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**Investment Recommendations insert for SOA/ROA Centuria LifeGoals Investment Bond**

6th July 2023

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## **Centuria Life Disclaimer**

The Centuria LifeGoals and LifeGoals Child Plan Supplementary Product Disclosure Statement (PDS) was issued on 28 March 2023. The PDS is issued by Centuria Life Limited ABN 79 087 649 054 and AFSL 230 867 (Centuria Life). Centuria Life is solely responsible for the contents of this PDS.

The investor should read this PDS carefully before making any investment decisions.

**IMPORTANT**

This draft Statement of Advice (SOA) and Record of Advice (ROA) is provided strictly for the information of licensed financial advisers. Centuria Life makes no representation as to whether this complies with the requirements for a SOA/ROA. This draft SOA/ROA is not a recommendation or advice. It provides potential wording that an adviser can consider for inclusion in their SOA/ROA, issued under their own Australian Financial Services License. Centuria Life is not authorised to provide personal financial advice and it is recommended that an adviser undertakes their own research and confirm any statement in this draft SOA/ROA before inclusion of any wording in whole or in part.

## **Investment Recommendations**

**Basis for Recommendation**

The recommendation that follows is based on the information you have provided during our conversations. If I have misinterpreted this information, or have made assumptions that are incorrect, please advise me immediately as this may have an impact on the recommendations made.

The recommendations are also based on what we understand to be your risk profile and your investment timeframe.

The purpose of this SOA/ROA is to make a recommendation for you to invest in Centuria LifeGoals and LifeGoals Child Plan (Centuria LifeGoals) across the selected investment options.

You do not require advice on any other matters including, but not limited to your:

Existing personal insurance cover;

* Other insurance such as health, business, fire and general or property
* Cash flow and debt reduction management;
* Available superannuation strategies;
* Retirement planning.

**Limited Advice Warning:** We have not collected full details of your overall financial situation prior to writing this advice. The advice in this document is therefore based on a limited set of information. Because of that, you should, before acting on the advice, consider the appropriateness of the advice having regard to your relevant personal circumstances.

Our recommendations are designed to meet your short- and long-term objectives, summarised as follows:

* Invest in a portfolio in accordance with your agreed risk profile.
* To achieve your desired goals and objectives, we recommend that you invest in Centuria LifeGoals.

**Recommendations**

Following our review of your current investments and asset allocation, we recommend you invest $**XX** in the Centuria LifeGoals Investment Bonds product across the following investment options.

|  |  |  |
| --- | --- | --- |
| **Name of Fund** | **% invested** | **$ invested** |
| Centuria LifeGoals Pendal Short Term Income Securities Fund |  |  |
| Centuria LifeGoals Vanguard Australian Fixed Interest Index Fund |  |  |
| Centuria LifeGoals BetaShares Australian Investment Grade Corporate Bond ETF |  |  |
| Centuria LifeGoals Vanguard Australian Property Securities Index Fund |  |  |
| Centuria LifeGoals Vanguard Diversified Balanced Index Fund |  |  |
| Centuria LifeGoals Russell Investments Balanced Fund |  |  |
| Centuria LifeGoals MLC Wholesale Horizon 4 Balanced Portfolio |  |  |
| Centuria LifeGoals Vanguard Diversified Growth Index Fund |  |  |
| Centuria LifeGoals Vanguard Diversified High Growth Index Fund |  |  |
| Centuria LifeGoals Russell Investments Growth Fund |  |  |
| Centuria LifeGoals MLC Wholesale Horizon 5 Growth Portfolio |  |  |
| Centuria LifeGoals Schroder Real Return Fund |  |  |
| Centuria LifeGoals Vanguard Australian Shares Index Fund |  |  |
| Centuria LifeGoals AB Managed Volatility Australian Equities Fund |  |  |
| Centuria LifeGoals Bennelong Concentrated Australian Equities Fund |  |  |
| Centuria LifeGoals Firetrail Australian High Conviction Fund |  |  |
| Centuria LifeGoals BetaShares Geared Australian Equity Fund (hedge fund) |  |  |
| Centuria LifeGoals Fidelity Future Leaders Fund |  |  |
| Centuria LifeGoals Vanguard International Shares Index Fund |  |  |
| Centuria LifeGoals Walter Scott Global Equity Fund (Unhedged) |  |  |
| Centuria LifeGoals T. Rowe Price Global Equity Fund |  |  |
| Centuria LifeGoals Magellan Global Fund |  |  |
| Centuria LifeGoals Magellan Infrastructure Fund |  |  |
| Centuria LifeGoals Vanguard International Small Companies Index Fund |  |  |
| Centuria LifeGoals Pimco Australian Bond Fund |  |  |
| Centuria LifeGoals Pimco Global Bond Fund |  |  |
| Centuria LifeGoals Pendal Sustainable Balanced Fund |  |  |
| Centuria LifeGoals Alphinity Sustainable Share Fund |  |  |
| Centuria LifeGoals Greencape Broadcap Fund |  |  |
| Centuria Balanced Fund |  |  |
| Centuria Growth Bond Fund |  |  |
| Centuria Australian Shares Fund |  |  |
| Centuria DWA CARE Core High Growth Fund |  |  |
| Centuria DWA CARE Genuine Edge Fund |  |  |
| **Total** | **100%** | **$** |

## **About Centuria Capital Group (from HY 2022 Report)**

Centuria Capital Group is an established specialist investment manager that operates under the ASX code CNI. With $21.2[[1]](#footnote-1) billion of assets under management, Centuria Capital Group provides investors with exposure to quality real estate and investment bond sectors.

Real estate funds management is the largest component of the Centuria Capital Group’s platform with $20.4 billion of assets under management that is underpinned by listed real estate investment trusts (AREITs) and a range of unlisted funds. Centuria’s integrated property platform delivers expertise in origination, capital sourcing and funds management along with asset and property management, facilities management and property value add initiatives with a strong focus on identifying and meeting the needs of our tenant customers whilst seeking opportunities to create value for our investors.

Centuria’s drive, knowledge and intimate understanding of the real estate and investment bonds universe, allows them to transform opportunities into meaningful investments centered around clients and their investment profiles. Further information can be found on our website www.centuria.com.au.

Centuria Life

Centuria Life is the fifth largest investment bond provider in Australia’s $9.8 billion[[2]](#footnote-2) investment bond market. For more than 35 years, Centuria Life has focused on offering flexible, tax effective investment options.

In HY23, investment bonds represented $0.82 billion of AUM across unitised bonds, Guardian prepaid funeral plans[[3]](#footnote-3) and the recently launched Centuria LifeGoals.

## **About Centuria LifeGoals**

Centuria LifeGoals can assist investors who want their investment, tax planning and estate planning needs covered in one simple investment solution.

Centuria LifeGoals may be attractive for investors seeking a tax-effective investment over the medium to long-term (including those who are paying tax at a marginal rate of more than 30%) and who wish to reduce their annual tax-reporting obligations. It may also be used as an alternative to, or complementary with, your other investments including superannuation and managed funds.

Centuria LifeGoals is a tax-paid investment product. Tax on the annual earnings of the Investment Options is reported and paid by Centuria Life at a maximum rate of 30%, less any applicable tax offsets, such as franking credits from shares and allowable deductions. This means that Investors do not need to declare earnings from Investment Options in their personal tax returns while they remain invested. Unlike shares, term deposits and managed funds, performance returns for the Investment Options are quoted net, or after, the payment of taxes by Centuria Life and fees.

If you hold your investment for 10 years or more, you pay no additional tax on your investment withdrawals. If you withdraw prior to this, you will receive a 30% offset on the earnings against your marginal tax rate. In years 9 and 10 this difference is discounted by one-third and two- thirds respectively.

Centuria LifeGoals have features like a managed fund investment combined with a life insurance policy. First, the Investor chooses the Investment Options from across multiple asset classes and diversified funds. Then the Investor selects a natural person (Life Insured) upon whose death the investment will mature (that is, become payable). If no selection is made, the Investor is also the Life Insured.

**Investment Options**

There are a range of 34 Investment Options to choose from across multiple asset classes and diversified funds. The investment menu, consisting of specialist low-cost index funds and high-quality active investment managers, has been carefully selected by Centuria Life. The selected investment managers will be reviewed on an ongoing basis to monitor whether they are meeting their investment objectives as set out in the PDS. Included in this investment menu are 3 Multi-Manager investment options, where the Centuria Investment Committee selects the underlying investments. Investors can switch between investment options at any time at no cost and with no taxation consequences.

**Estate Planning**

An Investor (when also the Life Insured) can nominate one or more persons (Nominated Beneficiaries) to whom proceeds from the Investment Options are to be paid in the event of the death of the Life Insured. This payment would not form part of the Investor’s estate and would be paid directly to the Nominated Beneficiaries, by-passing the often complicated and time-consuming probate process.

**Additional Contributions**

There are no limits on contributions in the first year. You can make additional contributions of any amount following your initial investment during the first 12 months. After year 1, you may invest up to 125% of the total amount invested in the previous year and still retain the original start date of the Bond. This means all additional investments have the same start date for tax purposes and growth or earnings will still be tax-free when your investment is held for 10 years or more.

If you do not make an additional investment in subsequent years, then any additional investment will restart your 10-year tax period.

The Participants

Bond Owner

The Bond Owner is the investor who makes the investment. Should you wish, you can transfer ownership to another party as part of a registered transfer/assignment. The Bond Owner can be an individual, a company, a trust or any other legal entity.

Bonds can also be jointly owned by more than one individual or entity. If one of the joint Bond Owners (not being the sole Life Insured) dies, the survivor(s) automatically becomes the Bond Owner(s). The Bond may then be continued without interruption for as long as the survivor(s) wish(es) and provided the selected ‘Life Insured’ is still alive.

Life Insured

The Bond Owner must name a life insured. The Bond will mature on the passing of the Life Insured. The Bond Owner can be the Life Insured but does not have to be. The Bond Owner may select another person to be a Life Insured. A Bond Owner can name their child or any other natural person as the Life Insured.

If more than one Life Insured is named, the Bond will mature on the passing of the last surviving Life Insured. The Life Insured does not have to be related to or be a dependent of the Bond Owner.

If the Bond Owner is a company or another legal entity, a living natural person(s) must be named as the Life Insured.

You cannot remove or change the Life Insured during the term of your Bond. You can however add a Life Insured.

Nominated Beneficiary (where the Bond Owner is also the Life Insured)

The nominated beneficiary is the person(s) who will be entitled to the proceeds or transfer of the accumulated value of the Bond upon the passing of the Life Insured. The Bond Owner (aged over 16 years) may nominate any number of beneficiaries and can indicate a proportion of the accumulated value of the Bond to be paid to each, e.g. 25% to each of four nominees.

Beneficiaries may be individuals or a legal entity, such as a company or trustee.

The Bond Owner can revoke or change the nominated beneficiaries at any time until the passing of the Life Insured. Single nominations are automatically revoked if the nominated beneficiary passes away prior to the Bond maturing. The death of one of multiple nominees will result in the deceased Nominated Beneficiary’s entitlement being allocated to the surviving Nominated Beneficiaries on a pro-rata basis, taking into account their original proportionate entitlements.

If a beneficiary is not nominated, the Bond’s investment proceeds will be paid to the Bond Owner at maturity or if the Bond Owner dies, the proceeds will be paid to the Bond Owner’s estate.

Assignees

Ownership of the Bond can be assigned (known as a transfer) to any individual or entity – if the assigning Bond Owner is at least 16 years of age. An assignment confers all the ownership rights of the Bond to the assignee.

If you assign your Bond, the original start date of your Bond is retained for the new Bond Owner.

**Asset protection from creditors**

Money invested in Centuria LifeGoals is generally protected from creditors. Centuria LifeGoals are treated as a life insurance policy for regulatory purposes and enjoy special protection under Australia’s bankruptcy laws. If the Life Insured is the Investor or the Investor’s spouse, the investment and its proceeds are generally protected from creditors unless the intention of the Investor in making the investment was to defeat the claims of their creditors.

**Investing for Children**

Children aged between 10 and 16 years can invest in Centuria LifeGoals in their own name, with the signed consent of their parent or guardian (as required by the Life Insurance Act).

A child under 16 years cannot make investment decisions, such as a transfer, nomination or switching.

An Investor can also hold an investment on trust for a child of any age, and then later transfer the investment to that child (if the child is aged at least 10 years) with the signed consent of their parent or guardian. Alternately you may choose to invest via the Centuria LifeGoals Child Plan.

## **Centuria LifeGoals Child Plan**

The Centuria Lifegoals Child Plan is a special feature of Centuria LifeGoals that provides any person, including parents and grandparents, a long-term growth investment designed to build an endowment for the future financial needs of selected children or grandchildren. A separate investment application will need to be completed for each Centuria LifeGoals Child Plan. The application can be made by single or joint owners.

The selected child must be under the age of 16 at the time of application and will become the owner of the investment upon reaching an age of between 10 and 25 years, as selected by you (Vesting Age). If the Plan ownership is transferred to a child between the age of 10 and under 16 years, a parent’s or guardian’s consent is required in order to transact on the investment. You can change the Vesting Age at any time if you desire.

Once the Vesting Age is reached, the Child Plan is automatically transferred to the selected child without any personal tax or CGT obligations for you or the child. Thereafter, the selected child will have full ownership, control and access rights, including accessing investment proceeds, switching Investment Options and extending the term. Notwithstanding the vesting, the Centuria LifeGoals Child Plan retains its original commencement date.

Should you, as the investment owner, die before the Vesting Age, your estate representative will become the investment owner and hold the Centuria LifeGoals investment in trust for the selected child until the nominated Vesting Age is reached. If the selected child were to die before reaching the Vesting Age, the Centuria LifeGoals Child Plan will mature, and the proceeds will be paid to you on a tax-free basis unless a beneficiary or beneficiaries have been nominated.

## **Tax Effective Wealth Building**

Your investment is ‘tax-paid’ which means that tax is paid by Centuria Life on earnings made by Centuria LifeGoals during the investment period. Further, the performance returns for Centuria LifeGoals are quoted after the payment of taxes by Centuria Life and fees. In contrast, returns on most other investments (such as managed funds, term deposits and shares) are quoted on a before tax or ‘gross’ basis.

For example, as shown in the table below for illustrative purposes, for an Investor in the highest marginal tax bracket, assuming a 5% per annum after-tax investment return for a tax-paid investment product is equivalent to a 9.4% per annum before-tax investment return. This is because the before-tax investment will be reduced by the tax payable on it at the highest marginal tax rate of 45% (plus 2% Medicare levy plus any Medicare levy surcharge).

The table below demonstrates the difference between investment returns on investment products that are tax-paid (such as Centuria LifeGoals) and other investment products which are not tax-paid in various scenarios:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Marginal tax rate[[4]](#footnote-4) (including the 2% Medicare levy) of Investor** | | | | |
| **Assumed illustrative investment return on tax-paid investment (per annum)** | 21% tax rate | 34.5% tax rate | 39% tax rate | 47% tax rate |
| The amount you would need to earn per annum if you paid the tax yourself at one of the marginal tax rates above (ie if the investment is not tax-paid) | | | |
| **4%** | 5.1% | 6.1% | 6.6% | 7.6% |
| **5%** | 6.3% | 7.6% | 8.2% | 9.4% |
| **6%** | 7.6% | 9.2% | 9.8% | 11.3% |
| **7%** | 8.9% | 10.7% | 11.5% | 13.2% |

You can make unlimited contributions to an Investment Option during the first year after you make your initial investment. In each of the following years, you can contribute up to 125% of the previous year’s contributions without resetting the original investment date for calculating the 10-year period for tax purposes. This is known as the 125% Rule. This means that additional investments can have a term of less than 10 years and the earnings will still be tax paid.

You can withdraw your investment (in whole or part) plus any earnings, at or after the end of the 10-year period, and, if you have complied with the 125% Rule, pay no tax. No matter when you make a withdrawal, no tax is payable on the apportioned capital component of your withdrawal (that is, there is effectively no tax payable on any contribution you made).

## **Investment alternative/supplement to Superannuation**

Superannuation is a tax-effective way in which to save for retirement, with investment earnings concessionally taxed at 15% and (like Centuria LifeGoals) superannuation investments are tax-paid.

However, there are several limitations that apply to superannuation:

* Most of us can’t access our superannuation until we are at least 65 years of age.
* There are limits on how much you can contribute to superannuation.
* There is a maximum account balance once retirement is reached.

Centuria LifeGoals are a tax-effective investment that addresses these limitations. With Centuria LifeGoals, you can access your investment at any time and the only limit on contributions is the 125% Rule, so that you can supplement your capped superannuation contributions and balances. To obtain the full taxation benefits applicable to Centuria LifeGoals you should comply with the 125% Rule and hold your investment for 10 years from the first contribution you make.

Centuria LifeGoals versus superannuation investment

|  |  |  |
| --- | --- | --- |
|  | **Superannuation** | **Centuria LifeGoals** |
| **Tax paid** | 15% maximum | 30% maximum |
| **Access to funds** | 65 years of age or preservation age | Any time (although there may be tax consequences for withdrawing before 10 years) |
| **Contribution cap (per annum)** | $25,000 concessional  $100,000 non-concessional[[5]](#footnote-5) | Unlimited in year 1 and maximum 125% of previous year’s contributions thereafter |
| **Contributions tax** | 15% concessional rate (can be 30% for those on higher income) | Nil |
| **Balance cap** | $1.6 million in pension phase[[6]](#footnote-6)5 | Unlimited |
| **Investment choice** | Yes | Yes |
| **Tax return required for Investor** | Yes | No (unless a taxable withdrawal is made within 10 years) |
| **Transfer ownership** | No | Yes |
| **Estate planning** | Limited dependant beneficiaries | Simple with unlimited Nominated Beneficiaries |
| **Forms part of estate** | Yes | No, if you have Nominated Beneficiaries |
| **Death tax** | Yes (for non-dependants)[[7]](#footnote-7) | No |

## **Recommendations and Benefits (including Disadvantages)**

* Your investment is tax-paid at a maximum of 30%;
* If you withdraw before the 10-year period, you receive a 30% tax offset for the tax the fund has paid;
* There is no need to include earnings in your personal tax return;
* If you hold the fund for 10 years or more and comply with the 125% rule, you will receive all proceeds tax-paid;
* Centuria LifeGoals can be used to leave money directly to a specified beneficiary/ies without that money passing through your estate;
* Offer a range of investment options across different asset classes with both index and active funds;
* No costs or personal tax consequences on switching between investment options;
* By using the child plan feature you can ensure you beneficiaries receive the funds at an age you specify.

**Potential Disadvantages and Risks**

* Can only receive full tax benefit if money is invested for 10 years;
* All distributions are retained within the bond;
* Investor can only contribute 125% of the previous year’s contribution in order to comply with the 10-year period;
* Generally, the more defensive assets held, such as cash and fixed interest, the lower the returns and risk. The more growth assets held (such as shares), the greater the potential for higher returns and higher risk.

1. Centuria AUM as at 31 March 2023 [↑](#footnote-ref-1)
2. Plan for Life Report March 2023 [↑](#footnote-ref-2)
3. Centuria Life Limited (CLL) is the key service provider to Over Fifty Guardian Friendly Society Limited [↑](#footnote-ref-3)
4. Marginal tax rates are based on the Australian resident tax rates effective for the 2020-2021 tax year including the Medicare levy of 2.0% and excluding the Medicare levy surcharge. The Medicare levy only applies to tax-paying residents. (Source: ATO).

   Tax rates change from time to time, and marginal tax rates higher than 30% reflect the relative effectiveness of Centuria LifeGoals’ tax-paid returns. Returns are income returns only. CGT discounts may apply to some investments held outside of the Centuria LifeGoals structure where the investment return includes a discounted capital gain. **The above rates of return have been assumed and are for illustration purposes only. No representation is made that those rates (or any other rates) of return will be achieved or that there will not be investment losses. Actual investment results will differ.** [↑](#footnote-ref-4)
5. Superannuation concessional contributions are currently capped at $25,000 for a financial year. The non-concessional contribution cap of $100,000 also applies for each financial year. Superannuation is also subject to a ‘total superannuation balance’ cap (which may limit Investors from making additional contributions). Penalty tax rates apply if you exceed either of these caps (Source: ATO). [↑](#footnote-ref-5)
6. [↑](#footnote-ref-6)
7. If an individual leaves superannuation to non-dependent beneficiaries, they will incur tax on the inheritance (Source: ATO). [↑](#footnote-ref-7)