Meet Alana and John Parker. These Sydney based recent retirees are the proud grandparents of Olivia, an energetic and troublemaking six year old who spends her days running around, pretending to be a dinosaur. While she plays without care, Alana and John would like to set aside something for her future.

Alana and John were both self made entrepreneurs and appreciate the support young people need when they reach adolescence. They want to set aside some money for Olivia to benefit from one day, but they want to do so in a tax efficient way that will grow over time.

That's why they chose Centuria LifeGoals, which as well as being a simple, flexible and tax efficient investment solution, can also be extremely useful for passing wealth onto children and grandchildren.

The Centuria LifeGoals solution

Centuria LifeGoals works for investors by using the increasingly popular investment bond structure which is essentially a mixture of a managed fund and a life insurance policy. The most exciting features of Centuria LifeGoals include:

- The investment bond structure has a maximum 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 and 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 you will pay tax on the earnings at your marginal tax rate less a 30% tax rebate[1].
- You can easily transfer ownership of your account with no tax liabilities.

A Centuria LifeGoals investment gives you real flexibility so you can tax efficiently invest in a way that adapts to your financial situation as it evolves. And, because so many investors want to create future wealth for their kids and grandkids, we've specially created the Centuria LifeGoals Child Plan. To understand how this works, let's go back to the Parker's scenario.

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

Case study:
How the Centuria LifeGoals Child Plan worked for the Parkers and Olivia.

First, Alana and John set up a Centuria LifeGoals Child Plan which is the same process as opening a regular Centuria LifeGoals account, except with an additional section in the investment application.

When setting up a Child Plan, the child it's intended for has to be below the age of 16 at the time of the application. Ownership will automatically transfer to them by the time they reach the nominated vesting age which can be between 10 and 25 years old. The vesting age can be changed at any time and doesn't alter the original commencement date of the account.

Alana and John set up a Centuria LifeGoals Child Plan for Olivia at six years old with an initial investment of $10,000 and contribute $200 per month in the first year. They will increase the regular contribution by 25% per annum. Because they are investing for the long term they chose to invest 50% in the Australian share option and 50% in the international share option. They're planning to gift Olivia the whole amount when she is 16 years old and set this as her vesting age.

When Olivia reaches her vesting age, the account automatically transfers to her. No tax is incurred by the transfer for either Olivia or her parents and by this point, following regular and increasing contributions (totaling $89,806), the total value of the account is $109,878* after tax and fees.

Centuria LifeGoals Child Plan will have allowed Olivia's grandparents to create a considerable sum on her behalf and easily transfer it to her. The responsibility of the money will then be hers and at 16 we're sure she will be optimistic about the options now open to her (although to Alana and John she'll always be their little dinosaur).

How could Centuria LifeGoals work for you?

Not your investor profile? You don't have to be like Alana and John 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

*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/).

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
Fixed interest	100% defensive
Balanced	50% growth, 50% defensive
Growth	70% growth, 30% defensive
Australian shares	100% growth
International shares	100 growth
Property	100% growth

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.

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.

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.

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

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)

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

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.