



**Meet Laura.** She's a 50 year old dentist living in Melbourne with her second husband, their two daughters and one stepson (her husband's son from a previous marriage).

Laura lives life to the fullest and when she isn't working, she's hiking, kayaking or surfing with her family. However, after reading about the challenges of estate planning, she's decided to be proactive.

As the owner of a successful business, Laura has considerable assets she'd like to divide among her loved ones, but at the same time, set up a structure that allows the assets to grow over time.

This is why Laura chose Centuria LifeGoals, the simple, flexible and tax efficient investment solution giving investors greater control in how they plan their estate planning.



## The need for sound estate planning

If you don't properly plan out your estate, there could be real impacts for both your loved ones and the value of the inheritance. For instance, a lack of clear instructions could mean your estate is wrongly distributed with your intended beneficiaries missing out.

If your loved ones had to collate and source your assets, or even dispute their ownership, they may face high legal fees. This can also lead to lengthy delays and in some cases there may be tax implications as well. Fortunately, Centuria LifeGoals has been structured to give you a simple, flexible and tax efficient way to invest while also effectively arranging your estate for your loved ones.



## The Centuria LifeGoals solution

But first, what is Centuria LifeGoals? Centuria LifeGoals is a kind of investment bond structure which is essentially a mixture of a managed fund and life insurance policy. The most exciting features of Centuria LifeGoals include:

- The investment bond structure has a 30% tax rate, 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 and you can start from as little as \$500.
- With your LifeGoals investment you can nominate single or multiple beneficiaries who will receive the funds tax free if the investor passes away. These funds are paid outside of the estate and probate process.
- 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 you pay tax at your marginal rate on any earnings less a 30% tax rebate<sup>1</sup>.

Your Centuria LifeGoals investment can also be used to help maximise your estate plans, protecting your loved ones from unintended stress and allocating your assets in the way you want. To show you how this works, let's go back to Laura's scenario.



## Case study:

### How Laura generated returns and security with Centuria LifeGoals

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Investment bonds like Centuria LifeGoals are extremely useful for estate planning as the holder of the account can nominate anyone as their beneficiary in the event of their death. Investment bonds fall outside of an estate so aren't distributed according to a will or subject to intestacy laws (when no will is left and an estate has to be decided upon in the courts).

When Laura sets up her Centuria LifeGoals, she only wants her daughters to inherit this money. She and her husband have already decided that neither he nor his son need the money so she wants her estate to be quickly and securely passed onto her children. She invests an initial \$150,000 and contributes \$200 per month in the first year and chooses to automatically increase this by 5% per annum.

With Centuria LifeGoals, upon Laura's death the money would be paid to her beneficiaries (her daughters) with no tax to pay. Should Laura's circumstances change and she needs the money she can access it at anytime.

With Centuria LifeGoals, Laura is the owner and life insured of the policy. During her lifetime she can still invest and withdraw funds with flexibility and then automatically pass it onto her beneficiaries. If she had chosen to use another structure (such as a unit trust or term deposit), this would form part of her estate.

This way, Laura can enjoy the rest of her action-packed life safe in the knowledge that her estate is arranged and confirmed for her loved ones thanks to Centuria LifeGoals. After 15 years of investing in a managed growth option, her contributions would have amounted to \$201,789 and have generated a total value of \$327,528\* after tax and fees – fortunately Laura is still fighting fit and able to leave the money where it is for her daughters to one day inherit.

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## How could Centuria LifeGoals work for you?

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Not your investor profile? You don't have to be like Laura 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](https://centuria.com.au/lifegoals)

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

\*Please refer to page 14 "Returns Calculation Assumptions" for the assumptions used in calculating the investment returns figure. The investment returns are illustrative in nature and should not be taken to provide an estimate of the amount of investment earnings you will receive. The actual returns may differ to the calculated returns. Centuria does not guarantee the performance of the financial product, the repayment of capital or any income or capital return.

# \*Returns calculation assumptions

The investment returns are calculated using the Centuria LifeGoals Investment Forecaster Calculator ('Calculator'). The Calculator can be accessed on the Centuria website ([www.centuria.com.au/investment-bonds/investment-forecaster-tool/](http://www.centuria.com.au/investment-bonds/investment-forecaster-tool/)).

Below are the assumptions used for calculating the investment returns.

## Investor's marginal tax rate

A marginal tax rate of 47% of taxable income over \$180k (includes 2% Medicare levy surcharge)

## Investment option

OPTION	GROWTH/DEFENSIVE SPLIT	
Cash enhanced	100% defensive	For each investment option which has a capital gain component (i.e. investment options which are not 100% defensive), it is assumed that 15% of capital gains are realised each year.
Fixed interest	100% defensive	
Balanced	50% growth, 50% defensive	Additionally, the 'Balanced', 'Growth' and 'Australian shares' investment options are assumed to have franking credits attached to the income return. The default assumption is that 14%, 22% and 75% of income returns of the respective 'Balanced', 'Growth' and 'Australian shares' investment options would be subject to franking credits.
Growth	70% growth, 30% defensive	
Australian shares	100% growth	
International shares	100% growth	For a chosen portfolio which contains multiple investment options, it is assumed that the portfolio would be rebalanced every year such that the proportions between each investment option remain constant throughout the life of the investment.
Property	100% growth	

## Asset class returns

Total return = income return + capital return

### Growth:

Total return:	5.60%
Income return:	3.16%
Growth return:	2.44%

### Australian shares:

Total return:	6.90%
Income return:	3.49%
Growth return:	3.41%

### International shares:

Total return:	2.30%
Income return:	2.30%
Growth return:	0.00%

### Enhanced cash:

Total return:	6.60%
Income return:	2.57%
Growth return:	4.03%

### Fixed interest:

Total return:	1.60%
Income return:	1.60%
Growth return:	0.00%

### Property:

Total return:	6.40%
Income return:	5.83%
Growth return:	0.57%

The default assumed investment returns have been set based on simulations from Mercer's Capital Market Simulator and as a result are considered reasonable long-term estimates at the current date. The default returns are illustrative only and should not be taken to provide an estimate of the amount of investment earnings you will receive.

The rate of investment return is assumed to remain constant over the projection period.

If you have a short investment time horizon (for example less than 10 years) the assumed rates may not be appropriate.

## Franking

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Franking credits are a tax rebate to shareholders who receive dividends that have already occurred company tax.

Mercer Actuarial have estimated the average level of Franking in 'Balanced', 'Growth' and 'Australian shares' funds will be 14%, 22% and 75% respectively.

Please note, it is not expected that income received on Cash or Fixed income investment with not received any franked income.

## Inflation (CPI)

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The default rate of inflation set by ASIC is 2.5% based on the mid point of the Reserve Bank of Australia's target rate of inflation. The actual rate of inflation may differ significantly from 2.5% and financial outcome at the end of the selected period could be affected.

## Fees and tax

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Investment returns are calculated after fees and tax based on the investor's marginal tax rate which is assumed to be 47% of taxable income over \$180k for illustrative purposes.

### Tax

Unless otherwise stated the calculations are based on the Australian taxation legislation and rules at 1 July 2019. In particular, the Calculator allows for: All investment earnings in the investment bond (including realised capital gains) are taxed at 30%.

Investment income is taxed at the time it is earned, and capital gains are taxed at the time the gains are realised. The default assumption is that 15% of capital gains are realised each year -The Calculator allows for the impact of imputation credits.

### Fees

The Calculator allows for total fees (including investment and administration fees) according to the default assumptions below. The Calculator deducts these amounts from the investment return shown prior to calculating earnings and tax for each year. The fees shown below are the gross fees, before allowance for any tax benefit.

The default fees have been determined by reference to the fees charged for "passive" investment options for each type of product, which is consistent with the approach used to determine the default returns. They have been reviewed by Centuria's actuary and are considered reasonable for use in the Calculator.

