



01:
Felipe Araujo
executive director
and general manager
Generation Life

A bond for life

With Generation Life, the old days of investment bonds are long gone.

When the Keating government introduced the Superannuation Guarantee (SG) in 1992, Australians' lives were changed for the better and forever.

The introduction of the SG changed the landscape of the investment bonds industry, with superannuation being made available to all and a much more tax-effective solution.

Revitalising investment bonds

Investment bonds, previously known as insurance bonds, have come a long way since this time, according to Generation Life executive director and general manager Felipe Araujo.

There's many advisers who have been around for a long time and might have had a bad experience with investment bonds in the past.

"At that time, investment bonds were a bundled solution with very few and very limited investment options. They were also rather expensive, which meant there wasn't much left for the end client," he says.

Historically, he adds, providers have also made little enhancements in the investment bond structure, which simply gave superannuation a further leg up and more reason for advisers to seek an alternative solution.

With innovation, Generation Life has revitalised the investment bond market through enhanced product features and superior after tax returns with financial advisers and their clients in mind.

This mission began in July 2017 when the federal government introduced key superannuation reforms that, after 25 years in the shadows, shone a light on investment bonds once again. These included the introduction of the \$1.6 million transfer balance cap, the lowering of both concessional and non-concessional contributions caps and requiring those with incomes (including super) greater than \$250,000 to pay 30% tax on concessional contributions, up from 15%.

"We've identified the true perks and benefits of investment bonds and we're investing in ourselves as well as the education of advisers," Araujo says.

Investment bonds are one of, if not the, most effective means of accumulating and transferring wealth between generations, particularly for those whose income is subject to a marginal tax rate of 30% or more, he explains, adding that it's a large proportion of the population.

The evolution of after tax investing

Tax can be one of the biggest costs associated with any investment but is often an after

thought in a world of headline grabbing pre-tax returns. Generation Life has innovated a powerful tax smart approach through a series of tax optimised investment options to help financial advisers and their clients increase after tax performance without taking on additional investment risk.

"At the end of the day, a post-tax return can look very different to a pre-tax return, which is purely because of the composition of those returns," Araujo notes.

"What we're doing has always been available but just not widely done by other providers."

To demonstrate the remarkable efficiency of the Tax Optimised Series, Araujo uses the example of a share buyback with a fully franked distribution.

"In our world, because we operate out of a tax-paid structure, with a maximum rate of 30%, there's no tax paid on distribution due to it being fully franked. Plus, we can utilise losses to offset future income. Therefore, we can create a capital loss and turn it into cash straight away," he explains.

The most flexible estate planning solution offering control and certainty

Besides the tax effectiveness, investment bonds also offer attractive estate planning benefits for investors looking to transfer their wealth with ease and certainty.

Estate planning is an emotional decision to leave a legacy to the next generation and ensure your assets go to the right people at the right time whilst maintaining family unity.

According to recent research by CoreData, 44.9% of Australians are worried about transferring wealth, with 42.2% concerned about the impact of tax in doing so and 41.7% concerned about that wealth being mismanaged or misused once transferred.

Another issue faced is family conflict, where family members reject or, even unwittingly, fail to fulfill a person's wishes.

Araujo says these concerns can all be allayed with Generation Life's Investment Bonds.

Putting it simply, he says: "An investment bond can be structured as a non-estate asset that can by-pass probate so that it doesn't form part of the public domain, and can ensure that clients' wishes are adhered to."

"[An investment bond] is set up in accordance with the application form and it can ensure the proceeds are distributed where and how clients wish. You can also have a limitation on when beneficiaries receive the assets in the fund."

The new era of investment bonds

Araujo admits that advisers' knowledge of investment bonds and their benefits is low, with education a significant pillar in Generation Life's mission.

"We know many advisers would like to have estate planning as part of their everyday offering, but we also know many steer clear of those conversations because they either don't feel they have the tools or because they have a referral partnership with estate planning lawyers," Araujo says.

Generation Life Investment Bonds can offer the opportunity for financial advisers to maintain continuity with their clients and the next generation when transferring wealth.

Tools to help financial advisers

Generation Life has launched a new Adviser Online portal for advisers to enable better conversations when it comes to the estate planning needs of clients. The Adviser Online is home to a range of reports, online charts, technical resources, and calculators to help financial advisers understand the role an investment bond can play in a client's portfolio and in achieving their financial goals. It also includes access to resources that assist with compliance and reporting obligations.

"We want advisers to be in the driver's seat for solving the often convoluted problems of clients and their families... Generation Life can help facilitate a lot of those conversations," Araujo says. **FS**

Disclaimer

Generation Life Limited AFSL 225408 ABN 68 092 843 902 (Generation Life) is the product issuer. The information is provided for the use of licensed financial advisers and is not intended for any public or general distribution whatsoever. The information is general in nature and does not consider the investment objectives, financial situation or needs of any individual and is not intended for use as financial or investment advice or a recommendation. While all reasonable care has been taken in preparing the information, Generation Life makes no guarantee, warranty or representation as to its accuracy and you should not rely on it. Generation Life excludes, to the maximum extent permitted by law, any liability (including negligence) that might arise from this information or any reliance on it. Generation Life does not make any guarantee or representation as to any particular level of investment returns or income, pay back periods or age pension entitlements. Past performance is not an indication of future performance. The product's Product Disclosure Statement and Target Market Determination are available at genlife.com.au and should be considered in deciding whether to acquire, or continue to hold, the product.



The quote

We've identified the true perks and benefits of investment bonds and we're investing in ourselves as well as the education of advisers.



Watch the video
on www.fsitv.com

PROMOTED CONTENT

Brought to you by

