



IOOF

# WEALTHBUILDER

## Example strategy 6

### The power of saving



Issue

Max is a single 23 year old and lives at home with his parents.

- He has just started working full-time.
- Max's father, Dan, has been educating him on the importance of a budget and the power of savings.
- If Max can commit to a long term savings plan, Dan will agree to help Max by providing the initial deposit of \$500.

Also view strategy 5, about Max's brother Tom and the power of saving, utilising the 125% rule.



Solution

A solution for Max (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 Max will contribute \$100 to the investment.

Max 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.



Outcome

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

- Unlike direct investments in managed funds, holding investments in an investment bond, Max 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.
- Max 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, Max 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)

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

### Investment details for Max:

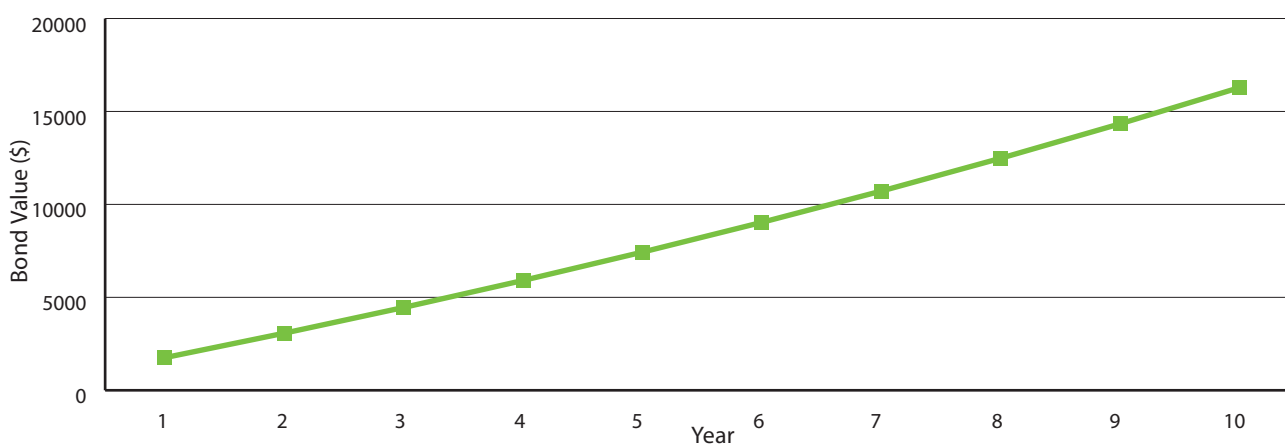
**Initial Investment:** \$500  
**Monthly contributions:** \$100  
**Net return:** 5% (after fees and taxes)<sup>1</sup>

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	\$12,500
<b>Growth</b>	<b>\$3,781</b>
Value of bond	\$16,281
<b>Tax free benefit after 10 years<sup>2</sup></b>	<b>\$16,281</b>

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



Year	Balance at start of year	Max's contributions	Balance at end of year
Year 1	\$0	\$1,700	\$1,755
Year 2	\$1,755	\$1,200	\$3,072
Year 3	\$3,072	\$1,200	\$4,455
Year 4	\$4,455	\$1,200	\$5,908
Year 5	\$5,908	\$1,200	\$7,433
Year 6	\$7,433	\$1,200	\$9,034
Year 7	\$9,034	\$1,200	\$10,715
Year 8	\$10,715	\$1,200	\$12,481
Year 9	\$12,481	\$1,200	\$14,334
Year 10	\$14,334	\$1,200	\$16,281

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.

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