



IOOF

WEALTHBUILDER

Example strategy 3

Saving for retirement – super problem, simple solution!

(The \$1.6m limit on funds in pension phase)

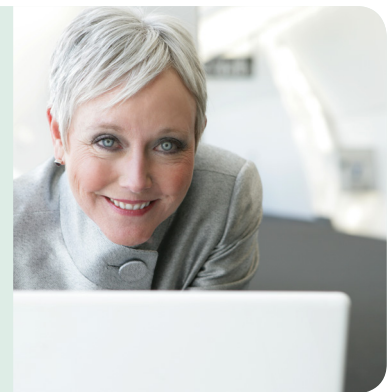


Issue

Consider the following case study:

Margaret is 50 and has been regularly contributing to super over the past 30 years and has grown a healthy balance, in excess of \$1.6m.

- From 1 July 2017 she can continue to contribute using salary sacrifice, Margaret's ability to make after-tax contributions will be removed.
- Given she intends to work for another ten years, Margaret wants to maintain her savings pattern but does not want to build up a personal investment portfolio and complicate her personal tax affairs.
- On top of this, Margaret wants a tax-effective solution to continue on with maximising the benefit of long-term investing through controlling costs.



Solution

A solution for Margaret could be to look at an investment bond to receive her after tax contributions.

- Start with an initial deposit of \$25,000.
- Add a monthly contribution of \$7,000 per month to the investment bond.
- An investment bond does not have any contribution caps and is taxed at a flat rate of 30% internally – which means no additional complexity for Margaret's tax return.



Outcome

Margaret is able to continue to use super for her before-tax contributions and a simple savings solution in an investment bond, like IOOF WealthBuilder, to continue her existing savings plan without having any impact on her personal taxes.

- The bond will have been held for ten years by the time Margaret reaches her retirement, meaning she can access these funds free of tax, allowing her to keep as much of her savings in the tax-effective super environment without having to worry about additional personal taxes.
- Margaret will always have 100% access to her funds.

Furthermore, Margaret has the added incentive that after 10 years, she will never have any personal tax liability on the growth and earning of her investment.

Turn overleaf to discover the calculations behind this strategy utilising the IOOF WealthBuilder calculator, which can be found at www.ioof.com.au/calculators

Margaret has successfully maintained her savings pattern and has not complicated her personal tax affairs. Plus Margaret always has 100% access to these funds just in case!

Investment details for Margaret:

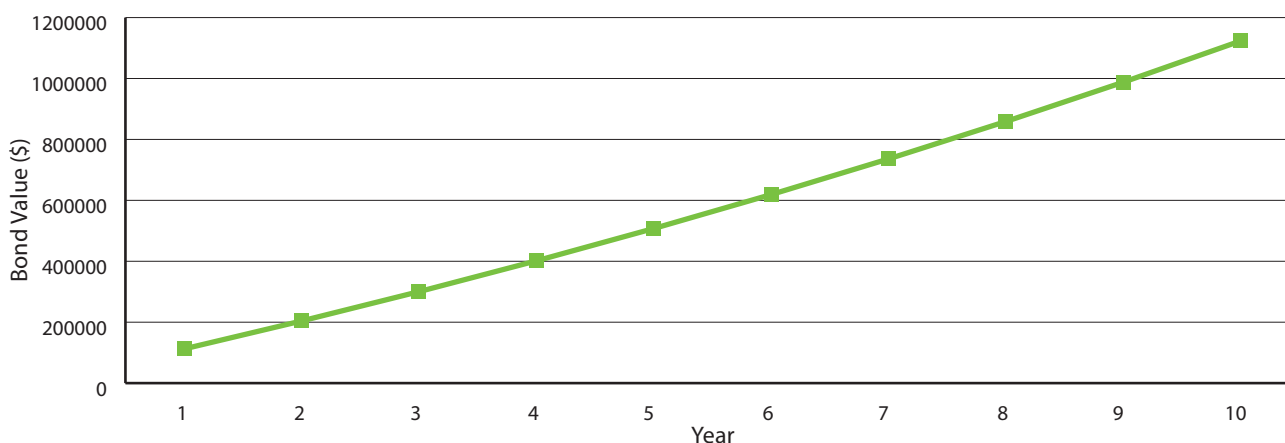
Initial Investment: \$25,000
Monthly contributions: \$7,000
Net return: 5% (after fees and taxes)¹

The 10 year period is just a 'line in the sand', an investment bond is accessible anytime and continues until withdrawal.

Projection to Year 10 (in future dollars):

Years	10
Contributions	\$865,000
Growth	\$258,357
Value of bond	\$1,123,357
Tax free benefit after 10 years²	\$1,123,357

Year by year projections (in future dollars):



Year	Balance at start of year	Margaret's contributions	Balance at end of year
Year 1	\$0	\$109,000	\$112,324
Year 2	\$112,324	\$84,000	\$204,015
Year 3	\$204,015	\$84,000	\$300,290
Year 4	\$300,290	\$84,000	\$401,379
Year 5	\$401,379	\$84,000	\$507,522
Year 6	\$507,522	\$84,000	\$618,973
Year 7	\$618,973	\$84,000	\$735,996
Year 8	\$735,996	\$84,000	\$858,870
Year 9	\$858,870	\$84,000	\$987,888
Year 10	\$987,888	\$84,000	\$1,123,357

For further information about IOOF WealthBuilder, please contact your financial adviser, call client services on 1800 002 217 or visit www.ioof.com.au/wealthbuilder to obtain a copy of the product disclosure statement.

1. Net returns are dependent on a range of factors such as market conditions, fees, taxes and assets underlying the investment bond. Returns vary over time and are not guaranteed.
2. The investment bond pays tax on earnings at a flat 30%. After ten years, withdrawals from the bond are tax-free to the owner, however before this time earnings on withdrawals may be taxed personally and earnings will continue to be taxed in the bond.

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