IOOF WEALTHBUILDER

Example strategy 7

Saving for a child's education

Issue

Cameron and Georgina have just had their first child Amelia, and she is the first grandchild on both sides of the family. Both sets of grandparents have agreed to commit $2,000 as a starting deposit and then $100 each every month.

- The grandparents are concerned over the future costs involved for the child's education.
- They also do not want the burden to fall completely to the parents, Cameron and Georgina, as they have existing commitments with their mortgage.

Solution

A solution could be to utilise the simple tax-effective structure of an investment bond.

- Start with an initial deposit of $4,000.
- Add a monthly contribution of $200 per month - each set of grandparents can contribute $100. They could set up a direct debit facility, both via their individual bank accounts.

There is the ability to invest into a range of diversified or single sector investment options inside the tax-effective structure of an investment bond.

Outcome

An "education fund" has now been established for Amelia, with a simple savings solution in an investment bond.

- No earnings on the investment need to be declared while they remain invested.
- However there is the great flexibility of being able to access the funds at any time, should the need arise.
- The investment ownership may be changed at any time without any tax consequences.

As further grandchildren are born, they can continue to invest in the same investment bond, or alternatively create a different account for each grandchild.

Turn overleaf to discover the calculations behind this strategy utilising the IOOF WealthBuilder calculator, which can be found at www.ioof.com.au/calculators

The grandparents have successfully started an 'education fund' for their granddaughter, Amelia, and are comforted to know they can always have 100% access to these funds.

Investment details for Amelia:

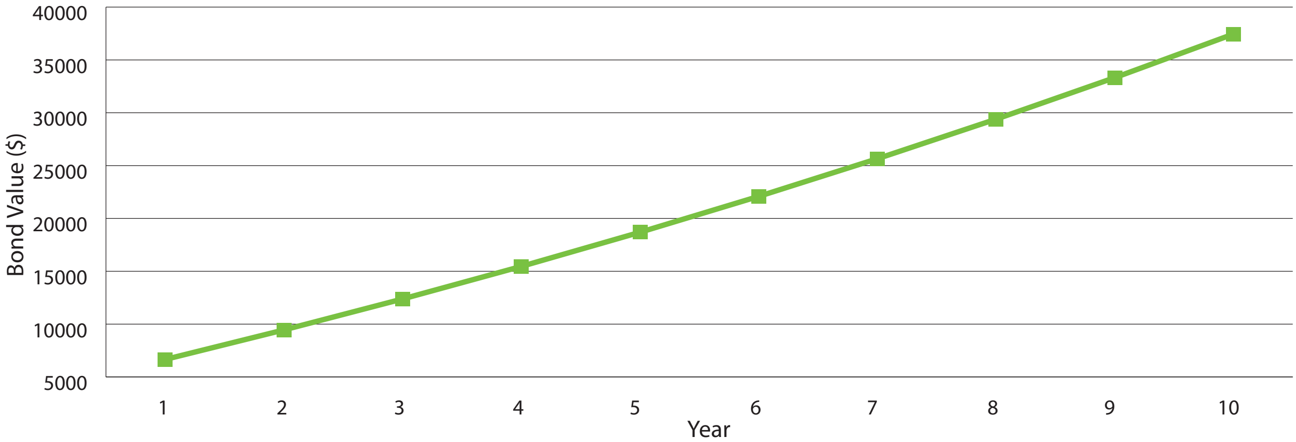
Initial Investment: $4,000
Monthly contributions: $200
Net return: 5% (after fees and taxes)[1]

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	$28.000
Growth	$9,448
Value of bond	$37,448
Tax free benefit after 10 years[2]	$37,448

Year by year projections (in future dollars):



Year	Balance at start of year	Contributions	Balance at end of year
Year 1	$0	$6,400	$6,659
Year 2	$6,659	$2,400	$9,452
Year 3	$9,452	$2,400	$12,383
Year 4	$12,383	$2,400	$15,462
Year 5	$15,462	$2,400	$18,694
Year 6	$18,694	$2,400	$22,088
Year 7	$22,088	$2,400	$25,652
Year 8	$25,652	$2,400	$29,394
Year 9	$29,394	$2,400	$33,323
Year 10	$33,323	$2,400	$37,448

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 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.