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# IOOF **WealthBuilder**

## Transcript – Investment Bond Video

### Speakers

**Renato Mota** – General Manager, Distribution

**Sue Herral** – Investment Specialist

**Damian Hearn** – National Manager – Technical Services

### Introduction

#### Renato Mota

“We’ve seen increased demand for investment bonds and I think people are coming to the realisation that the investment bond provides a unique combination of tax effectiveness, as well as flexibility. So, not only are there some really compelling tax advantages, but it gives people the flexibility to access when they want, for whatever purpose they want, and I think that that’s actually quite a rare combination.”

#### Damian Hearn

“One of the greatest features of investment bonds is the different range of investment strategies. Starting with savings plans through to wealth accumulation.”

#### Sue Herral

“I love the investment bond; I love Wealthbuilder simply because of the flexibility and the tax advantages that WealthBuilder offers.”

### What is an investment bond?

#### Sue Herral

“The investment bond is simply a tax structure. Superannuation is simply a tax structure and I use that as a comparison because most people understand superannuation as a tax structure. The absolute important thing to remember is that, unlike superannuation, you don’t need to meet a condition of release to access your funds. So your funds are always available, and also with contributions caps within superannuation, those don’t exist within the WealthBuilder investment.”

#### Damian Hearn

“An investment bond is a unique structure. It’s internally taxed at the maximum company tax rate of 30 per cent. After 10 years, if you withdraw from the bond, so after the tenth anniversary date, it is free from personal tax liability.”

#### Sue Herral

“Well ten years is really just a line in the sand and probably the biggest misnomer about bonds. They have always been assumed to be a ten year investment, but of course your funds, as I have said, are always available. But ten years offers an added advantage to clients who are in a high marginal tax rate, whereas any growth component on your investments never have to form part of your accessible income.”

### Who are investment bonds suitable for?

#### Renato Mota

“Investment bonds are particularly suitable for people who are looking to **save for a particular event**. It’s a terrific set and forget strategy. There are limited reporting implications for someone’s personal tax return, yet are fantastic for medium to long term objectives like renovations and education in particular.”

#### Damian Hearn

“Using the investment bond **as part of a gearing strategy** is a great opportunity. It allows you to access both the benefits of the investment bond and also too, the benefits of the gearing strategy.”

## Renato Mota

“Investment bonds are also suitable for those who are concerned with **tax effectiveness**. So the tax in the bond is paid from within the fund so there is no accessible income as a result of the investment.

If the funds are withdrawn in under ten years then the tax offset will be applied to your personal income tax situation whereas if the funds are withdrawn after the ten year period then the funds are actually free of any further tax. As well as a tax effective nominal tax rate, you also benefit from franking credits which can be quite valuable and there is also no CGT upon realisation.”

## Sue Herrald

“The investment bonds are suitable for many investors, but they are particularly suitable for people and their **estate planning** purposes which is why they are utilised a lot. With the bonds, you can actually nominate beneficiaries on them. So that means any funds placed within the bond forms no part of the estate and they are paid directly to those beneficiaries. Those beneficiaries don't need to be a tax dependent beneficiary, they can be a non-family member, a charity, a charitable trust, but it simply means those funds are paid tax effectively or without any further tax liability to those beneficiaries upon death of the investor.”

## Why IOOF WealthBuilder?

### Renato Mota

“So as well as getting a lot of the features of any investment bond, IOOF WealthBuilder provides you a **comprehensive investment menu** that covers a broad range of asset classes. So irrespective of your risk profile or your risk appetite, you can construct a portfolio that will suit your needs.”

### Sue Herrald

“You also have the ability to be able to move within those funds, so to switch from one option to another, without incurring any capital gains tax liabilities unlike ordinary unit trusts. So they offer the flexibility of unit trusts, but with the tax structure that sits over the top.”

## Sue Herrald

“WealthBuilder as an investment bond has absolute **ease of use**. It's got the ability to have low minimum investments beginning at \$500 with a regular savings plan, or \$2000 without a regular savings plan. The biggest ease is when it comes to tax time. There is no need to include any of the earnings within your tax return whilst the funds remain invested.”

## Damian Hearn

“The IOOF **WealthBuilder loan facility** is a unique product feature within the market. It has competitive interest rates and currently no loan or establishment fees. You have choice of fixed or variable interest rates and you can borrow up to 90 per cent of the value of the investment.”

## Renato Mota

“Well at IOOF, we are passionate about helping people create financial independence and we have been doing it since 1846, so not only are we one of the largest financial services companies in Australia, we have also been **a leader in the investment bond space for over 20 years**. So, we are quite proud of that position and we are confident that our investors are dealing with an organisation that will look after their needs.”