

Example strategy 12

Grandparents investment pot while utilising a nominated beneficiary



Issue

In today's world more and more financial planning scenarios impact the next generation.

Tim and Ann have three children and their first grandson, Henry has just been born.

- The grandparents would like to set up an investment for Henry and any future grandchildren with an expectation of a 20 year time frame.
- Tim and Ann would like to be the investors and life insured, just in case they need access to the capital, and to give them flexibility later on, if required.



Solution

A solution could be to utilise the simple tax-effective structure of an investment bond in Tim and Ann's name.

- Start with an initial deposit of \$5,000.
- Add a monthly contribution of \$200 per month by setting up a direct debit facility via their joint bank account.
- Nominate Henry as the primary beneficiary. As future grandchildren are born, they are simply added as beneficiaries with proceeds evenly apportioned.
- There is also the ability to invest into a range of diversified or single sector investment options inside the tax-effective structure of an investment bond.



Outcome

A simple tax-effective investment that forms no part of Tim and Ann's Estates and can be simply paid to the grandchildren after their passing.

- Have the flexibility to simply manually transfer the investment to the grandchild/ren at any age.
- Funds are paid directly to the nominated beneficiaries and with no personal tax liability.

Furthermore, Tim and Ann have the added incentive that after 10 years, they will never have any personal tax liability on the growth and earning of the 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

Grandparents, Tim and Ann, have successfully set up an investment bond (pot) while utilising a nominated beneficiary

Investment details for Tim and Ann:

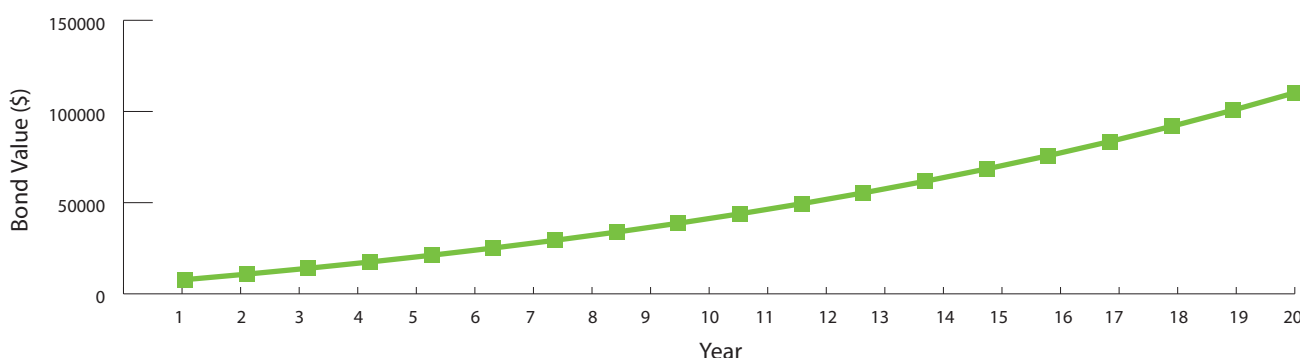
Initial Investment: \$5,000
 Monthly contributions: \$200
 Net return: 7% (after fees and taxes)¹

Remember, after 10 years there will be no personal tax liability on the growth and earnings of the investment.

Projection to Year 20:

Years	20
Contributions	\$53,000
Growth	\$67,445
Value of bond	\$120,445
Tax free benefit after 20 years²	\$120,445

Year by year projections (in future dollars):



Year	Balance at start of year	Contributions	Balance at end of year
Year 1	\$0	\$7,400	\$7,789
Year 2	\$7,789	\$2,400	\$10,803
Year 3	\$10,803	\$2,400	\$14,027
Year 4	\$14,027	\$2,400	\$17,478
Year 5	\$17,478	\$2,400	\$21,170
Year 6	\$21,170	\$2,400	\$25,121
Year 7	\$25,121	\$2,400	\$29,348
Year 8	\$29,348	\$2,400	\$33,871
Year 9	\$33,871	\$2,400	\$38,711
Year 10	\$38,711	\$2,400	\$43,889
Year 11	\$43,889	\$2,400	\$49,430
Year 12	\$49,430	\$2,400	\$55,359
Year 13	\$55,359	\$2,400	\$61,702
Year 14	\$61,702	\$2,400	\$68,490
Year 15	\$68,490	\$2,400	\$75,753
Year 16	\$75,753	\$2,400	\$83,525
Year 17	\$83,525	\$2,400	\$91,840
Year 18	\$91,840	\$2,400	\$100,738
Year 19	\$100,738	\$2,400	\$110,258
Year 20	\$110,258	\$2,400	\$120,445

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.

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