



Meet Andy. He's 30, lives in Perth and has just launched a business designing apps for larger companies. Andy is extremely excited about his new venture and money is already starting to come in, but he's wary about what comes next.

Andy realises he is going to become wealthier as his business takes off, but after watching friends in similar situations having to pay high tax bills he wants to protect his new found wealth while also growing it over the long term.

This is why Andy chose Centuria LifeGoals, the simple, flexible and tax efficient investment solution giving investors the control to grow wealth in the way they want.



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, to give you a say in how you want to invest. The most exciting features of Centuria LifeGoals include:

- The investment bond structure has a maximum tax rate of 30% 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 you pay tax on any earnings at your marginal rate less a 30% tax rebate¹.

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 Andy's scenario.

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



Case study:

How Centuria LifeGoals became Andy's investment solution

At 30 years old and after his first taste of success, Andy uses Centuria LifeGoals to grow profits from a huge business deal in a tax efficient way.

He takes \$25,000 and invests it in a Centuria LifeGoals account with a growth portfolio selected as his underlying investment. As his business continues to generate cash, Andy regularly tops up his Centuria LifeGoals investment with \$500 per month in the first year and increases this by 10% per annum.

After 10 years, Andy has contributed a total of \$120,625 in investment and the value of his Centuria LifeGoals is now \$148,007* after tax and fees. As he has met the 125% rule throughout this investment period, Andy can now withdraw the entire sum without any tax to pay.

Importantly, Andy still had the option to withdraw money before the 10 year point was reached. If the investor withdraws money in year eight (or earlier), all of the earnings on the withdrawal are assessable when it comes to tax. However, for withdrawals in year nine only 2/3 of earnings are assessable and in year 10 only 1/3 of the earnings are assessable.

Andy has been able to fulfil his business dreams in a tax effective manner. For someone who made a lot of money developing and designing bespoke apps, the amount of flexibility and tax efficiency Centuria LifeGoals has given to Andy has been ideal!

How could Centuria LifeGoals work for you?

Not your investor profile? You don't have to be like Andy 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	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

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.

