



IOOF

# WEALTHBUILDER

## Example strategy 2

Salary sacrifice contributions have dropped to \$25,000 per annum



Issue

Consider the following case study:

Henry is a 52 year old well-paid project manager with a high disposable income.

- Currently maximising his salary sacrifice contribution.
- With the superannuation changes that came into effect on 1 July 2017, Henry wants to set up an alternative tax-effective vehicle to invest his funds that can no longer be placed in his super post this date.
- Henry would prefer not to access his superannuation until absolutely necessary.



Solution

A solution for Henry could be to utilise the simple tax-effective structure of an investment bond for his excess funds.

- Starting with an initial deposit of \$10,000.
- Each month Henry contributes \$1,000 after tax to the investment bond and would like to increase this over time in line with the 125% rule\*.
- Flexibility to invest into a range of diversified or single sector managed funds that are inside the tax-effective structure of an investment bond.

**\*You can invest up to 125% of previous year's contribution(s) and still retain the original investment start date for tax purposes.**



Outcome

Henry now has two tax-effective structures in place. His superannuation fund and his investment bond.

- The investment bond offers a flexible, easy, no fuss alternative investment structure which unlike his super, Henry will always have 100% access to these funds.
- Unlike direct investments in managed funds, whilst holding investments in an investment bond, Henry doesn't have to include investment growth or earnings from his bond in his personal tax returns.

Furthermore, Henry has the added incentive that after 10 years, he will never have any personal tax liability on the growth and earning of his investment.

Turn overleaf to discover the calculations behind this strategy utilising the IOOF **WealthBuilder** calculator, which can be found at [www.ioof.com.au/calculators](http://www.ioof.com.au/calculators)

Henry has successfully set up an alternative tax-effective vehicle to invest his funds that can no longer be placed in his super. Even better, an investment bond gives him access to his investment whenever he needs it.

### Investment details for Henry:

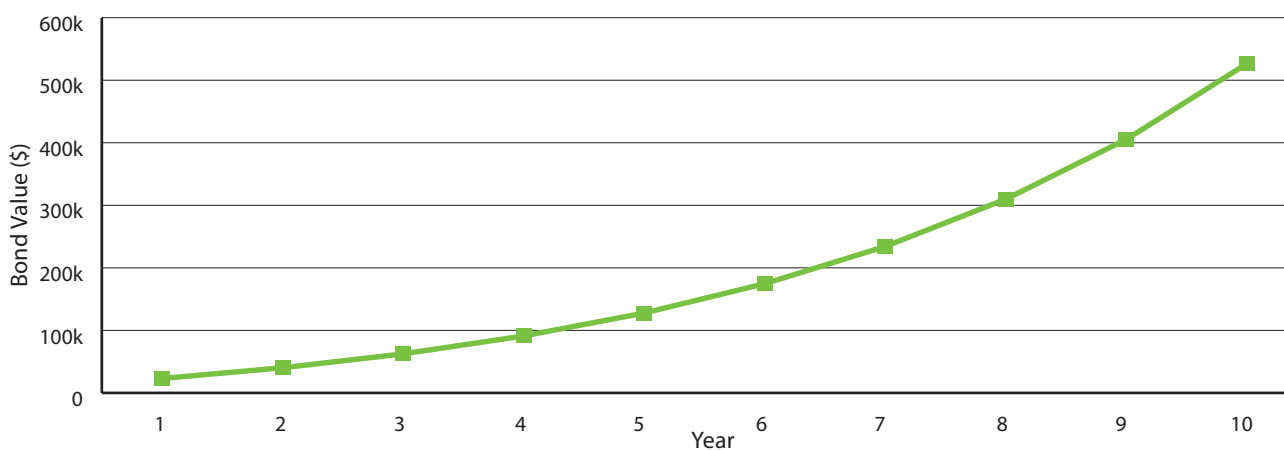
**Initial Investment:** \$10,000  
**Monthly contributions:** \$1,000 (plus applying the 125% rule)  
**Net return:** 7% (after fees and taxes)<sup>1</sup>

The 10 year period is just a 'line in the sand', an investment bond is accessible anytime and continues until withdrawal.

### Projection to Year 10 (in future dollars):

Years	10
Contributions	\$409,035
<b>Growth</b>	<b>\$117,226</b>
Value of bond	\$526,261
<b>Tax free benefit after 10 years<sup>2</sup></b>	<b>\$526,261</b>

### Year by year projections (in future dollars):



Year	Balance at start of year	Henry's contributions	Balance at end of year
Year 1	\$0	\$22,000	\$23,113
Year 2	\$23,113	\$15,000	\$40,247
Year 3	\$40,247	\$18,750	\$62,459
Year 4	\$62,459	\$23,438	\$91,075
Year 5	\$91,075	\$29,297	\$127,756
Year 6	\$127,756	\$36,621	\$174,580
Year 7	\$174,580	\$45,776	\$234,152
Year 8	\$234,152	\$57,220	\$309,732
Year 9	\$309,732	\$71,526	\$405,399
Year 10	\$405,399	\$89,407	\$526,261

For further information about IOOF WealthBuilder, please contact your financial adviser, call client services on 1800 002 217 or visit [www.ioof.com.au/wealthbuilder](http://www.ioof.com.au/wealthbuilder) to obtain a copy of the product disclosure statement.

1. Net returns are dependent on a range of factors such as market conditions, fees, taxes and assets underlying the investment bond. Returns vary over time and are not guaranteed.
2. The investment bond pays tax on earnings at a flat 30%. After ten years, withdrawals from the bond are tax-free to the owner, however before this time earnings on withdrawals may be taxed personally and earnings will continue to be taxed in the bond.

**Important Information:** IOOF WealthBuilder (WealthBuilder) is issued by IOOF Ltd (ABN 21 087 649 625) AFS Licence No. 230522 ("IOOF"). IOOF is a company in the IOOF Group of companies which consists of IOOF Holdings Ltd (ABN 49 100 103 722) and its related bodies corporate and is not a registered Tax Agent. IOOF's contact details are available on our website [www.ioof.com.au](http://www.ioof.com.au). This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek independent financial or taxation advice. You should obtain and consider a copy of the Product Disclosure Statement available from us or your financial adviser, before you acquire a financial product.