



IOOF

WEALTHBUILDER

Example strategy 5

The power of saving (with the 125% rule)



Issue

Tom is a single 25 year old, living at home with his parents.

- Working full-time and is enjoying the single life!
- Tom's father, Dan, has been educating him on the importance of a budget and the power of savings.
- Dan will pay the initial \$500 deposit for the investment bond, if Tom commits to a long term savings plan.

Also view strategy 6, about Tom's brother Max and the power of saving without utilising the 125% rule.



Solution

A solution for Tom (and his parents) could be to utilise the simple tax-effective structure of an investment bond.

- Start with an initial deposit of \$500.
- Each month Tom will contribute \$100 to the investment bond and will increase in line with the 125% rule*. Each year Tom and Dan will sit down and decide if Tom can manage the 125% increase.
- Tom has the 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

Tom is now on a budget and saving monthly, with a simple savings solution in an investment bond.

- Unlike direct investments in managed funds, investing via an investment bond, Tom doesn't have to include investment growth or earnings from his bond in his personal tax returns.
- The investment bond also offers a flexible, easy, no fuss investment structure with a range of investment options that allow them to achieve their investment goals.
- Tom also has the bonus of always having 100% access to his funds, but there may be tax consequences if accessed within the first 10 years.

Furthermore, Tom 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

Tom has successfully started saving and is comforted to know he will always have 100% access to these funds, just in case!

Investment details for Tom:

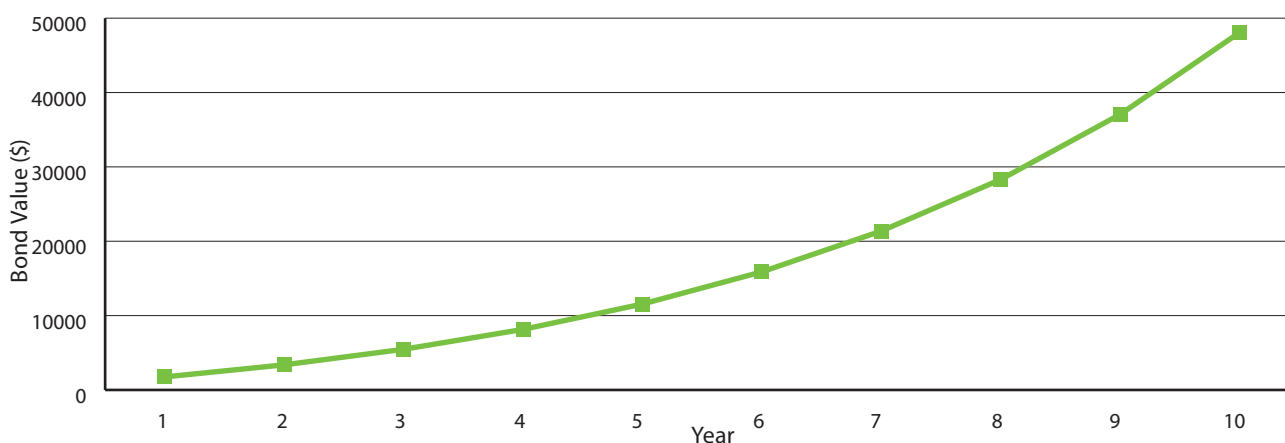
Initial Investment: \$500
Monthly contributions: \$100 (plus applying the 125% rule)
Net return: 5% (after fees and taxes)¹

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	\$40,403
Growth	\$7,657
Value of bond	\$48,060
Tax free benefit after 10 years²	\$48,060

Year by year projections (in future dollars):



Year	Balance at start of year	Tom's contributions	Balance at end of year
Year 1	\$0	\$1,700	\$1,755
Year 2	\$1,755	\$1,500	\$3,379
Year 3	\$3,379	\$1,875	\$5,470
Year 4	\$5,470	\$2,344	\$8,145
Year 5	\$8,145	\$2,930	\$11,554
Year 6	\$11,554	\$3,662	\$15,884
Year 7	\$15,884	\$4,578	\$21,369
Year 8	\$21,369	\$5,722	\$28,301
Year 9	\$28,301	\$7,153	\$37,045
Year 10	\$37,045	\$8,941	\$48,059

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.

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. 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.