



**01:**  
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# The bond that lasts a lifetime

Seen as an alternative to superannuation, the KeyInvest Life Events Bond is a tax effective wealth accumulation tool where the client has considerable control.

Australia's retirement system is about to experience its largest shake-up in more than a decade, and financial advisers are tasked with communicating how best to navigate this transformation.

In the lead-up to 1 July, advisers will need to work through the most effective ways of preserving client capital and generating income, especially for retirees. This might include looking for products which provide an alternative to superannuation and hedge the legislative risk that comes with such a large system.

Prior to this year's Federal Budget, investment bond provider KeyInvest surveyed advisers to know their thinking on alternate strategies or structures to overcome the tightening on retirement income rules.

About 57% of advisers said they would use tax-effective investment bonds and 55% said they would also use the new super catch-up facility when it arrives in July 2018.

Using this as the backdrop, The KeyInvest Life Events Bond recently saw significant improvements to its product design. It now offers 27 investment options from 11 fund managers – many of them household names in the sector – extending its ability to cater to increasing adviser and client needs.

KeyInvest general manager financial services Andrew Meinel <sup>01</sup> says the Life Events Bond is structured similar to superannuation. It has the ability to nominate beneficiaries, it has a platform of investment choice and it also enjoys creditor protection, something Meinel says is often forgotten.

## The difference

It's the differences to superannuation where the Life Events Bond really shines as an investment alternative.

"For example, anyone can be a beneficiary in the Life Events Bond – it doesn't have to be limited to a definition in the SIS Act," Meinel says.

"There's a great estate planning feature where you can transfer the ownership of a bond to another person or to a child as well, just like you can with a life insurance policy."

As a result of the Federal Government's changes, Meinel explains one of the issues superannuation now has is lower concessional caps. However there are no annual minimums when you contribute in to a Life Events Bond (LEB).

He notes investors would best benefit from the LEB by adhering to the 125% rule – where contributions do not exceed 125% of the previous year's contributions. He says this would further

maximise the bond's tax effective outcomes.

Further to this, there are also no work test rules in the Life Events Bond, making it easier for those aged between 65+ wanting to make contributions. Meinel says persons in this age bracket who don't meet the conditions of work test rules can get lump sum money into the LEB as another tax effective outcome.

## Where does an investment bond fit?

KeyInvest says there are four main areas where the bond can fit in an investment portfolio. The financial and retirement services provider says across those four areas there are also more than 20 different strategies that they have identified.

"Firstly, it's the tax arbitrage benefits. Especially for those on marginal personal tax rates above 30% as it allows them to enjoy potentially significant tax benefits," Meinel says.

"That's because investment bonds are a tax-paid investment, with the tax paid by the issuing company rate of 30%, which is considerably lower than a marginal tax rate that can be as high as 45%."

Secondly there is the estate planning features of the Life Events Bond. This includes a child advancement option where the bond owner can nominate a child to receive ownership on a selected date (on or before the child's 25th birthday).

"This comes to fore given the circumstances we have in blended families. Unfortunately in some families we do have disputes and sometimes we want to direct funds specifically to a beneficiary and not have that contested in a court of law or under family provision rules. The Life Events Bond allows that to happen," Meinel says.

Finally there are several financial planning benefits. Meinel mentions the LEB doesn't create any assessable tax income if there's no withdrawal in the first 10 years, meaning it can be used to lower assessable income and therefore help someone qualify for a senior's health card.

He adds equally an investment bond held inside a trust can also help lower fees in Aged Care, a benefit in an often complex area of financial planning.

"In addition, investment bonds are an increasingly vital third pillar of the retirement saving system, providing a retirement income stream in addition to the Age Pension and superannuation," Meinel says.

"And with all the changes and uncertainty in these other areas, those worried about run-

ning out of money in retirement are seeing investment bonds as a third leg that gives them greater security."

## What advisers want

When KeyInvest speaks to financial advisers they often hear about the want for a broad range of investment choice and the ability to deliver this efficiently so cost can be lowered for the provision of advice.

Meinel says this was heavily factored in when building the Life Events Bond as it stands today.

"It's a high-quality product with 27 investment options: nine of those are diversified funds and 18 are sector-specific funds. This allows and adviser or accountant to build a portfolio for their client, either from the ground up with the sector funds, or by matching the risk profile of their client to the particular diversified fund," he says.

He adds among the 27 options are eight low-cost index funds, both diversified and sector, "and this does help lower costs for advisers and their clients."

"We have a range of different blends of Australian and international shares; and also for the adviser that wants a core satellite approach looking for something different in there – we have funds that are long-short funds, infrastructure funds and some different ways of looking at enhancing cash as well," Meinel says.

It all shapes the KeyInvest goal to be the most efficient provider of investment bonds in the market place.

"Our Life Events Bond and funeral bonds are both available with online applications, making it really easy to implement for the client," Meinel says.

"In addition to that we pride ourselves on delivering tools so that a financial adviser is helped along the way – from an end-to-end process to deliver that advice through strategy papers, newsletter wording, any sort of training or webinars that they might need and advice wording they might need for their SOAs.

"It's a true end-to-end process that we want to have and help the adviser deliver this really efficiently for their clients." **FS**



## The quote

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