



IOOF

WEALTHBUILDER

Example strategy 10

Utilising the loan facility for business or investment purposes

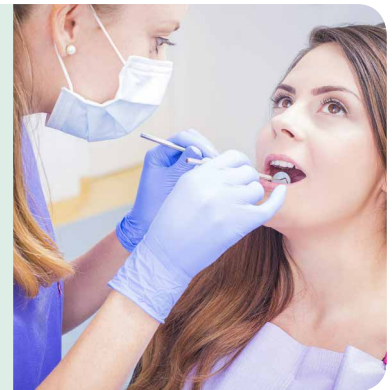


Issue

Consider the following case:

Pamela is a dentist who has been with her present employer, Smile Bright Dentistry, for nearly four years.

- Pamela has a high disposable income.
- She has sought advice as to how to structure her investments given that at some stage in the future she would like to become a partner within the practice.



Solution

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

- Start with an initial deposit of \$100,000.
- Each month Pamela will contribute \$1,000 to the investment.

Pamela then has the ability in the future, to use her investment bond as security to borrow funds to purchase equity in the business. The loan facility may be for business or investment purposes, but cannot be used to purchase residential property.



Outcome

Utilising the loan

Pamela could borrow \$60,000* interest only loan to buy equity in the business, which can remain in place while she has the investment bond.

- She will not have to worry about personal income tax issues in relation to the bond and her funds within the bond will retain their earning power.
- The interest rates may be favourable compared to other options and the loan is an interest only loan.
- Principal payments may be paid at any time should she wish to, Pamela has effectively created her own "line of credit".

* Speak to your financial planner for further information regarding borrowing rates and limits.

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

Pamela has successfully utilised the simple tax-effective structure of an investment bond and has the ability in the future, to use her investment bond as security for future borrowings.

Investment details for Pamela:

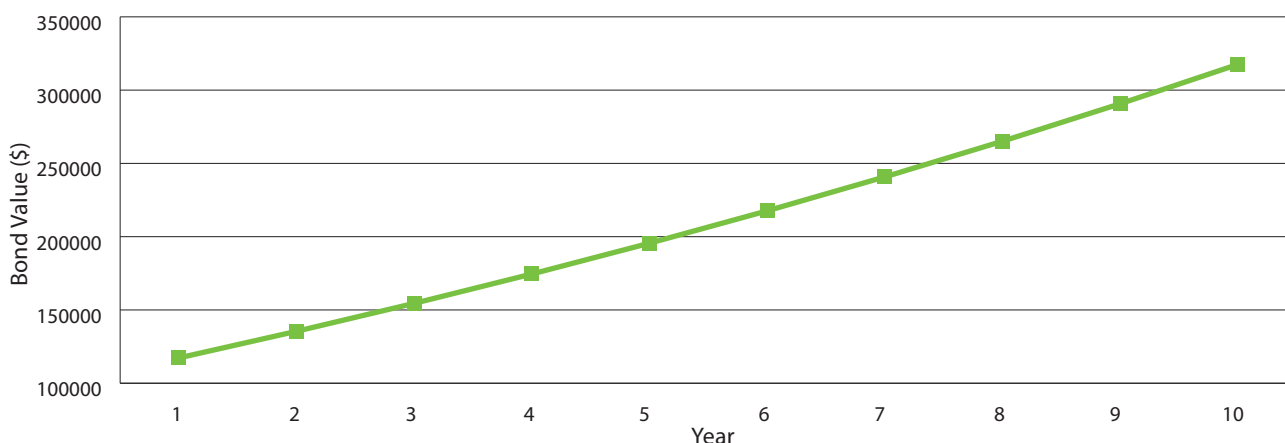
Initial Investment: \$100,000
Monthly contributions: \$1,000
Net return: 5% (after fees and taxes)¹

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	\$220,000
Growth	\$97,552
Value of bond	\$317,552
Tax free benefit after 10 years²	\$317,552

Year by year projections (in future dollars):



Year	Balance at start of year	Contributions	Balance at end of year
Year 1	\$0	\$112,000	\$117,296
Year 2	\$117,296	\$12,000	\$135,458
Year 3	\$135,458	\$12,000	\$154,527
Year 4	\$154,527	\$12,000	\$174,549
Year 5	\$174,549	\$12,000	\$195,573
Year 6	\$195,573	\$12,000	\$217,648
Year 7	\$217,648	\$12,000	\$240,827
Year 8	\$240,827	\$12,000	\$265,165
Year 9	\$265,165	\$12,000	\$290,719
Year 10	\$290,719	\$12,000	\$317,552

For further information about IOOF WealthBuilder, please contact your financial adviser, call Investor 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.

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