



Centrepoint Webinar 2023

UNLOCK POTENTIAL

EDUCATION & WEALTH TRANSFER

LEARNING
LEARNING
OUTCOMES
OUTCOMES

01

Gain a working understanding of the core uses and key tax effective strategies

02

Articulate to your clients' flexible strategies solving both future education funding and wealth transfer needs

03

Understand the financial benefits for grandparents, through using Education Bonds over other more common structures, to financially support their grandchildren's future

POLL

To what extent do you consider the cost of education for you client families with current/future children & grandchildren when creating a Financial Plan?

- A. Never**
- B. Very little**
- C. Sometimes**
- D. Mostly**
- E. Always**

THE IMPACT OF THE COST OF EDUCATION ON HOUSEHOLD FINANCES



For two in five Australian parents (39%) the experience of paying for their child(ren)'s school fees or voluntary contribution has a significant or moderate negative impact on their household finances.

In efforts to provide quality education to their child(ren), Australian parents have gone without:

Buying things for themselves



Sacrificed family holiday



and have struggled to pay bills



KEY TRENDS IMPACTING THE EDUCATION SECTOR*

TODAY'S STUDENTS

GEN Z: BORN 1995 - 2009

GEN ALPHA: BORN 2010 - 2024



1 in 2 will obtain a university degree



Expected to have **18** jobs over **6** careers in their lifetime



90% of Gen Alpha are predicted to complete high school compared to **80%** today

LIFE-LONG EDUCATION

\$22,636 IS THE AVERAGE HECS-HELP BALANCE DEBT IS CARRIED BEYOND THOSE AGED 30+ (SOCIAL IMPACT?)²

PRIVATE SCHOOL FEES RISE AT DOUBLE THE RATE OF INFLATION¹

COST OF EDUCATION IN AUSTRALIA³
PRIVATE \$300,233
CATHOLIC \$184,545
PUBLIC \$87,528

1. <https://www.afr.com/policy/health-and-education/private-school-fees-rise-at-double-the-inflation-rate-20191008-p52yp7>

2. Futurity Report – The Financial and social Impact of the Cost of University Education 2023

3. <https://futuraity.me/the-cost-of-schooling-in-australia-report>

EDUCATION LANDSCAPE

FINANCIAL REVIEW

Number of student enrolments in Australia

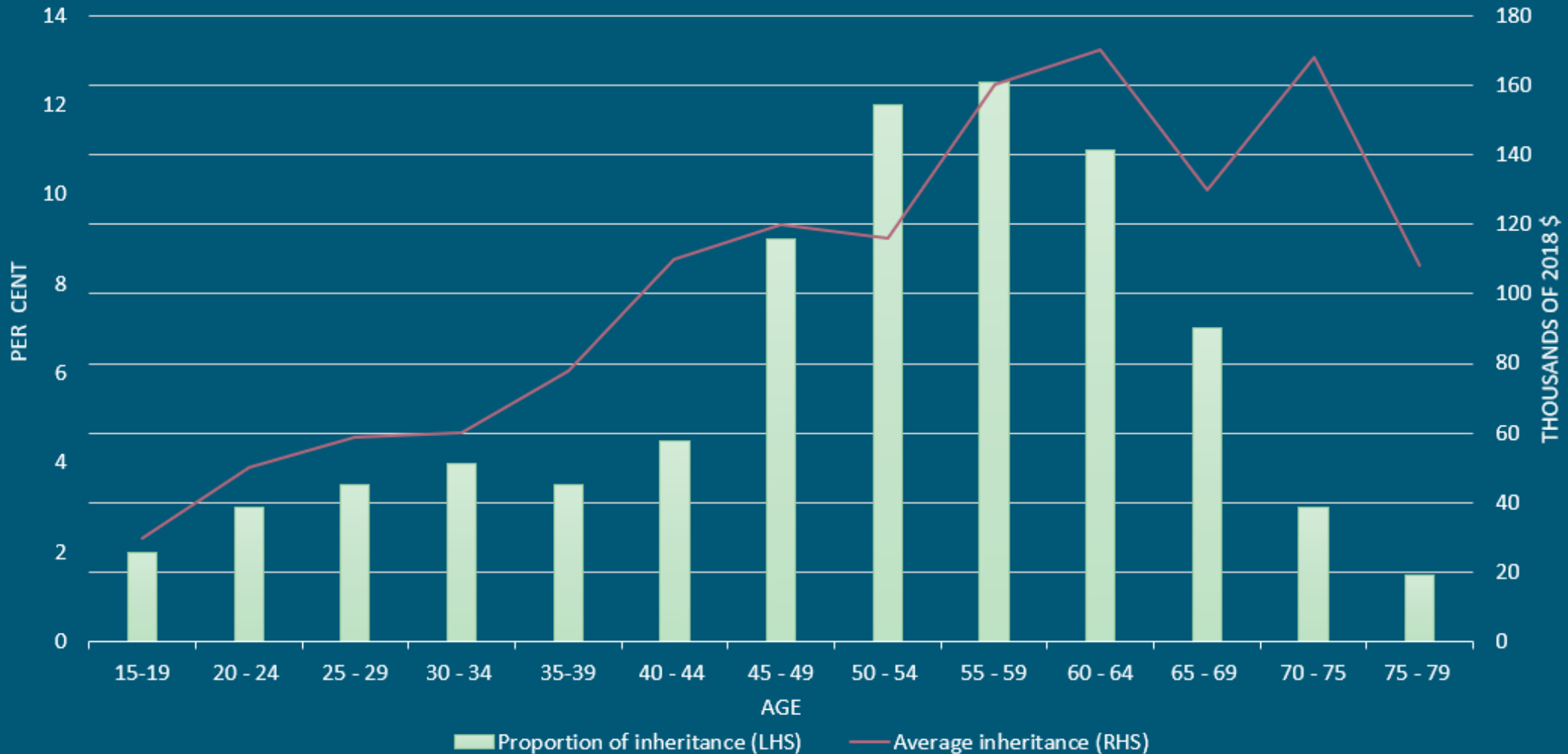
School affiliation	2018	2019	2020	2021	2022	2018-2022 (% change)
Independent	569,930	584,262	599,226	620,781	641,318	+12.5
Catholic	765,735	769,719	778,605	787,181	795,368	+3.9
Government	2,558,169	2,594,830	2,629,143	2,622,755	2,605,826	+1.9
Total	3,893,834	3,948,811	4,006,974	4,030,717	4,042,512	+3.8

Up 25% in 10 yrs

Drop from 2021

Australian Bureau of Statistics,
Private school enrolments surge by 25pc in 10 years - Financial Review, 15/2/2023

People in their fifties receive a larger share of inheritances than those in any other decade of life¹

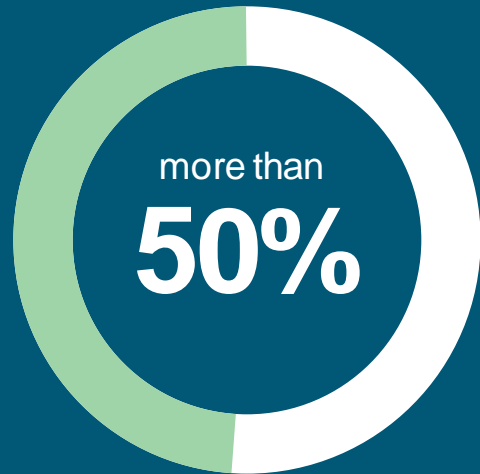


1. Inheritances for those aged over 79 years are negligible and not shown in the chart.

Source: Productivity Commission estimates using HILDA Restricted Release 19.

WEALTH TRANSFER PEACE OF MIND

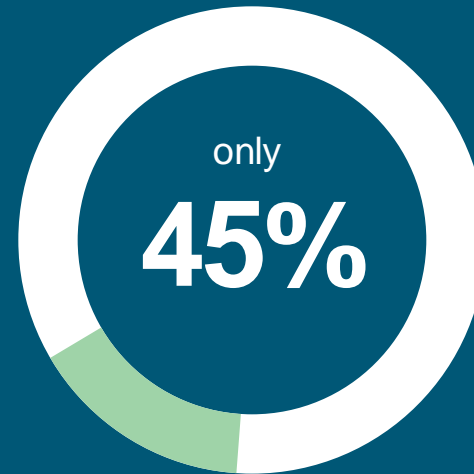
Education benefit



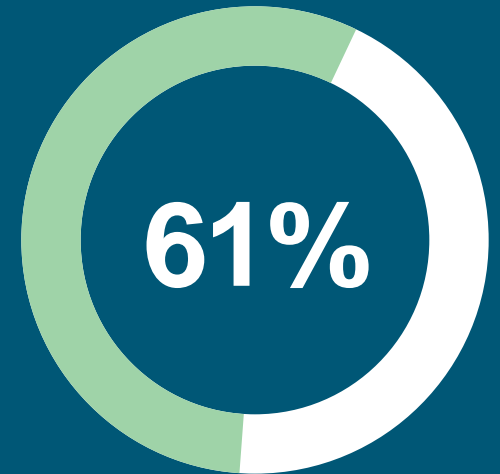
of wills are contested
by family[#]



of families either 'blended'
or 'step' families^{*}



of Australians
have a will[@]



of parents have no
nominated Guardians[@]

How to have the last word with your will AFR 19/6/18

*ABS Census 2011 -2016

@ estate-planning-in-australia-or-it-will-never-happen-to-me University of Adelaide, Charles Sturt University 2017

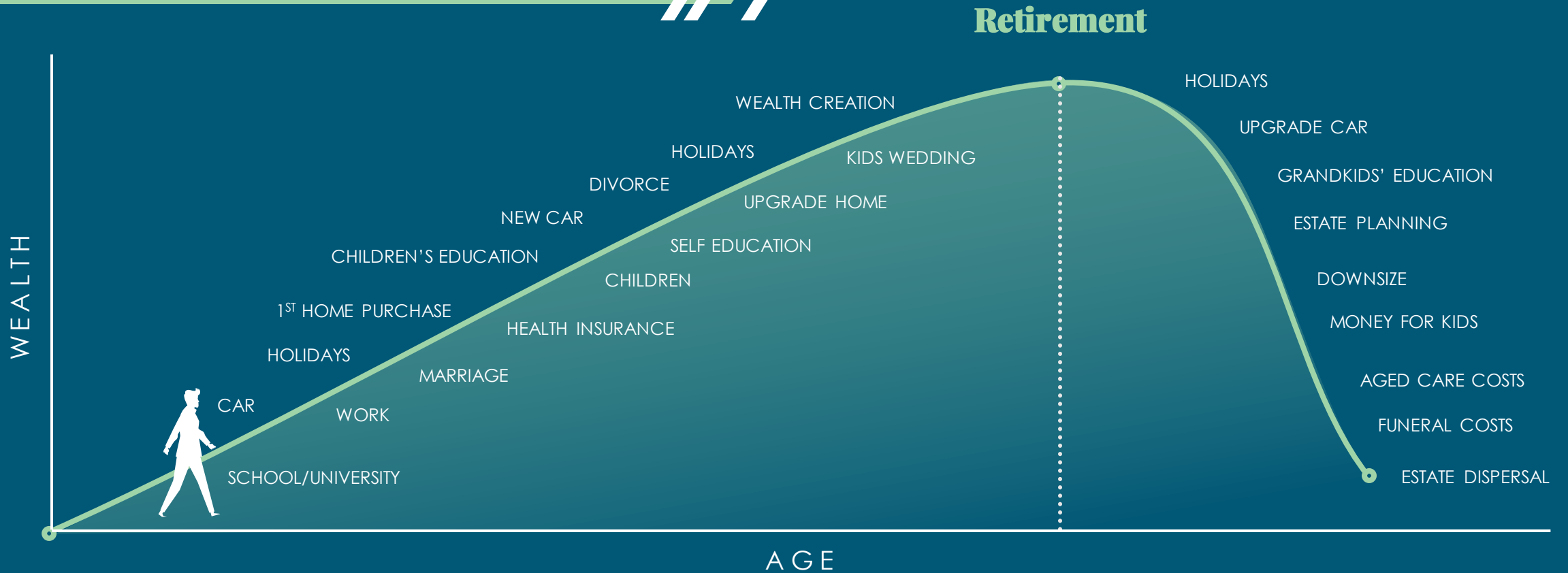
Don't get hung up on the word
EDUCATION



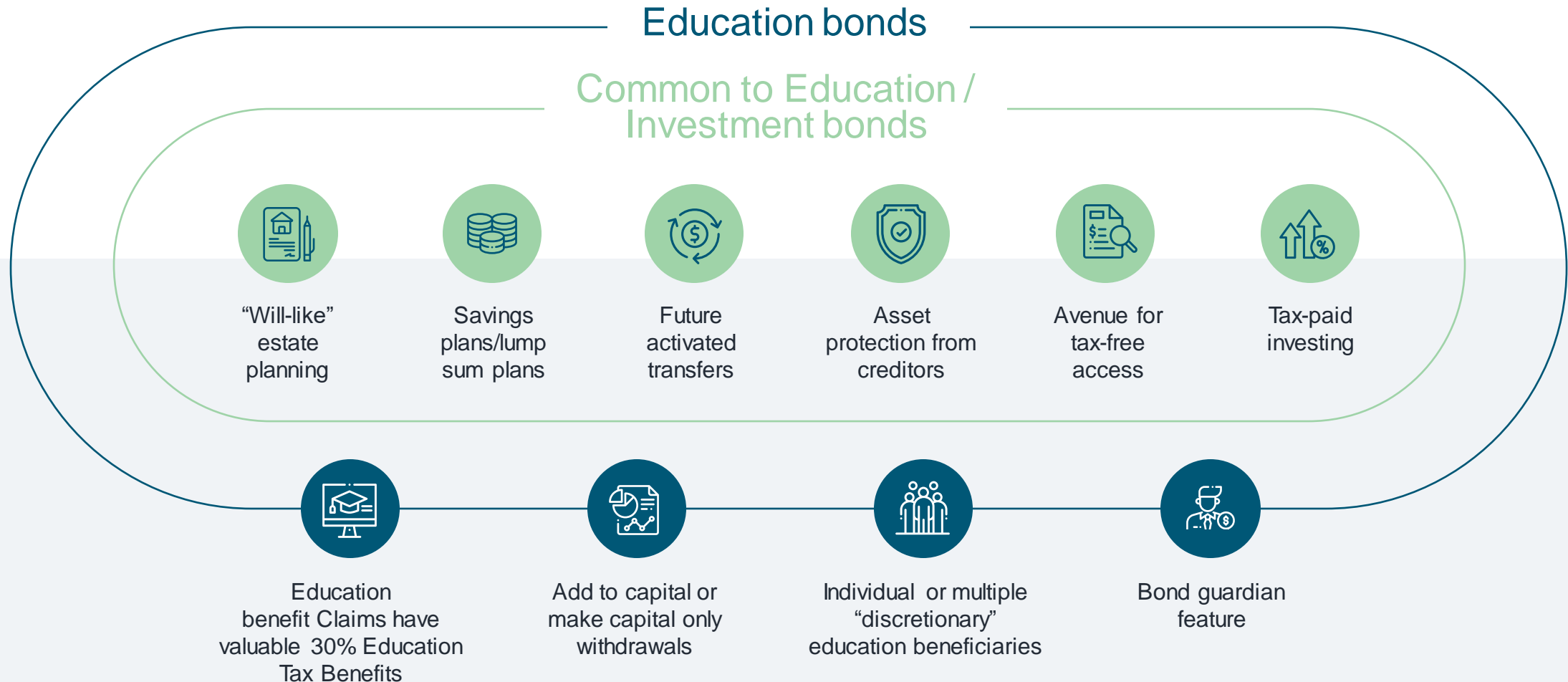
LIFE EVENTS

A structure for all seasons

SAVINGS, INVESTMENT & SUPERANNUATION



CORE FEATURES



WHO'S INVOLVED



QUIZ 1

Which of the following statements are true in a Futurity Education Bond?

- A. You can set a Future Activated Transfer date**
- B. Education benefit claims have a 30% Education Tax benefit**
- C. You can have up to 3 Bond Guardians**
- D. All of the above**

Type of withdrawal	Earnings component	Capital component
Education benefit claim	30% Education Tax Benefit Assessable in hands of education beneficiary	Tax-free
Non-education purpose Capital only	n/a	Tax-free
Non-education purposes as Investment Bond Capital & Earnings - ATO formula applies	Assessable in Bond Owner's hands 0 - 8 yrs. added to assessable income - 30% tax offset applies 8 -10 yrs. 2/3 -1/3 added to assessable income – 30% tax offset applies to all Post 10 years – Tax free (no offset)	Tax-free



HOW WITHDRAWAL TAX WORKS

MAXIMISING THE 'GROSS-UP'

Minors <18 Y.O.



MAXIMISING THE 'GROSS-UP'

Adults >18 Y.O.



QUIZ 2

When making a withdrawal from a Futurity Education Bond as a Bond Owner, if I withdrew funds from Capital only and within the first 5 years of the Education Bond, who is responsible for the tax (if any)?

- A. The Education Beneficiary**
- B. The Bond Owner(s)**
- C. The Bond Guardian**
- D. No tax is payable**

MINORS - TAX STRATEGIES SUMMARY



RE-EXAMINE THE TAX-FREE THRESHOLD



Minors (<18)

\$416

from Investment Income



Adult (>18)

\$18,200

all Income



HOW CAN A
MINOR USE THE
ADULT TAX-FREE
THRESHOLD?

01

- As a beneficiary of a Testamentary Trust
- As a beneficiary of a Child Maintenance Trust
- As a beneficiary of a Special Disability Trust

or

02

- Funds transferred directly as a result of ... the death of another person and out of a Superannuation fund or Life Insurance policy
- Devolved upon the minor... from the estate of a deceased person
- Transferred to the minor by another person... out of property that devolved upon that other person from the estate of a deceased person... and was so transferred within 3 years after the date of the death of the deceased person
- Death of a Bond Owner

Division 6 (ITAA 1936) & Division 6AA (ITAA 1936)

QUIZ 3

How can a minor use the Adult-tax free threshold?

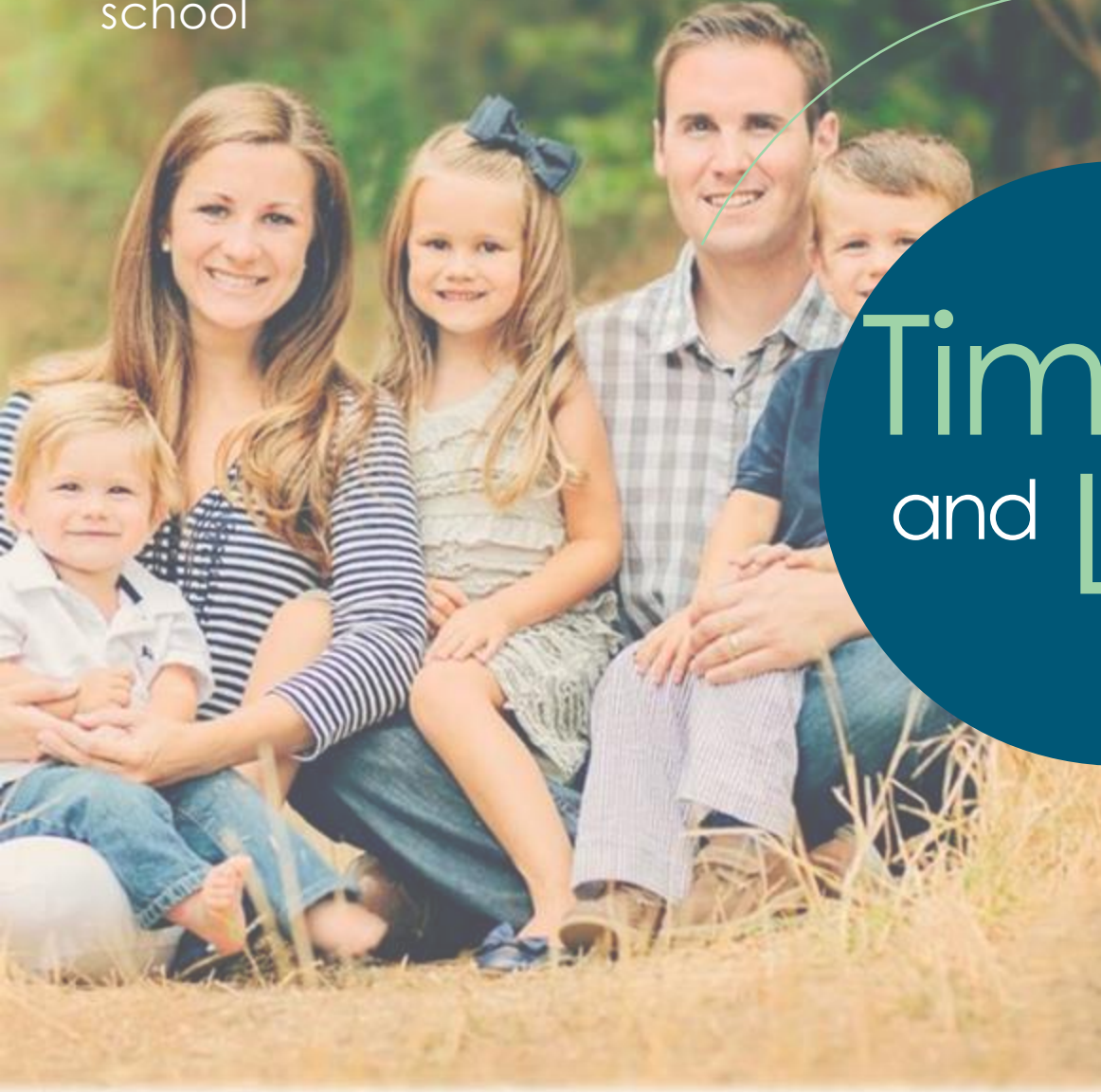
- A. As a beneficiary of a Testamentary Trust**
- B. Death of a Bond Owner**
- C. Funds transferred directly as a result of the death of another person and out of a superannuation fund or Life Insurance Policy**
- D. None of the above**
- E. A, B & C**



CASE STUDIES

CASE STUDY:

Private Catholic Secondary school



Tim
and
Lara

Estimated that Catholic secondary school will cost \$321,000 approx. for their 3 children.

They have 3 children 3, 5 & 7.

Education Benefit Claims and Capital withdrawals can be very tax effective.

Tim has a good salary and Lara will return to work within the next 2 years.

They have sold an investment property and have \$250,000 to invest.

Their average Marginal Tax Rate is 34.5%

CASE STUDY:

Tim and Lara



Initial deposit
\$250,000



Annual contributions
\$12,000 (no
escalation) years 1-5



Total Contributions
\$310,000



Funds: 50/50
Vanguard Balanced
index/ Diversified
Growth funds



Historical return =
7.98% p.a.
(net of fees)



Management
fees 0.75%



Bond Term
20 years



They invest their
savings as follows into
an education bond



Tim & Lara withdraw as shown in the table opposite and make **Education Benefit Claims** to gain the best tax outcome

BOND YEAR	Age EB* 1	Education Benefit Claim (Earnings)	Age EB* 2	Education Benefit Claim (Earnings)	Age EB* 3	Education Benefit Claim (Earnings)	WITHDRAWAL (from Capital Account)	NON-EDUCATION WITHDRAWAL – INVESTMENT BOND RULES APPLY	TOTAL WITHDRAWAL
1	4		6		8			\$0	\$0
2	5		7		9			\$0	\$0
3	6		8		10			\$0	\$0
4	7		9		11			\$0	\$0
5	8		10		12	\$416	\$12,584	\$0	\$13,000
6	9		11		13	\$416	\$12,584	\$0	\$13,000
7	10		12	\$416	14	\$416	\$27,168	\$0	\$28,000
8	11		13	\$416	15	\$416	\$27,168	\$0	\$28,000
9	12	\$416	14	\$416	16	\$416	\$43,752	\$0	\$45,000
10	13	\$416	15	\$416	17	\$416	\$43,752	\$0	\$45,000
11	14	\$416	16	\$416	18	\$18,200	\$28,968	\$0	\$48,000
12	15	\$416	17	\$416	19	\$18,200	\$12,968	\$0	\$32,000
13	16	\$416	18	\$18,200	20	\$18,200		\$0	\$36,816
14	17	\$416	19	\$18,200	21	\$18,200		\$0	\$36,816
15	18	\$18,200	20	\$18,200	22	\$18,200		\$0	\$54,600
16	19	\$18,200	21	\$18,200	23			\$0	\$36,400
17	20	\$18,200	22	\$18,200			-	\$0	\$36,400
18	21	\$18,200	23				-	\$0	\$18,200
19	22	\$18,200					-	\$0	\$18,200
20	23						-	\$0	

*EB = Education Beneficiary

CASHFLOW & TAX

EDUCATION BOND



TAX @ BOND OWNERS or BENEFICIARY PERSONAL RATE



Bond Year	Opening Balance	Annual Contributions	Capital Withdrawal	Education Benefit Withdrawal Earnings Component	30% Education Benefit Added (Tax Gross up)	Total Withdrawal	Assessable Amount/Ed. Benefit Claim	Personal Tax	Amount Paid to Bond Owner
1	250,000	12,000	-	-	-	-	-	-	-
2	274,370	12,000	-	-	-	-	-	-	-
3	299,989	12,000	-	-	-	-	-	-	-
4	326,920	12,000	-	-	-	-	-	-	-
5	355,231	12,000	12,584	291	125	13,000	416	0	13,000
6	372,215	-	12,584	291	125	13,000	416	0	13,000
7	378,045	-	27,168	582	250	28,000	832	0	28,000
8	369,393	-	27,168	582	250	28,000	832	0	28,000
9	360,297	-	43,752	874	375	45,000	1,249	0	45,000
10	333,952	-	43,752	874	375	45,000	1,249	0	45,000
11	306,256	-	28,968	13,322	5,710	48,000	19,032	0	48,000
12	284,845	-	12,968	13,322	5,710	32,000	19,032	0	32,000
13	278,370	-	-	25,771	11,045	36,816	36,816	0	36,816
14	277,447	-	-	25,771	11,045	36,816	36,816	0	36,816
15	276,477	-	-	38,220	16,380	54,600	54,600	0	54,600
16	268,345	-	-	25,480	10,920	36,400	36,400	0	36,400
17	267,074	-	-	25,480	10,920	36,400	36,400	0	36,400
18	265,739	-	-	12,740	5,460	18,200	18,200	0	18,200
19	271,613	-	-	12,740	5,460	18,200	18,200	0	18,200
20	277,788	-	-	-	-	291,557	-	0	-

\$84,148

No Tax

These columns make up the Total Withdrawal

Tax free transfer to beneficiaries

* This amount is reportable in beneficiaries tax return, but as it is under tax-free threshold there is nothing to report and no tax to pay.

OVERALL INVESTMENT PERFORMANCE

Compared with an Investment Bond and a Managed Fund



Assumptions

Initial investment: \$250,000

Annual Contributions: \$12,000 for 5 years

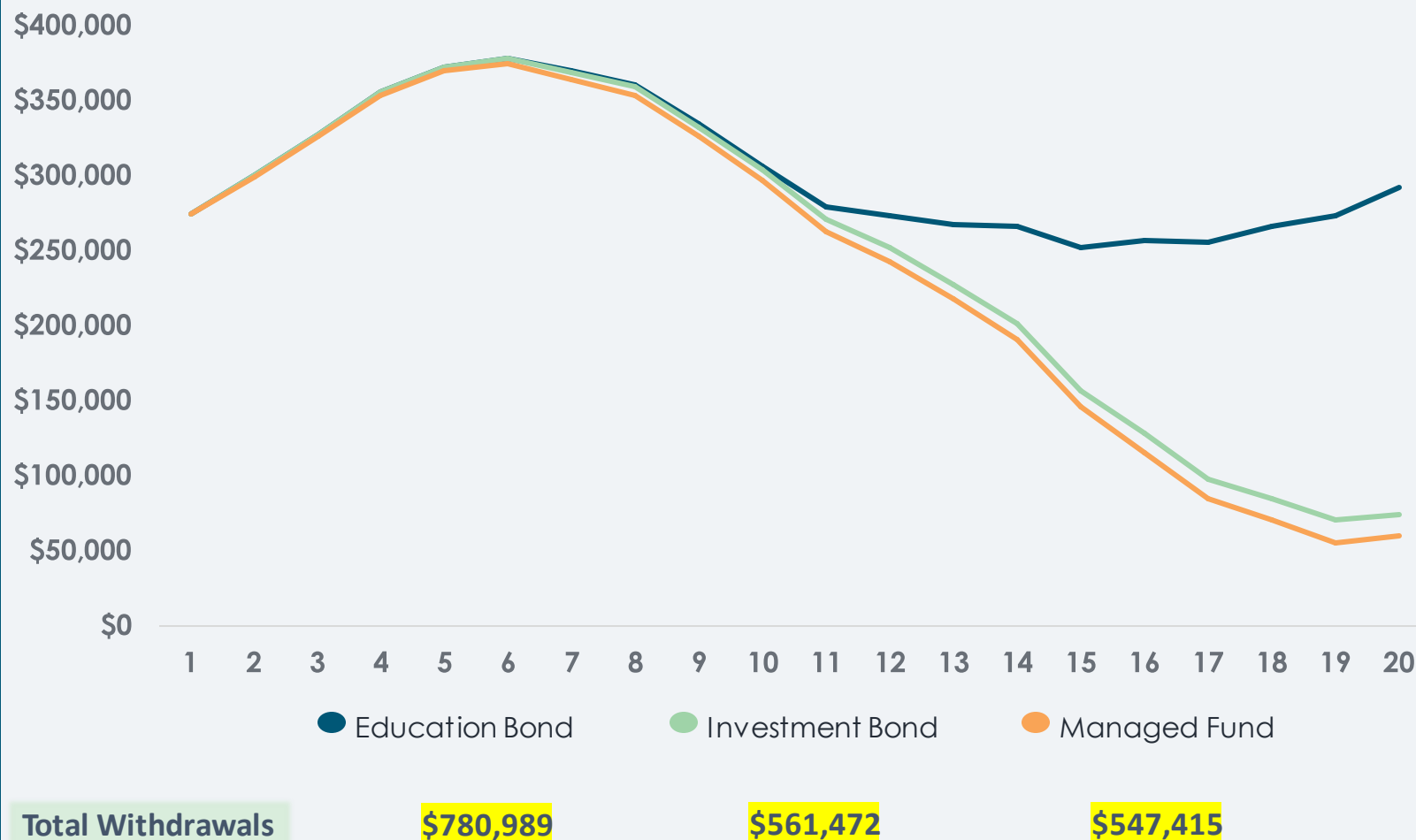
MTR: 34.5%

Estimated return: 7.98%
(e.g. balanced fund)

Fees 0.75% p.a.

Total Contributions: \$310,000

Final Withdrawal as Post 10 Year
Investment Bond



How would an Education Bond help Tim & Lara?

Control

Access for education and non education cashflow needs

Save and Invest tax effectively

30% Education Tax Benefit & No tax payable

Wealth transfer to Children

Transfer without CGT at a nominated age

Ease of structure

Family Education Bond (able to add additional beneficiaries later)



CASE STUDY:



Education & Wealth Transfer

Elizabeth *Issues & Goals*

Wealthy, early 80's, with some health issues, has \$450,000 to help with Grandchildren's education and future deposit for a home.

3 grandchildren ages 2, 5 & 8.

Secondary Catholic education. Total cost est. \$280,000 + Tertiary @ \$40,000 each.

Does not need income but may like to access some cash for personal use or medical

Control to pass to her son knowing she has a short life expectancy

Marginal Tax Rate is 25%.

KEY POINTS:

Elizabeth



Initial deposit
\$450,000



Historical return =
7.93% p.a.
(net of fees)



Term 20 years + flexible



Ownership
Elizabeth as Owner



Beneficiary Structure
Grandchildren as
Education Beneficiaries
and lives insured



Guardian
Son



Funds: 50% Vanguard
Balanced index
25% Vanguard
Conservative 25%
Perpetual SRI



Strategy
Catholic Senior + Tertiary
Longer term wealth
transfer



Funds remain
within education
bond and
continue to
function in a
Testamentary
Trust-like manner



Elizabeth

Structuring
a bond as a
de-facto TT

450k



Elizabeth Bond Owner

FAMILY
EDUCATION BOND



Nominated
guardian



**Education Beneficiaries
(EBs) – Lives insured**

Beneficiaries gain
'excepted income status
on death of the owner

WITHDRAWAL PROFILE

START OF YEAR	BENEFICIARY 01				BENEFICIARY 02		BENEFICIARY 03			
	CAPITAL ACCOUNT	EDUCATION BENEFIT CLAIM	OTHER WITHDRAWAL - INVESTMENT BOND RULES APPLY	TOTAL WITHDRAWAL	AGE	EDUCATION BENEFIT CLAIM (EARNINGS)	AGE	EDUCATION BENEFIT CLAIM (EARNINGS)	AGE	EDUCATION BENEFIT CLAIM (EARNINGS)
1		\$0			3		6		8	
2		\$0			4		7		9	
3		\$0			5		8		10	
4		\$0			6		9		11	
5	\$14,212	\$416		\$14,628	7		10		12	\$416
6	\$14,577	\$416		\$14,993	8		11		13	\$416
7	\$14,537	\$832		\$15,369	9		12	\$416	14	\$416
8	\$14,920	\$832		\$15,752	10		13	\$416	15	\$416
9	\$15,315	\$832		\$16,147	11		14	\$416	16	\$416
10	Elizabeth dies	\$54,600		\$54,600	12	\$18,200	15	\$18,200	17	\$18,200
11		\$54,600		\$54,600	13	\$18,200	16	\$18,200	18	\$18,200
12		\$54,600		\$54,600	14	\$18,200	17	\$18,200	19	\$18,200
13		\$54,600		\$54,600	15	\$18,200	18	\$18,200	20	\$18,200
14		\$54,600		\$54,600	16	\$18,200	19	\$18,200	21	\$18,200
15		\$36,400		\$36,400	17	\$18,200	20	\$18,200	22	
16		\$36,400		\$36,400	18	\$18,200	21	\$18,200	23	
17		\$18,200		\$18,200	19	\$18,200	22		24	
18		\$18,200		\$18,200	20	\$18,200	23		25	
19		\$18,200		\$18,200	21	\$18,200	24		26	
20					22		25		27	

Elizabeth before death, has tax free access to capital & can add more beneficiaries

TAX PROFILE

Capital Component Withdrawal	Education Component Withdrawal	30% Education Tax Benefit (Tax Gross up)	Total Withdrawal
-	-	-	-
-	-	-	-
-	-	-	-
14,212	291	125	14,628
14,577	291	125	14,993
14,537	582	250	15,369
14,920	582	250	15,752
15,315	582	250	16,147
Elizabeth dies 38,220	38,220	16,380	54,600
-	38,220	16,380	54,600
-	38,220	16,380	54,600
-	38,220	16,380	54,600
-	38,220	16,380	54,600
-	25,480	10,920	36,400
-	25,480	10,920	36,400
-	12,740	5,460	18,200
-	12,740	5,460	18,200
-	10,710	4,590	18,200
376,349	-	-	890,840

\$120,250

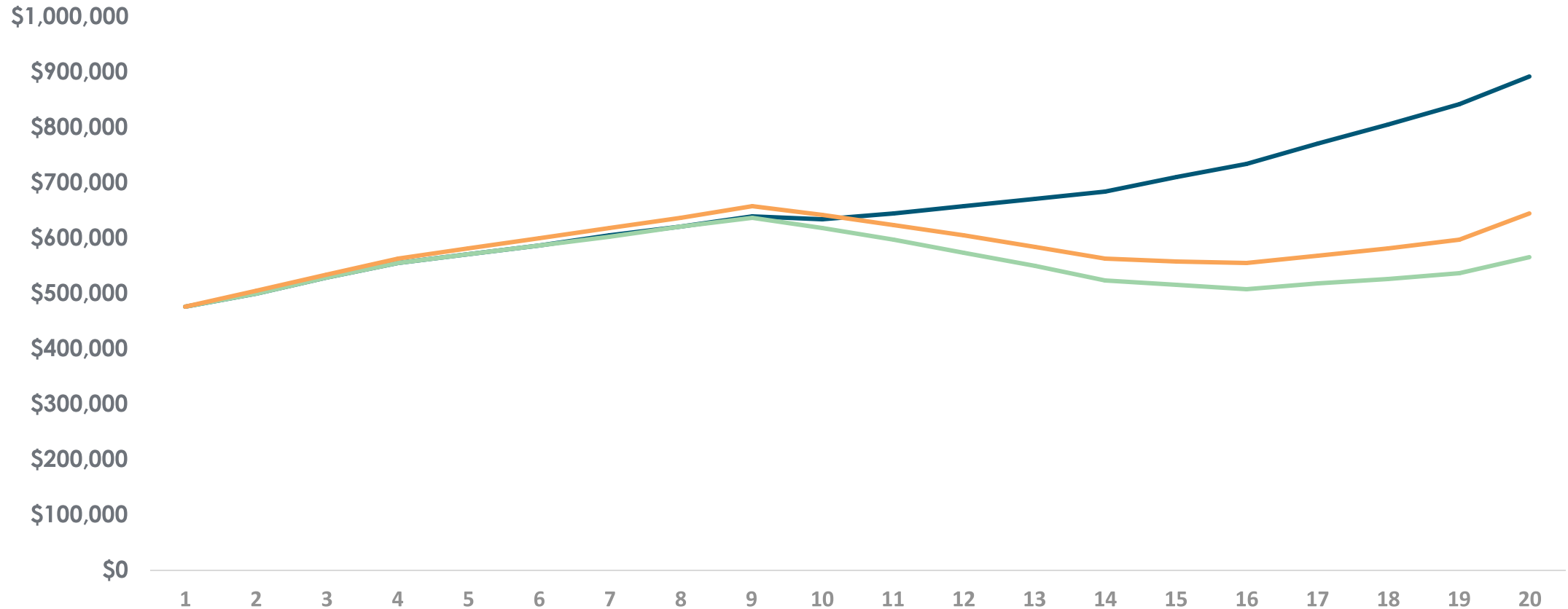
These columns make up the Total Withdrawal

Amount Withdrawn	Assessable Amount/Ed. Benefit Claim	Personal Tax rate	After Tax Amount
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
14,628	416	-	14,628
14,993	416	-	14,993
15,369	832	-	15,369
15,752	832	-	15,752
16,147	832	-	16,147
54,600	54,600	-	54,600
54,600	54,600	-	54,600
54,600	54,600	-	54,600
54,600	54,600	-	54,600
36,400	36,400	-	36,400
36,400	36,400	-	36,400
18,200	18,200	-	18,200
18,200	18,200	-	18,200
18,200	15,300	-	18,200
890,840	-	-	890,840

No Tax

Tax free transfer to beneficiaries

INVESTMENT PERFORMANCE



● Education Bond ● Investment Bond ● Managed Fund

Total Withdrawals

\$1,368,129

\$1,043,142

\$1,107,992

How would an Education Bond help Elizabeth?

Has total control

pre & post death

Tax effective

Even more so after her death

Certainty of Wealth transfer

Cannot be challenged

Access to Capital

For non education purposes





FUTURITY EDUCATION
BOND SUMMARY

Investing for Education and Wealth transfer

Education Bond personas



Clients planning to invest for education funding of present and future children



Grandparents wanting to help with education costs and plan for future transfer of wealth



High MTR clients, especially those facing uncertainty in Superannuation



Clients that inherit death benefit payments from, super, life insurance etc and want to use some of it for education funding/investment



Anyone who has inherited wealth and wants to use some of it for education funding/investment



Trustees of Testamentary Trusts with minor beneficiaries



WEALTH TRANSFER FEATURES



NON-ESTATE
ASSET*



BINDING
NOMINATIONS



SINGLE OR
MULTIPLE
LIVES INSURED



INDIVIDUALS,
TRUSTS,
ESTATES
OR
COMPANIES



FUTURE
TRANSFER



NO TFN OR
TAX
REPORTING



CREDITOR
PROTECTION

* If binding nomination is made



Control

Bond owner(s) have full control of their investment (even beyond the 'grave')



A master fund-like investment menu

32 investment options
Ability to switch



Access

At any time
For any purpose
Broad definition of Education



Ease & flexibility of operation

No tax reporting
Add beneficiaries at any time
No FATCA or CRS



Peace of mind

For education funding
Wealth transfer/
Estate planning



Planning features

Unique tax benefits
Feature rich tools for advisers

STRUCTURE BENEFITS



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