth between generations without the uncertainties and complexities of wills.

Using a ChildBuilder to save for a child's future means that investors are relieved of punitive tax rates of generally 45%, and up to 66%, applied on the investment income of minors. Instead, tax is paid (within the investment bond) at a maximum rate of 30%.

FuneralBond

How to save for funeral costs and obtain an income and assets test exemption.

A tax-effective solution to saving for future funeral expenses or to fund a prepaid funeral. There's no need to report investment returns in the investor's annual personal tax return and no requirement to keep additional ongoing paperwork. The FuneralBond is also exempt from the age pension income test, asset test and deeming provisions (subject to limits – refer to page 17 for further details). Investors can also use a FuneralBond as a part of a prepaid funeral arrangement by simply transferring it to a chosen funeral director.

LifeBuilder and the benefits of our EstatePlanner features

Transferring wealth tax-effectively between generations.

LifeBuilder



LifeBuilder offers a simple, tax-effective investment solution for building long-term wealth and providing certainty for how wealth is passed on. LifeBuilder's EstatePlanner features, Future Event transfer and beneficiary nomination, provide investors with flexibility to choose who and how their investment is passed on.



Future Event transfer feature



Future Event transfer is a feature unique to LifeBuilder with the ability to select a future date or the death of the investor for the automatic transfer of the investment to a nominated owner.

Using the Future Event transfer feature provides added tax related benefits as the initial investment date of the investment bond is retained after transfer, meaning that the 10-year rule (refer to 'The 10-year rule' on page 7 for more information) is not reset when transferred. The transfer also happens tax-free and without any personal tax or capital gains tax implications.

LifeBuilder and the benefits of our EstatePlanner features

Importantly, the investor can also pre-arrange how their investment will be accessed by the new owner. They can nominate a date or period after which funds can be accessed including setting up a future regular income stream payment with the flexibility to provide for one-off withdrawals to be made.

If the investor selects death as the transfer event (not applicable to companies and trusts), the delays of obtaining probate are avoided as the transfer will occur once Generation Life has obtained notification of the death of the investor and all required documentation.

Beneficiary nomination feature

Alternatively, the investor can use the beneficiary nomination feature, where they can set one or multiple beneficiaries to receive the proceeds of their investment tax-free on the death of the life insured (not applicable if the LifeBuilder is owned by companies or trusts). The investor can nominate individuals, companies, trusts or charities as beneficiaries to receive the LifeBuilder proceeds. There are no age restrictions and there is no family or interdependent relationship required.

There is no restriction on the number of beneficiaries that can be nominated or what percentage to allocate to each beneficiary. The investor can also remove or add a beneficiary, as well as change the benefit percentage allocations at any time.

If multiple beneficiaries are nominated then there is the option in the event of the death of a beneficiary to have the benefit payment automatically re-distributed amongst the surviving beneficiaries. Alternatively, in the event of the death of a nominated beneficiary, the benefit can be passed 'down-the-line' (for example, from a nominated child beneficiary to their estate representative).

If the investor does not elect to use the above EstatePlanner features, their investment will pass under their will and legal estate.

LifeBuilder is a simple and cost-effective alternative to a testamentary trust structure to manage intergenerational wealth transfer.

ChildBuilder

Helping families provide for the next generation with ChildBuilder.

ChildBuilder



ChildBuilder is a great way to create wealth for children in a tax-effective way, while still flexible enough to handle any of life's unexpected moments.

ChildBuilder is specifically designed for anyone (parents, grandparents, family and friends) wanting to establish a tax-effective investment for a child's future financial needs and goals.

Vest ownership to child when they reach a specific age (between 10-25 years).



A ChildBuilder can be set up for anyone under 16 years of age and to vest (transfer) ownership to them when they reach a specified age (between 10 and 25 years). The vesting is automatic and with no personal tax consequence for the investor or the child, no stamp duty, and no additional fees or charges resulting from the transfer.

LifeBuilder



LifeBuilder offers a simple, tax-effective investment solution for building long-term wealth and providing certainty for how your wealth is passed on.

When vested, the investment converts to a LifeBuilder with the benefit of the 10-year period (refer to 'The 10-year rule' on page 7 for more information) not resetting. If the ChildBuilder is transferred to a child between the ages of 10 and under 16 years, a parent's or guardian's consent is required for the child to transact on the investment.

ChildBuilder

Maintain ownership & control

The investor can pre-arrange an age or date when the investment is vested to the child. Importantly, until the ChildBuilder is vested, the investor retains full ownership and control.

Access at any time

The investor can change the vesting age or access their investment at any time, including making withdrawals for their own purposes or paying for a child's education or maintenance expenses. It is not possible however to remove or change the child once they are nominated.

Unforeseen events

In the event of the investor passing before the nominated vesting date, the ChildBuilder investment can be transferred to a nominated Account Guardian who will hold the investment until the child reaches the nominated vesting age, or alternatively it can be held by the estate for the benefit of the nominated child until they reach their nominated vesting age.

If the Account Guardian passes away after the death of the original owner but before the nominated vesting date, then ownership will be held by the original owner's estate.

If the child passes away before reaching the vesting date, the ChildBuilder does not form part of the child's estate – the investor (or their estate) will receive the proceeds of the investment tax-free.

FuneralBond

Like other investment bonds, a FuneralBond's earnings are taxed at a maximum effective rate of 30%.

FuneralBond



FuneralBond is exempt from the age pension income test, asset test and deeming provisions subject to certain conditions.

For Age and Department of Veterans' Affairs pension assets and income test purposes - if the investor does not enter into a prepaid funeral contract their total contribution amount cannot exceed the allowable limit amount.

If the investor has entered into or is considering entering into a prepaid funeral arrangement with a funeral director, the investor can transfer ownership of the FuneralBond to the funeral director as part of that arrangement.



There are no limits on the amount that can be contributed into a FuneralBond for the Age and Department of Veterans' Affairs pension assets and income test purposes, if the investor has entered into a prepaid funeral arrangement with a funeral director, and transfers the FuneralBond to the funeral director.

Funeral arrangement



It's important to note that if an investor transfers ownership, the funeral director becomes the legal owner of the FuneralBond.

The amount that can be invested generally however can only be an amount to fund the reasonable costs of funeral expenses.

FuneralBond

Investment amount

The allowable limit amount is currently \$16,250 per funeral bond (as at 1 July 2026), which is indexed annually each July. FuneralBond can only be used to fund the cost of a single funeral. Couples may want to consider investing in two separate investment bonds to fund both funerals. This would mean that the allowable limit would be a combined \$32,500 (as at 1 July 2026). If the investor invests more than the allowable limit, the entire investment amount will be assessed under the social security deeming rules and will also be considered an assessable asset for the purpose of the assets test. The contribution amount is assessed on a gross basis, i.e. before any fees or costs are deducted from the contribution.

Transfer of ownership

If the investor has transferred ownership of their FuneralBond investment to a funeral director (as part of a prepaid funeral arrangement), the benefit will be paid directly to the funeral director. Otherwise, the benefit will be paid to the investor's estate or if directed by the estate, to the funeral director.

Withdrawals

Withdrawals from the FuneralBond prior to death are not allowed, as it is designed to be used to meet future funeral expenses.

Benefits of Generation Life's investment bonds

A comprehensive list of benefits gives Generation Life's LifeBuilder, ChildBuilder and FuneralBond their broad applicability and appeal.



Tax-effective

Earnings are taxed within the investment bond at a maximum rate of 30%. Provided the investor holds the investment bond and has met the 10-year rule requirement (refer to 'The 10-year rule' on page 7 for more information), they'll pay no additional personal tax on the investment earnings when they withdraw from LifeBuilder or ChildBuilder.

[Jump to: Keeping tax below 30%](#)



Tax advantages upon withdrawals

Assessable components of any LifeBuilder and ChildBuilder withdrawals made before meeting the 10-year rule requirement (refer to 'The 10-year rule' on page 7 for more information) benefit from a tax offset to reduce any tax payable.

[Jump to: Managing withdrawals](#)



Wide range of investment options

Our investment menu offers access to multiple asset classes which include cash, fixed interest, Australian shares, international shares, property, alternatives and diversified funds. The menu also includes a range of Responsible Investing investment options.



Easy access at any time

Access to funds in LifeBuilder and ChildBuilder is available at any time either as a partial or full withdrawal or by using the Regular Withdrawal Facility.



Estate planning features

Have full control over how and when the intended recipients can access LifeBuilder and ChildBuilder funds, with the flexibility to so nominate an Account Guardian where the investor passes away prior to transfer of ownership. A future regular income payment stream for the recipient can also be set for LifeBuilder.

[Jump to: Estate planning with greater control](#)



Ownership flexibility

LifeBuilder investors can be individuals or joint individuals, companies, trusts or deceased estates. ChildBuilder investors can be individuals or joint individuals, trusts or deceased estates. FuneralBond investors can be individuals, joint individuals and can be assigned to a funeral director as part of a prepaid funeral arrangement.

Benefits of Generation Life's investment bonds



Regular savings plan and auto escalation facility

Flexibility to make monthly, quarterly, half yearly or annual contributions. There is also the option to automatically and conveniently increase the LifeBuilder and ChildBuilder regular contribution amount annually.



Dollar cost averaging

For contributions of at least \$25,000, the investor can dollar cost average the contribution into their preferred investment options to help manage investment risk.



Funding funeral expenses

FuneralBond is a simple and tax-effective way to save for future funeral costs while also being exempt from social security income and assets tests (subject to limits). There is also no need for an investor to include earnings in their personal tax return each year and there is no maximum age or health restrictions that apply.



Auto-rebalancing facility

Investors can have their investment mix automatically rebalanced annually to reflect their preferred investment strategy.



Simplicity

Little to no tax reporting at any time and no tax file number is required to open or hold an investment bond.

Investment bonds in more detail



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Setting up an investment bond and ownership

It is a simple process with clear steps to establish ownership.

An investment bond is a type of life insurance investment contract, which means there must be a bond owner (investor) and a life insured.

The investment bond owner is the legal owner of the investment bond and (provided the owner is at least 16 years of age) has full ownership and transaction rights. The requirements for investment bond owners will depend on the type of investment bond set up.

LifeBuilder

LifeBuilder provides flexible ownership options.

- **Individuals or joint investors**
Up to three people can apply for a LifeBuilder investment. Where there are joint investors, each joint investor will be treated as a joint life insured, unless you specify someone else to be the investment bond's life insured. In the event that one joint investor passes away, the investment will continue in the name of the surviving investor(s) provided that the joint investor was not also the sole life insured or nominated life insured.
- **Companies and trusts**
Companies and trusts (including deceased estates) can also set up an investment. A natural person needs to be specified as the life insured.

ChildBuilder

A ChildBuilder investment can be established by up to three individuals (as joint owners) or a trust for a nominated child. Individual or joint owners must be aged at least 16 years. Applications by a company cannot be made and the investor cannot remove or change the child once they are nominated.

FuneralBond

With a FuneralBond, you have the following ownership options:

- **Individual ownership**
The investor can own the FuneralBond in their own name. An ideal arrangement for couples is to each own a separate FuneralBond. This enables each individual owner to invest up to the maximum allowable limit under social security rules without affecting pension entitlements.

Setting up an investment bond and ownership



FuneralBond continued

- **Joint ownership**

Up to two investors can jointly own the FuneralBond. In this case, the FuneralBond covers the funeral expenses of only one of the joint owners. It is important to note that the total amount invested in a joint FuneralBond counts towards the allowable limit of each investor and is not halved.

There's also the option of assigning ownership of the FuneralBond to a funeral director as part of a prepaid funeral arrangement.

Children investing

Children between the ages of 10 and under 16 years of age can invest and set up a LifeBuilder investment, provided a parent or guardian provides written consent. Until the child reaches 16 years of age, the child is only able to transact on the investment with the consent of the parent or guardian.

When the child reaches 16 years of age, the child will become the owner of the investment bond in their own capacity and will have full control and rights over the investment.

The life insured

For LifeBuilder, at least one life insured must be set on the investment. The life insured must be a natural person, who can be the owner (but does not have to be). The life insured does not need to be related to the owner or be a dependant. You cannot remove a life insured, but you can add additional lives insured.

You can select a particular life insured as the preferred life insured that will result in a payment of benefits to nominated beneficiaries under the EstatePlanner feature (if selected) on the death of that life insured. If a preferred life insured is not nominated, the benefit proceeds will be paid on the death of the last surviving life insured. The preferred life insured can be changed at any time.

Setting up an investment bond and ownership



The life insured continued

If beneficiaries have not been nominated and the life insured is not the owner, then on the occurrence of the nominated life insured event, including the death of the preferred life insured or last surviving life insured (as the case may be), benefits will be paid tax-free to the owner(s).

For ChildBuilder, the nominated child is automatically set as the life insured. It is not possible to remove the child or add another life insured to a ChildBuilder investment.

For FuneralBond, the owner(s) are automatically set as the life insured(s).

Investment term

A LifeBuilder investment has an investment term of 99 years, however, you are able to make a full or partial withdrawal at any time. The investment term applied does not impact an investor's ability to access their LifeBuilder investment as and when they need it. They can access their LifeBuilder investment at any time.

The investment term can be changed at any time if required, but is not absolutely necessary.

ChildBuilder and FuneralBond investments do not require an investment term to be set.

Can an investment bond be purchased by an overseas investor?

Generation Life's Product Disclosure Statement can only be issued to investors within Australia. Investors can invest in an investment bond provided they have received the PDS in Australia.

Managing withdrawals

Tax treatment of investment bond withdrawals.

Other than for FuneralBonds, there are no restrictions on when an investment bond can be accessed. There are no age or preservation requirements unlike superannuation.

If a LifeBuilder or ChildBuilder investment has met the 10-year rule requirement (please refer to 'The 10-year rule' on page 7 for more information) there is no personal tax payable on withdrawals made after this time. The 10-year rule period begins on the date the investment is first established and can be reset in certain circumstances (refer to 'The 125% opportunity' on page 8 for more information).

If a withdrawal from a LifeBuilder or ChildBuilder is made (partial or full) before meeting the 10-year rule requirement, the investor will generally need to include a portion of the earnings generated by the investment bond as part of their tax assessable income for that year². Withdrawal proceeds include a capital component and an investment earnings component. The capital component is not tax assessable.

The taxable earnings component of a withdrawal will depend on how long the investment has been held³.

FuneralBonds can only be accessed on the death of the investor to fund funeral expenses with proceeds paid either to the investor's estate or, if assigned to a funeral director as part of a prepaid funeral arrangement, to the funeral director. The 10-year rule does not apply to FuneralBonds.

Calculating the earnings component of a withdrawal (not applicable to FuneralBond)

There is no tax assessable on any capital contributions made that are included in the withdrawal amount. The following formula calculates the earnings component of any withdrawal made³:

Earnings amount = $A/B \times ((B + C) - (D + E))$, where:

A = withdrawal amount

B = value of the investment before withdrawal

C = total value of all previous withdrawals

D = total gross contributions
(before any fees are deducted)

E = total of all previous earnings amounts.

² ITAA36 - Subsection 26AH(6). ITAA36 - Subsection 26AH(7).

³ Taxation Ruling IT 2346.

Managing withdrawals

Calculating the tax assessable amount (not applicable to FuneralBond)

Tax assessable amounts for withdrawals made before meeting the 10-year rule requirement (not applicable to FuneralBond)⁴.



⁴ ITAA36 - Subsection 26AH(6)

Managing withdrawals

Where a withdrawal from LifeBuilder or ChildBuilder is made before meeting the 10-year rule requirement, a compensating tax offset is also available (this is currently 30%)⁵. An investor can use this to offset any personal tax payable in the financial year that the withdrawal was made. This offset is automatically applied by the Australian Tax Office to any income tax liability applicable in the financial year of the withdrawal and can include a tax liability related to other income and realised capital gains.

The 30% tax offset compensates for the tax already paid by Generation Life on the investment bond's earnings.

This means an investor will only pay the difference between their personal marginal tax rate (if above 30%) and the 30% tax already paid by Generation Life on the earnings component of the withdrawal amount. If the investor's marginal tax rate is below 30%, then the offset can be used to reduce tax payable on other income they may have earned. The tax offset is not refundable if the investor does not have any tax liability against which the tax offset can be used.

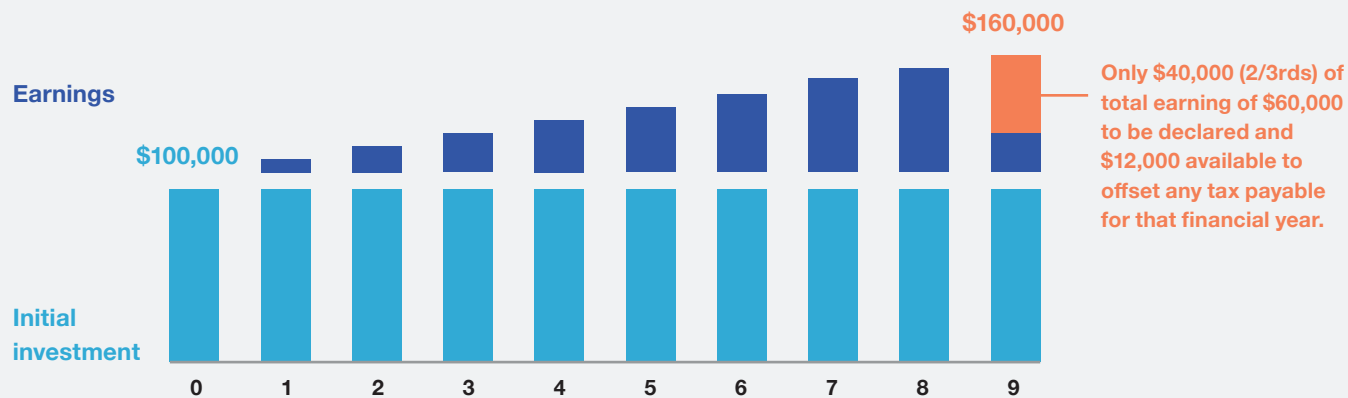
Capital gains on withdrawals – There is no capital gains tax payable by an investor on withdrawals.

Capital gains on investment switching – There is no personal capital gains tax payable by an investor on a switch between investment options.

⁵ ITAA36 - Section 160AAB, ITRA1986 – Section 23A(a)

Managing withdrawals

Example of assessable earnings on a withdrawal before meeting the 10-year rule requirement



David invested \$100,000 in LifeBuilder. In the 9th year of the investment David withdrew his entire investment balance. The value of his investment at the time of withdrawal was \$160,000 of which \$60,000 represented the earnings.

Because David withdrew his investment in the 9th year he will only have to declare 2/3rds of the earnings, being \$40,000. David will also be entitled to a tax offset of \$12,000 (30% of \$40,000) to offset any tax payable by David in that financial year.

Managing withdrawals



Withdrawals with different investor marginal tax rates

The following shows the net tax payable for a LifeBuilder or ChildBuilder investment assuming an initial investment of \$100,000 and a full withdrawal in year 9 based on different investor marginal tax rates⁶.

Example	Initial investment amount.....	\$100,000
	Value on withdrawal (in year 9)	\$160,000
	Earnings generated.....	\$60,000
	Tax assessable amount	\$40,000 (2/3rds of earnings are assessable if withdrawn in year 9)

Marginal tax rate ⁶	Tax assessable amount	Tax payable at marginal tax rate plus Medicare Levy	Investment bond tax offset available	Net tax payable/(balance of tax offset able to be used to reduce tax on other income in the same financial year)
18.0%	\$40,000	\$7,200	\$12,000	-\$4,800
32.0%	\$40,000	\$12,800	\$12,000	\$800
39.0%	\$40,000	\$15,600	\$12,000	\$3,600
47.0%	\$40,000	\$18,800	\$12,000	\$6,800

6 Marginal tax rates for the 2026/27 financial year, includes a 2% Medicare Levy and assumes no Medicare Levy reduction applies.

Tax-free withdrawals in special circumstances

There is no tax assessable amount where a withdrawal from a LifeBuilder or ChildBuilder is due to the following⁷:

Death

Any amount received due to the death of the life insured, is tax-free. This is irrespective of whether the investment meets the 10-year rule requirement.

Accident, illness or disability

If the investment is withdrawn due to an accident, illness or other disability suffered by the life insured, no amount is required to be included as assessable income.

Severe financial hardship

No amount is required to be included as assessable income where the investment is withdrawn because of serious financial difficulties of the owner (investor).

7 ITAA36 - Subsection 26AH(7)

Managing withdrawals

Calculating the tax assessable amount for a FuneralBond

A withdrawal from a FuneralBond can only be made on the death of the investor.

The final benefit value of the FuneralBond death claim payout, may include an additional amount (in addition to the end value of the investment). This additional amount comes about, because Generation Life is entitled to claim a tax benefit for the investment income component of a funeral benefit when paid.

The value of the recovery of any tax paid by Generation Life (by claiming the tax benefit) will be included in the final funeral benefit payment. The payment of the additional amount is subject to Generation Life's ability to claim a tax benefit.

If the FuneralBond is not transferred to a funeral director, the final benefit value will be paid to the owner's estate. The FuneralBond's earnings component (being the difference between the final benefit value and the total contributions) will then be assessable income in the hands of the investor's estate at the estate's marginal tax rate – but only in the year of payment. The estate's executors will receive a statement showing the assessable amount to assist them in completing the estate's tax return.

If the FuneralBond ownership is assigned (transferred) to a funeral director as part of a prepaid funeral arrangement, then the entire final benefit value will be assessable in the hands of the funeral director.

Transferring ownership

Flexibility to transfer ownership tax-effectively.

Ownership of an investment bond can be transferred at any time subject to the following restrictions.

- For LifeBuilder, transferring your ownership will void the nomination of beneficiaries and instructions under the EstatePlanner facility, unless the transfer is part of establishing a Bonds Custodian Trust facility (refer to the 'Bonds Custodian Trust' section on page 41).
- With ChildBuilder, a transfer can only be made to a natural person or trust and only prior to the child reaching the vesting age.
- A FuneralBond can only be transferred to a funeral director (as part of a prepaid funeral arrangement). The funeral director will then become the legal owner of the investment, will be able to change the investment strategy and will receive all future communications.

Upon transfer, all future rights are assigned to the new owner.

The transfer of ownership occurs without personal tax or capital gains tax implications. Importantly, for LifeBuilder and ChildBuilder, the 10-year rule period (refer to 'The 10-year rule on page 7 for more information) is maintained and not reset as a result of the transfer.

Keeping tax below 30%

How Generation Life increases an investor's after-tax returns.

Tax is often one of the biggest costs on an investment, even bigger than fees. Most headline performance of managed funds and investments is stated on a pre-tax basis, but investors can only enjoy returns after tax has been paid.

The returns and performance from Generation Life investment bonds are on an after-tax basis – unlike other investments such as managed funds, shares and term deposits where the returns received are before the deduction of tax at the investor's marginal tax rate. Over the long term, the compounding effect of a lower tax rate on earnings can be significant.

Over time, it becomes increasingly apparent that an investment's tax cost makes a profoundly significant difference to the end returns the investor will enjoy. The Generation Life Investment Bond tax structure offers investors a tax structure similar to a company, giving access to unique tax features that would not otherwise be accessible to individual investors.

For example, one of the benefits of an investment bond structure is that it enables any capital losses realised to be offset against both income and realised gains. Individual investors are only able to offset realised capital losses against realised capital gains. The benefit of this structure is that the investment bond is able to reduce its taxable income amount and does not need to wait for realised gains to be generated in order to take advantage of realised capital losses.

Also, the effective tax paid by an investment bond may be lower than the 30% company tax rate due to tax credits such as imputation credits and foreign tax credits.

Keeping tax below 30%

There are several structural advantages to holding investments through an investment bond structure.

1 Ownership structure of the underlying investments

Generation Life investment bonds typically hold investments either indirectly through a fund-of-fund arrangement (investing in an underlying managed fund) or directly where the underlying assets (such as shares for example) are held by Generation Life but with investment management undertaken by a professional external investment manager. Where underlying assets are directly held by Generation Life, the investment strategy has been designed to reflect the equivalent managed fund strategy of the investment manager.

By holding either the underlying managed fund or directly holding the underlying assets, Generation Life is able to more effectively manage an investment option's tax outcomes through tracking and monitoring of the asset's tax position. Holding underlying assets directly provides even more visibility over tax positions with the added benefit of Generation Life having greater control

over the tax position of the investment. In summary, this gives Generation Life the added ability to increase after tax returns by reducing tax leakage and reinvesting those tax savings.

2 Investment bond headline tax rate

The investment bond structure pays a headline tax rate of 30%. This can be further reduced with imputation credits, and the offsetting of realised capital losses against assessable income – all making a positive difference to after-tax returns when compounded over many years.

3 Managing after tax returns without increasing risk

Managing investments to deliver superior after tax returns without adding additional risk. Typically, a number of investment or trading opportunities present themselves along the investment journey. For example, an astute investor might improve an after tax return by delaying the sale of an asset until after the end of a financial year or alternatively, they may choose to sell one of two identical assets, knowing that the tax cost of doing so would be less (and with no impact on the investor's portfolio risk profile).

Generation Life's tax-aware philosophy takes a similar approach to control tax outcomes through smart tax efficient trading.

Legal structure of investment bonds



Products

Generation Life's LifeBuilder, ChildBuilder and FuneralBond are classified as 'investment-linked' life policies under Section 9 of the Life Insurance Act 1995. These policies are designed so that investment risk is assumed by the investing policy owner (the investor) and for any gains or losses to be reflected in their value.

Investment options (benefit funds)

Each investment menu option offered is represented by a benefit fund. Each benefit fund is held separate and distinct from the other benefit funds and the assets of Generation Life. Each benefit fund is therefore quarantined and protected from any potential adverse positions that may impact either Generation Life or any of the other benefit funds.

Benefit funds perform similar functions to trusts. Legally, however, they are not trusts but rather separate funds maintained in the records of Generation Life⁸.

Unitised structure

Investors' interests in a benefit fund (investment option) are recorded on a unitised basis. When an investor invests in an investment option (benefit fund) they are allocated a number of 'notional' units in the investment option. Each of these units represents an equal part of the market value of the portfolio of investments that the investment option holds. As a result, each unit has a dollar value or 'unit price'.

⁸ Section 16H and section 34 of the Life Insurance Act 1995

Product tax events summary

Legislative references for LifeBuilder and ChildBuilder taxation.

Transaction	Tax effect	Tax reference and basis
Taxation of earnings within an investment bond	Investor – No assessable income. Benefit fund – Assessable on realised income and profits. Capital gains treated as revenue profits. Current benefit fund income tax rate of 30%, before applying tax offsets.	Investor has no entitlement to investment bond earnings until withdrawal. ITAA97 - Sections 6-5 and 10-5. Deductions under section 8-1 and other relevant provisions [ITAA97]. Subsection 23A(a) [ITRA1986].
Additional contributions and the 125% opportunity	Investment start date for the 10-year rule period is not affected if additional contributions in an investment year do not exceed 125% of total contributions made in the preceding investment year.	ITAA36 - Subsection 26AH(13)
Realised capital gains on disposal	Capital gain on disposal of the investment bond is disregarded: • if the investor is the original owner, or • if the investor is the subsequent owner (by transfer/assignment) and had acquired the investment for nil consideration.	ITAA97 - Section 118-300
Withdrawal proceeds after 10 years	Treated as a capital receipt and is excluded from assessable income.	ITAA36 - Subsection 26AH(6)
Receipt of withdrawal proceeds prior to 10 years	Earnings component included in assessable income except where tax-free proceeds are received as a result of the following defined events: • death, disability or illness of the life insured • unforeseen serious financial difficulties of the investor.	ITAA36 - Subsection 26AH(6) ITAA36 - Subsection 26AH(7)
Part-withdrawals prior to 10 years	Assessable component limited by formula, which reflects the proportion of growth to date and excludes capital contributions.	Taxation Ruling IT 2346
Tax offset on the assessable income component of withdrawals made within 10 years	Attracts a non-refundable tax offset of 30%. Can offset tax on other assessable income. Unused tax offset cannot be carried forward to future financial years.	ITAA36 - Section 160AAB ITAA97 - Subsection 4-10(3) and Division 65
Switching between investment options	Does not give rise to a taxing event for the investor and does not affect the investment period start date. It is a tax event for the benefit fund.	Taxation Determination TD 94/82

Practical application of investment bonds

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The answer to superannuation contribution caps



Flexibility to accumulate wealth and save for retirement without the complexity.

In July 2017, the Australian Government's changes to superannuation rules meant that transfers from accumulation phase to pension phase are now capped, where previously there had been no limit. Concessional and non-concessional annual contribution limits also decreased, meaning if you're looking to grow your client's wealth in a tax-effective way, you may need to look elsewhere.

These changes in superannuation concessions and the restrictions on the use of superannuation as a wealth generating and estate planning vehicle, have since driven a renewed interest in the use of investment bonds.

[Jump to: How does LifeBuilder and ChildBuilder compare to superannuation?](#)

LifeBuilder and ChildBuilder investment bonds provide a tax-effective complementary investment solution alternative to superannuation without the complexities and administrative burden. However, unlike superannuation, LifeBuilder and ChildBuilder provide unrestricted access to benefits with no preservation age, retirement or purpose test required.

The 10-year rule

If your client leaves their funds in an investment bond for 10 years and makes no withdrawals, the entire proceeds of the investment bond (original investment, additional contributions and earnings) will be tax-free on withdrawal after 10 years, with no additional tax payable by your client. The 10-year period can be reset in certain circumstances (refer to 'The 125% opportunity' for more information).

[Jump to: The 10-year rule](#)

125% opportunity for contributions

Unlike superannuation, investment bonds have no limit on how much can be contributed in the first year of investment. Each consecutive investment year, additional contributions of up to 125% of the previous year's contributions can be made without resetting the 10-year rule period. For tax purposes, these additional contributions, benefit from being treated as if they were invested at the same time as the initial contribution.

[Jump to: The 125% opportunity](#)

So what does this mean for your clients?

- Investment bonds offer a tax paid structure where ongoing tax on earnings is paid within the investment bond, rather than by your client as the investor.
- The maximum tax paid within an investment bond is 30% although this can be even lower after franking credits and tax deductions.
- Any withdrawals from the investment bond are not tax assessable after meeting the 10-year rule requirements.
- Earnings on withdrawals made within the 10-year rule period may attract personal tax, however a compensating 30% tax offset is available to reduce any potential tax liability (refer to page 26).

How do LifeBuilder and ChildBuilder compare to superannuation?

	LifeBuilder	Superannuation
Tax rate	✓ Maximum of 30%; the amount of tax paid will vary between investment options.	✓ Maximum of 15% for a complying fund.
Access to funds	✓ Available at any time.	✗ Generally, it cannot be accessed before preservation age (up to age 60 where eligible) or retirement age.
Ability to transfer ownership	✓ Yes, with no capital gains tax or stamp duty payable on transfers.	✗ No, it is not possible to transfer ownership in full.
Limits on contribution amounts and investment value	✓ No limit on first year contributions. 125% of previous year's total contributions if taking advantage of the 125% opportunity. No limit on the value of investment.	✗ Current annual cap of \$32,500 for concessional contributions and \$130,000 for non-concessional contributions (where the total superannuation balance cap is not exceeded). Penalty tax may apply if caps are exceeded. Lifetime transfer limit of \$2.1 million (indexed annually) on transfers to retirement-phase accounts. Penalty tax applies if transfer balance caps are exceeded. No limit on accumulation-phase account balances. ⁹
Contributions tax	✓ None; however, no tax concessions on contributions are available.	✗ Tax concessions on contributions are available up to certain limits. A 15% tax on concessional contributions applies (30% for higher income earners). Not applicable to non-concessional contributions.

⁹ Amounts apply for the 2026/27 financial year.

How do LifeBuilder and ChildBuilder compare to superannuation?

Tax reporting	✓ Not required unless making an assessable withdrawal within the 10-year period.	✗ Yes, if the tax-free caps are exceeded.
Investing	✓ A large range of investment options.	✓ A large range of multiple investment options, depending on the specific superannuation fund.
Estate planning	✓ Flexible options to pass on wealth to dependants, non-dependants and entities.	✗ Limited to dependant beneficiaries and may be subject to trustee discretion. Additional tax may be payable if death benefits are paid to certain non-dependant beneficiaries.
Tax on death	✓ No tax payable on death or payment of death benefits including adult beneficiaries (even if held for less than 10 years).	✗ Death benefit payments may be subject to additional tax for non-dependant beneficiaries.
Used as security against a loan	✓ Yes, it can be used as security for a loan.	✗ No, it cannot be encumbered and can only be used for retirement savings.

The above table provides a general summary comparison between LifeBuilder and a superannuation account as at the date of this document.

LifeBuilder as a trust investment

LifeBuilder offers many advantages when used in a trust, without the complexity of other forms of investments.

Unlike a trust or managed fund, LifeBuilder is not a flow-through tax structure, which means its earnings are retained in the fund and not taxed at the investor level. Yet in many respects it can effectively replicate certain private trust-like qualities and objectives.

A private, discretionary or family trust can reduce its distributable income if invested in a LifeBuilder investment bond. Unlike other investments such as shares, managed funds and term deposits, LifeBuilder does not distribute 'taxable income' to investors unless a withdrawal is made before meeting the 10-year rule requirement (refer to 'The 10-year rule' on page 7 for more information).

There are also no trust or personal capital gains tax consequences when modifying the trust's investment strategy via LifeBuilder. While the trust remains invested in a LifeBuilder investment bond, there is no annual taxable income (from LifeBuilder) that the trust is required to distribute.

As such, LifeBuilder can be used to solve the common problems for family, discretionary and testamentary trusts of limited beneficiary capacity and the short-comings of tax deferral strategies involved with distributing to so called 'bucket companies'.

Family or discretionary trust with excess distributable income

Diagram 1:

Trust **without** an investment bond

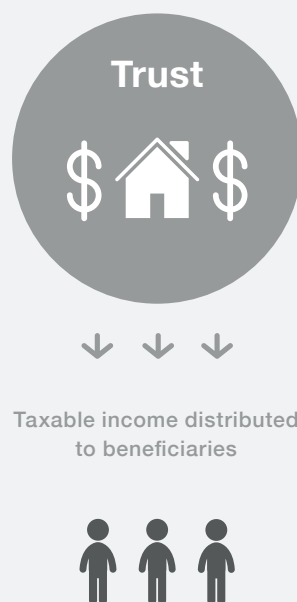
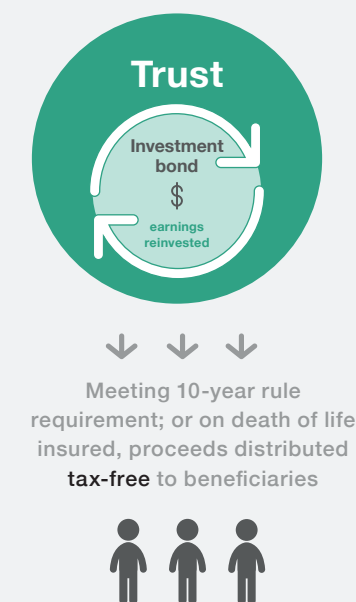


Diagram 2:

Trust **with** a LifeBuilder



Estate planning with greater control



Investment bonds provide greater control over how an investment is passed on to the right people at the right time.

Unlike a will, LifeBuilder and ChildBuilder can bypass the estate and potentially helps avoid challenges and claims that can be associated with a will.

Advantages for LifeBuilder and ChildBuilder include:

- Tax-free proceeds on the death of the life insured
- Future transferrable
- No restrictions on who can be a beneficiary – individuals, companies, trusts and charities (LifeBuilder only)
- No family or interdependent relationship required for beneficiaries (LifeBuilder only)
- No death taxes when passing onto non-dependants
- Effective for blended families
- Can be established as a non-estate asset (LifeBuilder only)

Secure wealth distribution

LifeBuilder's unique EstatePlanner features (Future Event transfer and Beneficiary nomination) also lets the investor establish tax-effective transfers of wealth with the flexibility to structure the investment either within or outside the investor's will and legal estate.

The investor can use the Future Event transfer feature to control when and how their investment will be tax-effectively transferred and accessed by the next generation (including existing trusts). This feature gives the investor the ability to arrange the automatic transfer of their investment at a future set date, including their death. Importantly, the investment's tax status will be preserved for the future recipient, as the 10-year rule period (refer to 'The 10-year rule' on page 7 for more information) is not reset when transferred.

If the investor nominates the transfer date as the date of death (not applicable to companies and trusts), then the investment bond will transfer to the intended recipient

(which can be an individual or existing trust) and does not form part of their estate.

For extra peace of mind, the investor can also control when the recipient can start making withdrawals and set a regular income payment amount to be paid as an income stream. The investor can also set the length of time that a regular payment is to be made for, or it can be an indefinite period until funds are exhausted.

Where a future date has been nominated as the Future Event transfer date and the investor has passed, the investor has the option of nominating an Account Guardian to hold the investment until the nominated transfer date, or alternatively the estate can hold the investment until the future date occurs. The Future Event transfer feature provides the option to restrict the investor's nominated Account Guardian or estate legal representative from making a withdrawal, transferring ownership, or using the investment bond as loan security in these cases.

Estate planning with greater control



Investment bonds provide greater control over how an investment is passed on to the right people at the right time.

Alternatively, investors can either elect their death as the transfer date or use the Beneficiary nomination feature to nominate beneficiaries (which can include individuals, companies, trusts and charities) to receive the proceeds of their investment on the occurrence of the nominated life insured event, including the death of the nominated life insured or last surviving insured (not applicable if the investment bond is owned by companies or trusts). Again, in this case the investment bond proceeds do not form part of the investor's estate.

Creditor protection

Receive protection from creditors in the case of bankruptcy.

Like superannuation, if an investment bond is owned by an individual, they will receive protection from creditors in the case of bankruptcy (provided their intention in making a contribution prior to bankruptcy specifically for the purpose or intention of defeating creditors involved in the bankruptcy proceedings) where the life insured is the bankrupt or the bankrupt's spouse (including de facto spouse) under section 116 (2)(d) and section 121 of the Bankruptcy Act 1966.

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 (but not before). For example, if proceeds are received before bankruptcy and are sitting in a bank account or used to purchase real property they are not afforded the creditor protection and will be available to creditors.

The investor should seek independent legal advice to determine if this applies to their circumstances.

Managing Centrelink benefits with a bare trust structure to hold LifeBuilder investments



Using a bare trust structure to hold a LifeBuilder investment can help an investor's aged pension entitlements and aged care resident fees.

Holding a LifeBuilder investment within the Bonds Custodian Trust can assist with certain financial planning outcomes. In particular, it can help improve any entitlements and benefits that are associated with the age pension income test, the residential aged care accommodation income test and the home care service fee income test.

The Bonds Custodian Trust facility is a convenient and cost-effective alternative to holding a LifeBuilder investment in a private trust. The Bonds Custodian Trust only holds LifeBuilder investments and can hold more than one LifeBuilder investment, provided the investments are in the name of the same owner.

The Social Security Act 1991 and Veterans Entitlements Act 1986 require that only actual income distributions from a designated private trust will be assessed for income test purposes. That is, a designated private trust (and its assets) are excluded from income deeming requirements.

The Bonds Custodian Trust is classified as a designated private trust and a controlled trust of the investor under relevant legislation.

How can the Bonds Custodian Trust be used?

Where deemed or taxable income received from investment assets increases a regulated fee, (such as a residential aged care accommodation fee or home care service fees) or reduces a social security or pension benefit (under relevant income tests), the Bonds Custodian Trust may be useful.

Managing Centrelink benefits with a bare trust structure to hold LifeBuilder investments



Extended deeming & account-based pensions

With extended deeming rules applying to account-based pensions from 1 January 2015, a LifeBuilder with a regular withdrawal arrangement held within a Bonds Custodian Trust may be considered as a flexible alternative regular payment stream (instead of a more rigid annuity or superannuation pension). This may benefit an investor concerned with losing their Commonwealth Seniors Health Card because they may exceed their taxable income threshold.

How does it work?

The Bonds Custodian Trust is an 'umbrella' private trust that Generation Life has created to streamline the off-the-shelf production of a bare trust that is classified as a designated private trust. The Bonds Custodian Trust bare trust only holds the investor's LifeBuilder investment(s) as its sole asset(s).

The Bonds Custodian Trust will hold the LifeBuilder investment but will not generate ongoing assessable income - this is because LifeBuilder itself does not distribute ongoing income (unlike a term deposit, unit trust or share portfolio for example). The trust will be subject to the assets test, however, as a designated private trust income deeming provisions will not apply to the trust.

A Bonds Custodian Trust that holds a LifeBuilder investment will also not generate ongoing assessable income (this is because LifeBuilder itself does not distribute ongoing income).

Benefits of using a Bonds Custodian Trust

The Bonds Custodian Trust is a convenient and cost-effective alternative to holding a LifeBuilder investment in a private trust. Using a Bonds Custodian Trust eliminates the cost of setting up and separately maintaining a private trust structure, trustee selection and time delays throughout the establishment process – there are no establishment costs or ongoing charges. There is also no need to set up separate trust bank accounts or apply for or hold an Australian Business Number.

Holding a LifeBuilder investment in a designated private trust means that the asset is assessed by Centrelink and the Department of Veterans Affairs on an actual rather than a deemed income basis, while the trust will continue to be asset tested.

Managing Centrelink benefits with a bare trust structure to hold LifeBuilder investments



The Bonds Custodian Trust's uncomplicated structure means it does not require ongoing administration, accounting or taxation reporting to be undertaken by the investor. There is also no tax file number required and because there is no distribution, no tax return is required – provided there are no withdrawals before meeting the 10-year rule requirement.

For estate planning purposes, investors can still utilise the EstatePlanner features to transfer ownership on the death of the investor without impacting the LifeBuilder's tax status, or alternatively nominate beneficiaries to make a tax-free benefit payment on the death of the life insured. In the event that the EstatePlanner features are not utilised, the LifeBuilder's proceeds will be distributed to the investor's legal personal representative.

Importantly, holding a LifeBuilder in a Bonds Custodian Trust does not impact an investor's (or their attorney's) ability to make a withdrawal, make additional contributions or switch investment options.

How do you establish a Bonds Custodian Trust?

A Bonds Custodian Trust can be established at the same time that the LifeBuilder investment is made by completing the Application Form.

If an investor already has a LifeBuilder investment, then the LifeBuilder investment can be transferred into a Bonds Custodian Trust at any time.

If a new LifeBuilder investment is established, then that investment can be transferred into the investor's existing Bonds Custodian Trust (if one has already been set up).

Other Government benefits that a LifeBuilder or ChildBuilder investment can assist with



There are a number of Government payments and services that use Adjustable Taxable Income as a criteria for determine eligibility and the level of benefit available.

Adjustable Taxable Income is used to determine the availability of a number of Government benefits including:

- Commonwealth Seniors Health Card
- Family assistance payments
- Child support
- Carer Allowance and Carer Allowance Health Care Card
- Low Income Supplement and Low Income Family Supplement
- Medicare Levy Surcharge thresholds
- Private Health Insurance rebate
- Higher Education Loan Program (HELP) repayments
- Dependant (invalid and carer) tax offset

The annual investment earnings of a LifeBuilder or ChildBuilder are excluded from Adjustable Taxable Income calculations provided no withdrawals are made within the 10-year period. If a withdrawal is made within 10-year period, then the tax assessable component of the withdrawal would be included as part of the Adjusted Taxable Income.

Adjustable Taxable Income is based on an investor's taxable income — i.e. assessable income less allowable deductions with a number of other adjustments applied including:

- reportable employer superannuation contributions
- deductible personal superannuation contributions
- adjusted reportable fringe benefits
- certain tax-free government pensions or benefits received
- target foreign income (income and certain other amounts from sources outside Australia not included in your taxable income or received as a fringe benefit)

The Adjustable Taxable Income calculation may have variants depending on the Government benefit it relates to.

Investment bonds as loan security

LifeBuilder and ChildBuilder can be used as security against loans. If a loan is used to generate income, interest and other loan-related costs may be tax deductible.

Investment bonds can be used as security for loans for a variety of purposes including business or investment loans. An investment bond represents an ideal form of loan security as it is a non-distributing and accumulating tax-effective investment with relatively straight forward security arrangements available.

A lender will typically assign a 'loan-to-value' ratio for each investment option (generally between 40% and 90%) with an overall dollar loan limit depending on the investment option selected by the investor. Funds received from the lender can then be used to fund a loan for business or other investment purposes.

Interest (and other financing) costs on the loan will generally be tax deductible where the loan is used for business purposes (such as for working capital and normal business outgoings) or for investment purposes (such as investing into income producing investments including shares, property and managed funds). Depending on the borrowed amount, the lender will not typically require any other form of security (home, business assets etc.), with the investment bond being the primary security against which the loan is made.

Giving a child a financial head start

An investment bond is a smart way to provide a child a financial head start in life.

An investment bond is a flexible, tax-effective savings tool, offering investment choice and flexibility when looking to provide a child with a financial head start. The investor has complete control over how their money is invested and how it will be passed on and will benefit from the maximum tax rate of 30%, irrespective of their personal, marginal tax rate.

As a clever way to provide a child with a financial head start in life, an investment bond can be used to save for education or study expenses, a first home deposit, a first car, wedding expenses, overseas travel, funding living away from home expenses, or any other specific goals.

Compounding returns

Described by Albert Einstein as ‘the most powerful force in the universe’, compounding returns are the key benefit to starting early when planning to save for a child and provide a financial head start in life.

The surprising benefits of a regular savings plan

A regular savings plan offers investors the ability to make regular contributions to their investment from as little as \$50 per month. Setting up a regular savings plan is an easy way to grow an investment without even having to think about it. Add compounding returns into the mix and the investor will have reached their investment goals before they know it!

Intergenerational wealth transfer

An investment bond can also be used as a simple way of structuring inheritances for children/grandchildren, without the common complexities of a will. The investor simply targets the transfer of their wealth to their child with the option to choose at what age the ownership of the investment is transferred.

Checklist of client scenarios

Investing outside superannuation

- ☐ Looking for a tax-effective, flexible investment solution outside superannuation.
[Jump to: Functionality not working for any of the scenarios.](#)
- ☐ Allow for uncapped contributions with complete flexibility.
[Jump to: **The 125% opportunity**](#)
- ☐ Create a tax-effective income stream for early retirement before superannuation preservation age.
[Jump to: **Tax advantages of investment bonds**](#)
- ☐ Overcome superannuation's estate planning limitations.
[Jump to: **Estate planning with greater control**](#)

Estate Planning and intergenerational transfers

- ☐ Have full control and peace of mind over the transfer of wealth without any capital gains tax implication.
[Jump to: **LifeBuilder and the benefits of our EstatePlanner features**](#)
- ☐ Provide inheritances with flexibility and certainty, and without triggering a personal tax event.
[Jump to: **Estate planning with greater control**](#)
- ☐ Avoid potential conflicts and inequities between classes of beneficiaries that might be difficult to handle under a will.
[Jump to: **Estate planning with greater control**](#)
- ☐ Set a future transfer date or event and set a future regular income payment amount.
[Jump to: **LifeBuilder and the benefits of our EstatePlanner features**](#)
- ☐ Make a financial provision (outside of a will) for a child from a previous marriage or relationship.
[Jump to: **Estate planning with greater control**](#)
- ☐ Set up a tax-free inheritance outside a will and legal estate.
[Jump to: **Estate planning with greater control**](#)
- ☐ Simplify a complex will and blended family estate issue.
[Jump to: **Estate planning with greater control**](#)
- ☐ Make charitable bequests after death.
[Jump to: **Estate planning with greater control**](#)

Checklist of client scenarios

Building wealth tax-effectively

- ☐ Building wealth in a tax-effective structure.
Jump to: [Tax advantages of investment bonds](#)
- ☐ Maximise after tax returns.
Jump to: [Keeping tax below 30%](#)
- ☐ Early mortgage payout.
Jump to: [Managing withdrawals](#)
- ☐ Save for a specific life event.
Jump to: [Investment bond overview](#)

Savings plans

- ☐ Ideal tax-effective regular savings vehicle.
Jump to: [Benefits of Generation Life's investment bonds](#)
- ☐ 125% add-ons feature & dollar cost averaging plans.
Jump to: [The 125% opportunity](#) and [Benefits of Generation Life's investment bonds](#)

Saving for specific life events

- ☐ Save for a child's first home deposit.
Jump to: [ChildBuilder](#)
- ☐ Save for a child's wedding.
Jump to: [ChildBuilder](#)
- ☐ Set up a tax-effective investment to start a family.
Jump to: [Tax advantages of investment bonds](#)
- ☐ Save for a child's overseas travel plans.
Jump to: [ChildBuilder](#)

Meeting the rising costs of future generations

- ☐ Give a child in my life a financial head start tax-effectively.
Jump to: [ChildBuilder](#)
- ☐ Ensuring that a child's future is secured.
Jump to: [ChildBuilder](#)

Private Trusts and alternative structures

- ☐ Looking for an alternative to private trusts and private investment companies.
Jump to: [Managing Centrelink benefits with a bare trust structure to hold LifeBuilder investments](#)
- ☐ Reduce or eliminate the level of distributable income inside a discretionary or family trust.
Jump to: [LifeBuilder as a trust investment](#)

Checklist of client scenarios

Improving government benefits and aged care

- | | |
|--|--|
| ☐ Increase pension entitlements.
Jump to: FuneralBond and Managing Centrelink benefits with a bare trust structure to hold LifeBuilder investments | ☐ Qualify for the Commonwealth Seniors Health Card.
Jump to: FuneralBond and Managing Centrelink benefits with a bare trust structure to hold LifeBuilder investments |
| ☐ Reduce level of deemed income for Centrelink or Department of Veterans Affairs purposes, including to manage aged care accommodation fees and in home care fees.
Jump to: FuneralBond and Managing Centrelink benefits with a bare trust structure to hold LifeBuilder investments | ☐ Managing Adjusted Taxable Income for certain Government services and payments such as the Commonwealth Seniors Health Card.
Jump to: Other Government benefits that a LifeBuilder or ChildBuilder investment can assist with |
| ☐ Reduce level of assets for Centrelink or Department of Veterans Affairs purposes.
Jump to: FuneralBond | |

Loan and gearing strategies

- ☐ Using investment bonds as a loan security and in margin lending strategies.
[Jump to: Investment bonds as loan security](#)
- ☐ Business, investment or personal loans.
[Jump to: Investment bonds as loan security](#)

Creditor and bankruptcy protections

- ☐ Investment bonds can carry valuable protections.
[Jump to: Creditor protection](#)

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About us

Highly recommended for over a decade.

As the pioneer of Australia's first truly flexible investment bond, we have been at the forefront of providing innovative tax-effective investment solutions since 2004. As an innovation led business, we constantly strive to enhance our products and processes to optimise after-tax investment performance for our investors.

We are a leading specialist provider of tax optimised investment, succession planning, intergenerational wealth transfer, estate planning and retirement income solutions – with over \$5.3 billion invested with us to date.

Generation Life is a regulated life insurance company. Our parent company Generation Development Group Limited is listed on the Australian Securities Exchange and comprises a number of diversified financial services related businesses.

Our focus is to continue providing Australians with market-leading tax-effective investment solutions that provide a flexible investment alternative to meet both personal and financial goals. Our investment solutions are designed to help you grow your wealth, meet your day-to-day investment needs, and help you plan for your future needs including the transfer of wealth to the next generation.

Chant West rating has consistently rated LifeBuilder and ChildBuilder Highly Recommended since 2008.#



Outthinking today.

How to apply

Get in touch with Generation Life.

-  **Apply via Generation Life's quick, convenient and secure online forms**
Application Form & PDS
-  **Enquiries**
enquiry@genlife.com.au
-  **Contact your local**
Distribution manager
-  **Investor Services**
1800 806 362
-  **Adviser Services**
1800 333 657

#The Chant West rating relates to Generation Life LifeBuilder and Generation Life ChildBuilder (referred to as Investment Bonds).

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