generation life

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

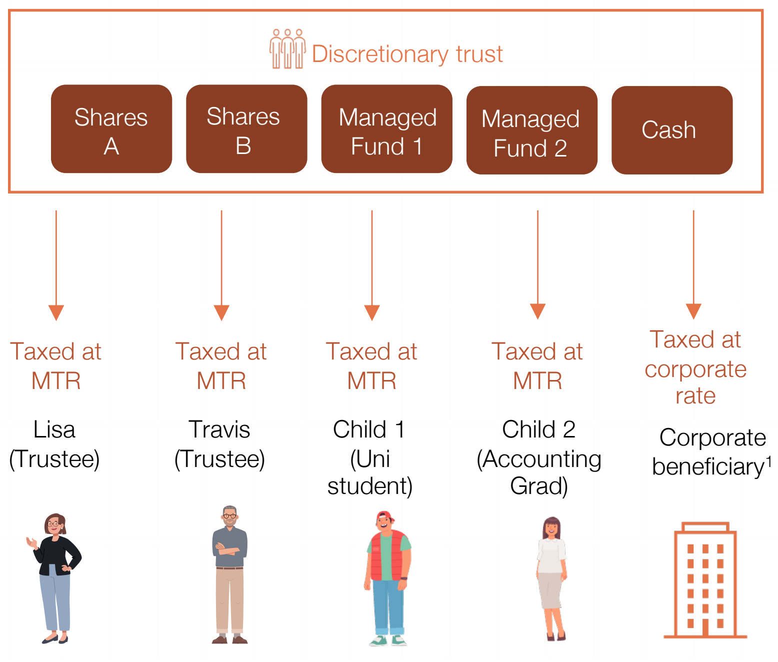
Travis and Lisa's concerns

- [ ] 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…



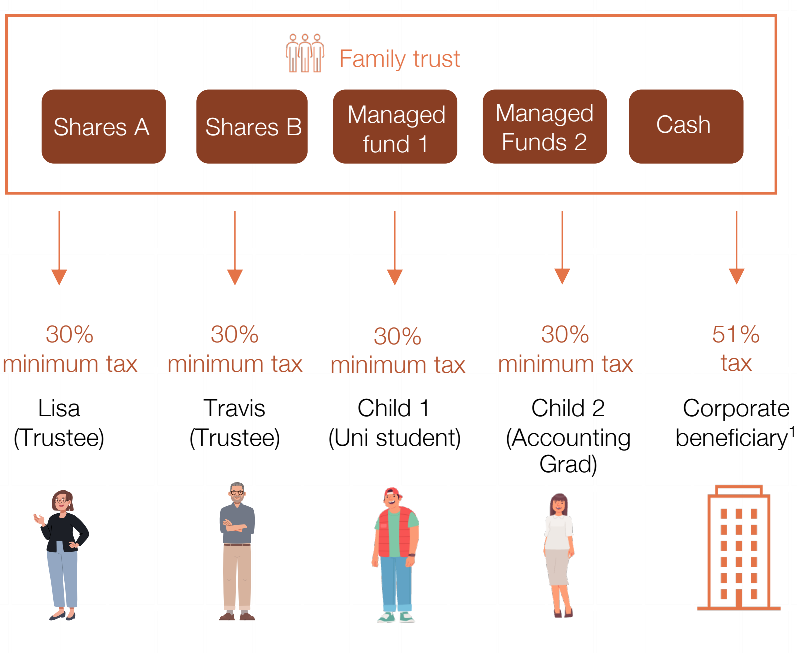
Have been used for income streaming

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

Family trust

Investment bond A | Investment bond B | Investment bond C | Investment bond D | Investment bond E

Fully tax paid — Lisa (Trustee)

Fully tax paid — Travis (Trustee)

Fully tax paid — Child 1 (Uni student)

Fully tax paid — Child 2 (Accounting Grad)

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

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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