

# Supplement your superannuation with an Unit Linked Investment Bond

**A Centuria Investment Bond is a tax effective and flexible investment platform that can be utilised by investors to supplement their superannuation.**

In the Federal Budget delivered on 3 May 2016, various changes were proposed which seek to restrict the amounts that may be contributed into superannuation, both as concessional and non-concessional contributions. The proposed changes also include reducing other tax concessions to superannuation. These changes are subject to legislation being introduced and passed by Parliament, including any amendments that might be made in that process. The current tax position of the Bond is not subject to any proposed change, other than a favourable tax rate reduction (from its current rate of 30%) in a future year.

\$30,000 in a financial year if aged under 50 and \$35,000 if aged 50 and over (for the 2014/15 year).

Personal after-tax contributions are not taxed on amounts up to the non-concessional (personal after-tax) contributions cap which is \$180,000 in a financial year. Where an investor is under age 65, they may be able to combine the limits for three years to contribute up to \$540,000 in a single year.

## Warning

Any contributions which exceed the non-concessional (personal after-tax) contributions cap are taxed at 49%.

Superannuation can be a tax effective way to invest for retirement. The maximum tax payable on superannuation is 15% compared to the highest personal marginal tax rate of 49%\* (including the Medicare levy).

However, there may be some limits and constraints with superannuation and some investors may look for investments that complement their superannuation investment strategy. An alternative tax effective structure such as an investment bond, (also known as 'insurance bond') can be used to supplement superannuation.

\*Marginal tax rate effective for the 2015-16 tax year plus the Medicare levy of 2.0% and excluding the Medicare levy surcharge.

## The limits of superannuation

### 1. Limited contributions

To contribute to superannuation an investor needs to meet eligibility rules. This requires the investor to be under age 65 or, if aged 65 to 75, they need to meet a work test. If eligible, contribution caps will limit the amount of contributions that can be made to superannuation.

Contributions from an employer (including amounts paid under a salary sacrifice agreement) and contributions for which a personal tax deduction is claimed cannot exceed

### 2. Access restrictions

Superannuation receives tax concessions, but in exchange, access to money is restricted until a "condition of release" is met. This generally means that the investor will not be able to withdraw or use the money until they have reached "preservation age" and have retired.

Preservation age is 55 for an investor born before 1 July 1960 but increases up to age 60 for those born after this date. In some cases, such as permanent disability, earlier access may be allowed.

## Tip

With tax at only 30%, investment bonds offer a tax effective savings option for high income earners, especially if the money can be left invested for at least 10 years.

## The benefits of an Investment Bond

Investment bonds offer a number of benefits and may supplement an investment in superannuation. These benefits are summarised in the table on the next page:



## 1. An alternative tax effective structure

Like superannuation, tax is paid within the investment bond rather than personally by the investor. The maximum tax paid on the earnings and capital gains within an investment bond is 30% although franking credits and tax deductions can reduce this effective tax rate. This makes them an attractive investment option for high income earners.

A key feature of investment bonds is that if the investment is redeemed after 10 years, no personal tax is paid by the investor. However, if the investment is redeemed within the first 10 years, the investor will pay tax on the assessable portion of growth as shown in the table below.

Withdrawal occurs	Taxable portion (of growth withdrawn)
Within first 8 years	100%
In year 9	Two-thirds
In year 10	One-third
After 10 years	Nil

The investor receives a 30% tax offset to reduce the tax payable on the taxable amount.

## 2. No limit on the investment amount

There is no limit on the amount that can be invested in an investment bond in the first year and you can invest up to 125% of the previous years contribution each year thereafter.

## 3. Flexibility

Investment bonds provide the flexibility to access money at any time which can act as a hedge against the restricted access for superannuation.

## 4. Tax simplicity

Investment bonds provide simplicity as earnings are automatically reinvested in the bond and tax is paid within the bond. This means that income and capital gains do not need to be tracked and included in the investor's personal tax returns. Investors can also switch between investment options without triggering capital gains tax.

## 5. Estate planning flexibility

Death benefit payments from an investment bond provide flexibility and control.

The death benefits from an investment bond can be directed to a nominated beneficiary or the estate tax free regardless of who receives the benefit or how long the investment has

been held. This flexibility may reduce the risk of disputes over estates and enable the benefits to be paid more quickly.

The death benefit from an investment bond is paid tax-free to the beneficiary.

## 6. Bankruptcy protection

Investment bonds may offer protection from creditors in the case of bankruptcy, although strict rules apply.

**If you would like more information about supplementing your superannation call 1300 50 50 50**



**Start investing today.**

**Simple | Flexible | Versatile**

**For more information contact Centuria on 1300 50 50 50 or visit [www.centuria.com.au/investment-bonds](http://www.centuria.com.au/investment-bonds) to download the PDS.**

**Disclaimer:** Centuria's Investment Bonds offer a tax effective investment vehicle outside of superannuation. They have features that investors should consider if they wish to invest outside of superannuation. Suitability of an investment in a Centuria Investment Bond will depend on a person's circumstances, financial objectives and needs, none of which have been taken into consideration in this advertisement. Prospective investors should obtain and read a copy of the Product Disclosure Statement (PDS) and consider the information in the PDS in light of their circumstances, objectives and needs before making a decision to invest. We recommend that prospective investors consult with their financial adviser. This document is not an offer to invest in any of Centuria's Investment Bonds. Investment in Centuria's Investment Bonds are subject to risk as detailed in the PDS. Centuria will receive fees in relation to an investment in its Investment Bonds. Issued by Centuria Life Limited ABN 79 087 649 054 AFSL 230867.