



Meet Sam. He's 30, lives in Sydney and works as an accountant in a medium sized accounting firm.

His salary has just gone over \$90,000, which means he is now paying tax at a rate of 32.5 cents¹ in the dollar for every extra dollar earned. With his career going well, he expects to be on the highest tax bracket paying in the next 5 years.

Sam is looking to invest to save for future costs such as a wedding, a family home and his children's education. These are preretirement financial goals which means superannuation isn't an option as it isn't accessible until he reaches 65 years of age. He is considering investing in a managed fund and his accountant friends are suggesting he invests in a family trust or a company structure to minimise his tax.

Tax brackets 2022-2023¹

TAXABLE INCOME	TAX ON THIS INCOME
0 - \$18,200	Nil
\$18,201-\$45,000	19c for each \$1 over \$18,200
\$45,001 - \$120,000	\$5,092 plus 32.5c for each \$1 over \$45,000
\$120,001 - \$180,000	\$29,467 plus 37c for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45c for each \$1 over \$180,000

Sam understands that tax and fees can bite into your long term savings, minimising the total return. This is why he chose Centuria LifeGoals, the simple, flexible and tax efficient investment solution that gives him the control to grow wealth in the way he wants.



The Centuria LifeGoals solution

But what is Centuria LifeGoals? This innovative strategy makes use of the increasingly popular investment bond structure, which is essentially a combination of a managed fund and a life insurance policy. The most exciting features of Centuria LifeGoals include:

- The investment bond structure has a 30% tax rate less allowable deductions, and you can access your entire Centuria LifeGoals investment with no additional tax to pay if you hold it for 10 years (and meet the 125% rule).
- There's no initial investment amount limit when establishing your Centuria LifeGoals account (you can start from as little as \$500).
- After this, you can invest up to 125% of the previous year's contributions, allowing you to put away more money each year (if you exceed this, the 10 year period simply resets).
- Unlike superannuation, you have the freedom to withdraw money whenever you want, and if you do so before the 10 year mark the only tax to pay is the difference between the 30% tax paid and your own tax rate².

Most importantly, your Centuria LifeGoals investment can be altered to reflect your financial situation as it evolves, while also delivering optimum tax efficiency. To show you how, let's go back to Sam's scenario.

1. Source: Australian Tax Office as at May 2023.

2. In years 9 & 10 this difference is discounted by one-third and two-thirds respectively.



Case study:

How Centuria LifeGoals became Sam's bespoke solution

At 30 years old and with potential ongoing salary increases, Sam would like to invest in a professionally managed diversified portfolio and will reinvest his earnings each year to further compound his returns.

Sam could look at a 'managed fund' solution, but will need to allow for income tax on any earnings at his marginal tax rate, which will grow with potential salary increases, and he will need to manage his annual tax returns.

Sam could also look to set up a family trust to invest into a managed fund. This way the trust can distribute earnings to various family members. Unfortunately, when this occurs the family members must then pay tax at their marginal tax rates which may or may not be effective for Sam at various stages of his life. For example, children under the age of 18 will pay a penalty rate for income not earned that includes distributions from trusts and companies.

A third option is to set up a company that Sam could put his money into and it invests on his behalf. The company will pay tax at 30% (like Centuria LifeGoals) but must pay distributions to shareholders such as Sam, and he will, again, have to pay tax on these earnings at his marginal rate. One major limitation with the family trust and a company structure is that capital gains will accrue in the structure and ultimately when they are paid out, the shareholders will be taxed. Company structures and family trusts can also be expensive to establish and maintain as they require financial accounts and annual tax returns.

Alternatively, by investing into a similar range of investment funds via Centuria LifeGoals, he won't need to include the earnings in his tax return as Centuria will pay tax on his behalf at 30% less allowable deductions. In this way, his earnings will be reinvested after paying a lower tax rate.

Another benefit of investing via Centuria LifeGoals is that Sam can manage his asset allocation actively by switching between investment options at no cost and without realising capital gains tax.

With an investment bond structure, after 10 years any withdrawals don't attract any personal income tax liability. Using the assignment capability, Sam can also transfer ownership of his investment at any time to someone who may be on a lower tax rate to withdraw the funds and receive the 30% tax rebate to offset their tax.

Should Sam still wish to invest via a family trust or company structure, that entity can itself invest into Centuria LifeGoals. Because Centuria LifeGoals does not distribute earnings, it is a simple and cost effective way to manage distributions from a family trust or company structure.

By choosing Centuria LifeGoals Sam has a simple, flexible and tax efficient structure to grow his wealth.

How could Centuria LifeGoals work for you?

Not your investor profile? You don't have to be like Sam to benefit from Centuria LifeGoals. Everyone's financial situation is different and Centuria LifeGoals is used for a wide range of financial goals.

To understand just how flexible Centuria LifeGoals can be, we've created an innovative new financial calculator to help you decide how to grow your investment by selecting LifeGoals investment options. By simply entering information about your current situation and your financial aspirations, the calculator instantly shows how Centuria LifeGoals could work for your own specific situation.

Visit: centuria.com.au/lifegoals