Australian Unity
Real Wellbeing

Strategy guide

Why Investment Bonds are growing in popularity

And how they can provide a strategic pathway to long-term wealth accumulation

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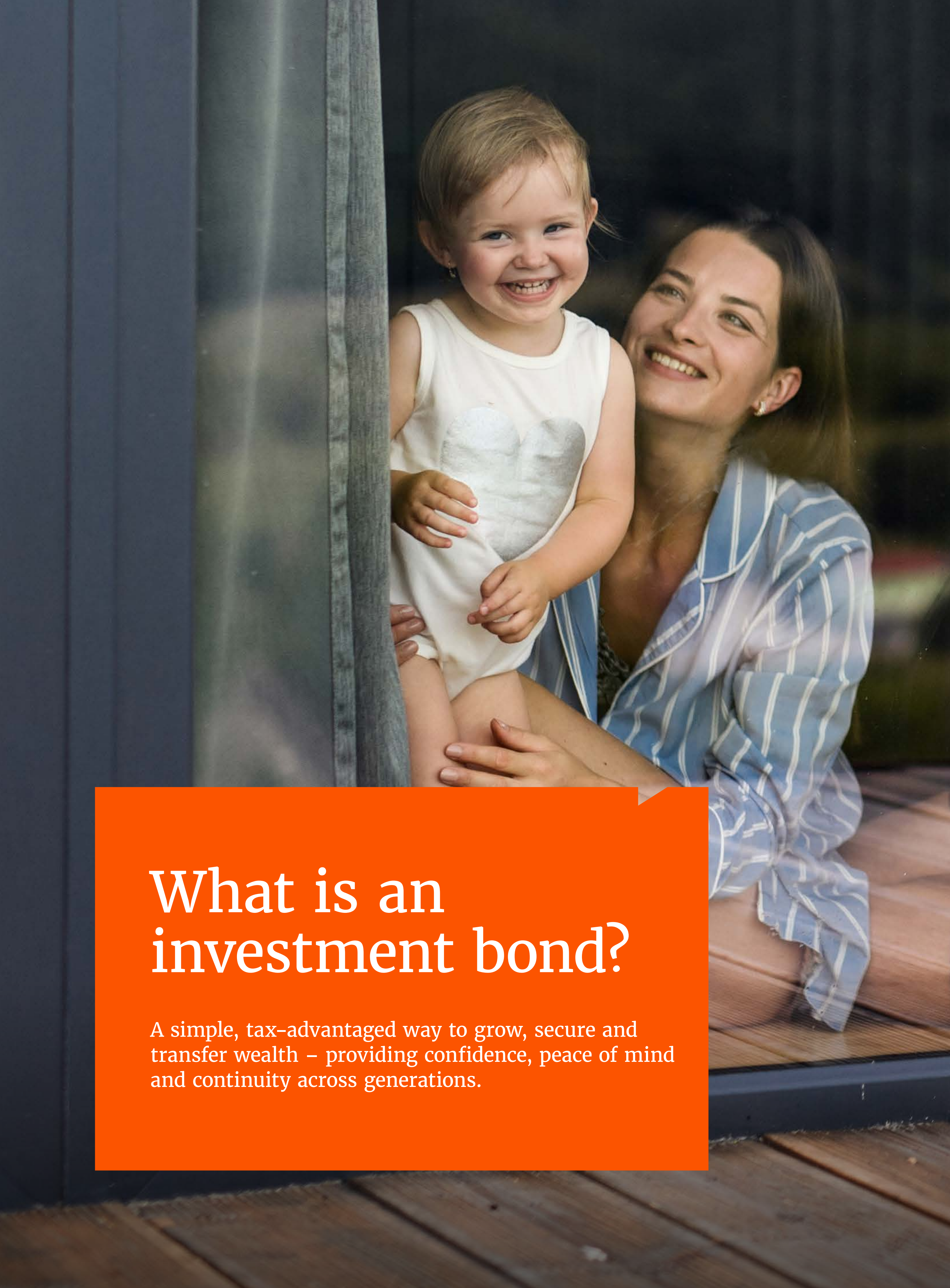

What is an investment bond?

A simple, tax-advantaged way to grow, secure and transfer wealth – providing confidence, peace of mind and continuity across generations.

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Why are they growing in popularity?

Investment bonds can be a tax-efficient, long-term wealth accumulation structure, making them a compelling option for investors looking to manage tax liabilities and optimise wealth creation alongside superannuation.

First introduced in the late 1800s as an insurance-style savings product to help families achieve long-term financial security, investment bonds have evolved over the past 25 years into contemporary, multi-manager investment structures.

Governed by Life Insurance legislation, they provide a proven framework for potentially favourable tax treatment, estate-planning flexibility and long-term financial planning needs.

As Australia's tax and regulatory landscape continues to shift following recent Stage 3 tax cuts, Division 296 changes to superannuation tax concessions, changes to Capital Gains Tax and increased scrutiny on family trusts, investment bonds have been growing in popularity as a stable way to optimise wealth within diversified long-term investment strategies.

Like superannuation, investment bonds can provide favourable tax treatment, but differ by providing for greater flexibility and control in how and when funds can be accessed or transferred to others. They are generally suitable for investors seeking:

An efficient way to build wealth and future income

Flexibility to influence the timing of any future tax liability

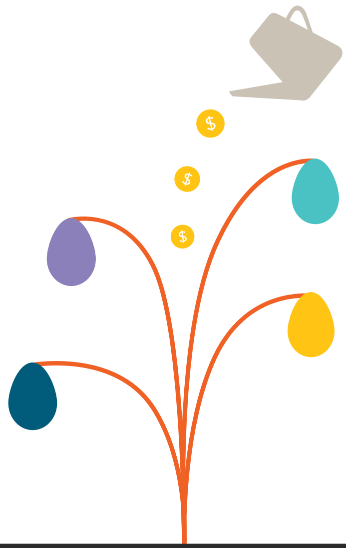
Control of capital whilst enabling effective inheritance and estate planning

These unique features make investment bonds a powerful solution for growing, protecting and passing on wealth across generations – client needs that are set to grow as the advice sector prepares to support the largest anticipated intergenerational wealth transfer in history.[1]

1 McLeod, J (2024) The Bequest Report. Reshaping Australia by passing on more than assets. JBWere

Australian Unity investment bonds

How do they compare?



	Investment bonds	Superannuation	Discretionary trusts	Personal portfolio
Earnings tax	Up to 30%	Up to 15%*	Up to 47%**	Up to 47%**
Personal capital gains tax	None	Yes	Yes. CGT applies on sale of assets	Yes. CGT applies on sale of assets
Death tax benefits	None	Yes - non-dependents	None	None
Contribution caps	None, in first year	Yes***	None	None
Access funds	Yes	Limited	Yes****	Yes
Asset protection	Yes	Yes	Yes	No
Use as security against loan	Yes	No	Yes****	Yes
Nominate beneficiaries	Yes	Restricted	Yes	No
Transfer ownership during lifetime	Yes	No	Yes	Yes

*Assumes balance is less than $3m
**Includes Medicare Levy
***Investment limit within caps for favourable tax treatment
**** Only in allowable circumstances/situations

Summary of advantages:

Stable

- Minimal tax changes in 20+ years.

Simple

- Tax-paid vehicle, removing need to report earnings in annual tax returns unless a withdrawal is made in the first 10 years.

Flexible

- Access funds anytime and at any age.[2]
- Nominate beneficiaries without restriction, including non-dependants.

Efficient

- Up to 30% tax on earnings, less allowable discounts and concessions.
- No personal capital gains tax on investment switching or transfers.
- No personal tax on withdrawals after 10 years.

Control

- Can structure as a non-estate asset to help to protect investment from creditors in the event of bankruptcy.
- Secure how and when wealth is passed on – during one's lifetime and after.

2 For Lifeplan Child / where a child is the owner (ages 10–16), withdrawals and contributions require parent/guardian consent.

When to use an investment bond

Accumulate wealth with flexibility to:

- Access funds anytime.
- Invest regularly to help accelerate accumulation.
- Adjust income to maximise any tax and entitlement outcomes.

Secure investments by structuring as a non-estate asset to:

- Help protect funds from creditors in the event of bankruptcy.
- Increase certainty that inheritance decisions will be upheld, as investment bonds sit outside a Will.

Transfer wealth without incurring personal capital gains or death benefits tax implications:

- And flexibility to change plans if personal or family circumstances change.
- To control how and when wealth is transferred and accessed during or after one's lifetime.

Deeper dive: Wealth accumulation

Optimising investments across a diversified portfolio

Effective long-term investment outcomes are often achieved through a combination of tailored asset allocation and tax-optimised structuring across complementary investment vehicles.

A well-designed portfolio can benefit from a combination of assets tailored to investor goals, risk appetite and expected timeframes for returns.

Asset allocations (For illustrative purposes)

Goal	Typical asset allocations	Risk profile	Time horizon
Capital stability & income	Defensive assets, e.g. cash, fixed interest, fixed income	Low-Moderate	3+ years
Balanced wealth building	Multi-asset balanced portfolios, e.g. fixed interest, shares, property	Moderate-High	5+ years
Long-term wealth accumulation	Diversified growth assets, e.g. Australian and global equities, alternative investments	High-Very high	7+ years

Investment structures (For illustrative purposes)

Goal	Typical asset allocations	Time horizon
Core retirement accumulation	Superannuation	Lowest tax structure for long-term compounding
Accumulation beyond super contribution limits	Investment Bonds	Tax-paid compounding, no CGT or personal tax on switching, transfers or withdrawals after 10 years
Maintaining access to funds and liquidity	Investment Bonds	Income streaming, negative gearing and CGT benefits
Holding property	Investment Bonds Personal Portfolio Discretionary Trusts	Negative gearing and CGT benefits

Portfolio diversification is generally appropriate and can limit exposure or impact of down-side risk in relation to market volatility.

Strategies: Investment bond use cases

1. Accumulation beyond super contribution limits

Australian Unity investment bonds offer more than 65 managed investment options, including low-cost index funds and ETFs, that can be tailored to meet investor goals, risk appetite and desired timeframes.

Often used to complement superannuation once concessional caps are reached, investment bonds can offer unique tax advantages over direct investments (such as managed funds or shares), where investment returns are typically taxed at an investor's marginal tax rate.

Investment bond earnings are taxed at the company tax rate of 30%, however, actual tax paid may be less due to allowable tax credits (e.g. franking credits).

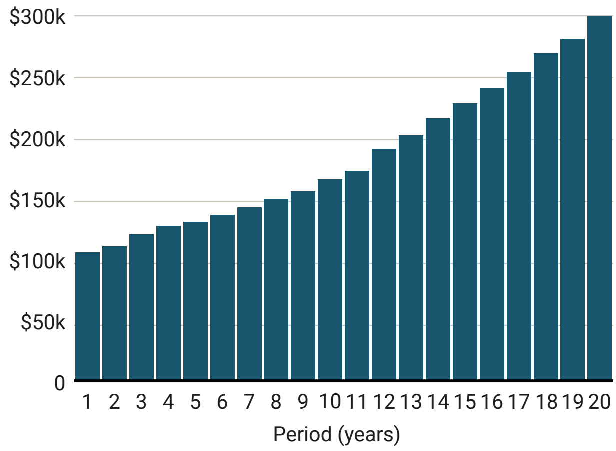


Illustration - the above shows how annual returns and tax savings can be used to maximise compound growth outcomes. It assumes an initial investment of $100,000, an investment bond return of 5.6%p.a. net of tax, fees and withdrawals, and no additional contributions. This graph is for illustrative purposes only and is not indicative of current or future performance. Actual investment performance by investment vehicles may vary from year to year. Returns are not guaranteed.

How it works

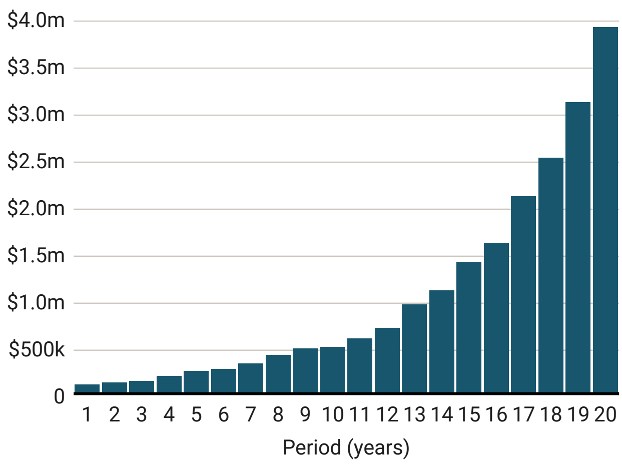
Earnings are reinvested on an after-tax basis maximising the compounding power of any tax savings and investment returns.

Investment options can also be switched at any time without personal tax implications, including capital gains tax.

10-year tax advantage

Investors can access and withdraw funds at any time. However, if an investment is held for at least 10 years, no personal tax is payable on withdrawals made after this time.

If a withdrawal is made within the first 10 years, only the assessable portion of the earnings is included in the investor's personal taxable income calculations. A credit is applied for tax already paid, e.g. if an investor's marginal tax rate is greater than 30%, they may only pay the difference. If a withdrawal is made within the first 10 years, the assessable portion of the earnings component applies as follows: 100% is assessable in years 1–8, 2/3 in year 9, and 1/3 in year 10. After 10 years, withdrawn earnings are not assessable (subject to the 125% contribution rule).



For illustration purposes - the above shows how earnings and regular contributions contribute to wealth creation, without re-setting the 10 year-advantage period. The following assumes an investment return of 5.6%p.a. net of tax, fees and withdrawals, initial investment of $100,000, additional contribution of $10,000 and 125% of the previous year's total in each subsequent year.

The above example is for illustrative purposes only and is not indicative of current or future performance. Actual investment performance by investment vehicles will may vary for from year to year. Returns are not guaranteed.

125% contribution rule

Like superannuation, investment bonds are designed to support long-term accumulation strategies by reinvesting earnings and regular contributions. However, they differ by allowing for greater flexibility, including uncapped (outside of the 125% contribution rule) investment contributions.

Investors can contribute any amount during the first year of an investment bond's life, but for the 10-year advantage to apply, contributions must be kept to 125% of the previous year's total.

Generally suitable for investors seeking:

- An alternative investment to superannuation.
- Access to funds sooner than retirement, e.g. for future family and lifestyle needs.
- Flexibility to access a wide range of investment options and switch without personal tax consequences.
- An efficient, long-term investment vehicle after receiving an extraordinary payment, e.g. inheritance, redundancy, sale of a business.

Strategies: Investment bond use cases

2. Adjust annual income to improve tax & entitlement outcomes

Lifeplan investment bonds can potentially be used to reduce tax on other assessable income earned in the same tax year. As a result, they may be a suitable structure for a wide range of clients, not just those with high personal income tax rates, depending on individual circumstances.

Unless a withdrawal occurs within the first 10 years of the investment bond's life, earnings do not need to be reported in annual personal tax returns, subject to the 125% contribution rule.

Unlike superannuation, funds can be accessed and withdrawn as a lump sum or income stream at any time, with tax concessions available from year 8 onwards, ideal for those seeking to fund retirement early, meet an unexpected expense or make a major purchase.

Maintaining flexibility to adjust annual taxable income can also be advantageous for individuals and families seeking to manage eligibility for income-tested government entitlements, e.g. Family Tax Benefits, Childcare Subsidies, Commonwealth Seniors Heath Care Card.

Additional levies or surcharges, for example the Medicare Levy, can potentially also be reduced by minimising adjusted taxable income via an investment bond strategy.

How it works

- If a withdrawal is made after 10 years, no personal tax is applicable.
- If a withdrawal is made before 10 years, earnings are assessed at the investor's marginal tax rate, with a credit applied for tax already paid.
- Between years 8 and 10, a discount applies to earnings assessed for personal income tax purposes.
- Capital contributions are not included as part of earnings and are returned tax free.

Illustration – the following shows how tax advantages apply across the first 10 years of investing and can be used to reduce personal income tax liability in the same year, subject to the 125% rule. The illustrations assume an investor's marginal tax rate is 39% (including Medicare Levy) and annual investment earnings of $10,000. This table is for illustrative purposes only and does not take into consideration an investor's personal financial circumstances or tax position.

	Before 8 years	9th year	10th year	After 10 years
Investment earnings	$10,000	$10,000	$10,000	$10,000
To include in assessable income	$10,000	$6,667	$3,333	Nil
Personal income tax liability (39% less 30% offset)	$900	$600	$300	Nil
Net personal income tax	9%	6%	3%	Nil
Total tax paid	39%	36%	33%	30%

Generally suitable for wealth accumulation clients:

- Seeking to create a tax-effective income stream.
- Seeking to improve eligibility to receive or continue receiving government benefits or entitlements, including:
  - Following a change in personal circumstances.
  - After receiving an extraordinary payment, e.g. inheritance, redundancy.
- Requiring flexibility to influence the timing of any future tax liability.

Strategies: Investment bond use cases

3. Reduce distributable income within a family trust

Family trusts are often used to protect assets and maximise income distribution control. They operate by distributing income to members each year, who are then responsible for managing their own tax positions.

Family trusts can be an efficient way of managing long-term investments but can become complex to manage as trust income grows and/or family membership changes, e.g. through divorce, remarriage.

In more recent years, family trusts have come under greater Australian Tax Office scrutiny*, particularly where lower income beneficiaries are included for the purpose of splitting or diverting annual income, distributions are made to new family members and beneficiaries and compliance requirements aren't followed, e.g. formally minuting trust net income distributions.

*Australian Financial Review (2025) ATO to crack down on professionals splitting income in family trusts. https://www.afr.com/policy/tax-and-super/ato-to-crack-down-on-professionals-splitting-income-in-family-trusts-20251009-p5n1c4


BOOKS

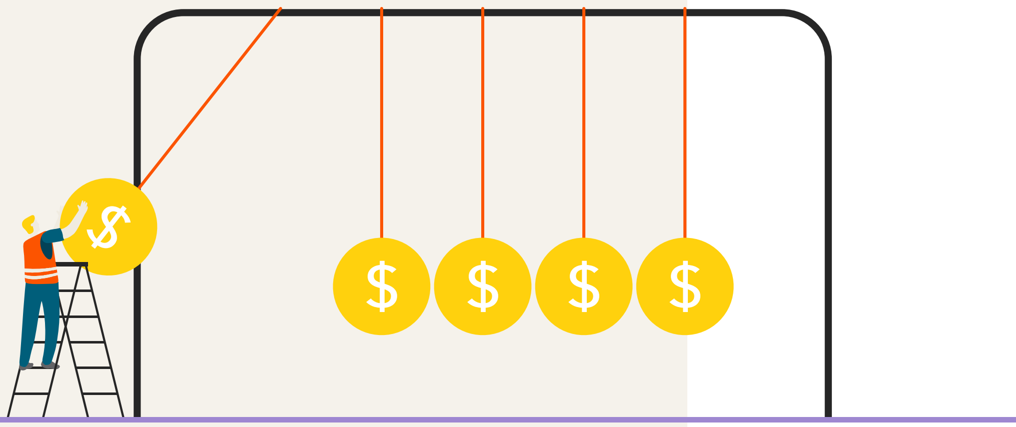
Holding an investment bond within a family trust can help increase flexibility in managing trust distributions and provide more tax-effective outcomes for beneficiaries.

For example, reducing income distributions through an investment bond may help to manage the tax position of younger members as they increase earnings and higher marginal tax rates apply. Or where members are seeking to improve access to government entitlements as they approach retirement, depending on individual circumstances.

How it works

- Lifeplan investment bonds can be owned by an individual, joint individuals, company or trust.
- Unlike other direct investments, such as managed funds, shares or term deposits, investment bonds do not distribute annual earnings. There are also no personal capital gains tax consequences when switching investment options or modifying a trust's investment strategy with an investment bond.
- Concessional tax benefits apply if withdrawals are made after 8+ years, providing the trust with flexibility to manage how and when distributions are made.

For illustration purposes - the following shows how tax advantages can be used to reduce tax liability within a family trust. It compares total personal income tax paid and member distributions between investing in a fixed interest strategy vs an investment bond, assuming investment distributions of $150,000 a year. This table is for illustrative purposes only and does not take into consideration any investor's personal financial circumstances or tax position. Read the 'important information' below.



Scenario 1 - Trust distributions with fixed interest strategy				
	Beneficiary A	Beneficiary B	Beneficiary C	Total income tax paid by beneficiaries
Member Income	$75,000	$120,000	$200,000	
Trust Distribution (Fixed Interest)	$50,000	$50,000	$50,000	
Member Income Total	$125,000	$170,000	$250,000	
Personal Income Tax Paid	$30,788	$47,637	$83,638	**$162,064**

Scenario 2 - Trust distributions with investment bond strategy				
	Beneficiary A	Beneficiary B	Beneficiary C	Total income tax paid by beneficiaries
Annual Income	$75,000	$120,000	$200,000	
Trust Distribution (Investment Bond)	NIL*	NIL*	NIL*	
Member Income Total	$75,000	$120,000	$200,000	
Personal Income Tax Paid	$14,788	$29,188	$60,138	**$149,114**

*Note: tax of up to 30% on investment bond earnings is paid internally within the bond

May be suitable for family trusts seeking to:

- Accumulate wealth, without short-term income requirements
- Prevent moving beneficiaries into higher individual tax brackets
- Minimise trust administration, e.g. income distribution minuting and tax reporting for compliance purposes
- Optimise future tax liability following an extraordinary payment, e.g. sale of an asset
- Manage beneficiary income-assessed entitlement outcomes, e.g. Family Tax A&B, Childcare Subsidy, Superannuation Co-contributions, Private Health Insurance, Seniors Health Card

About Australian Unity

We've been here from the start

Investment bonds have been an integral part of our story for more than 25 years, helping more than 180,000 Australians plan with confidence, peace of mind and continuity.

Opening the door to a wide range of contemporary investment options, blending tax advantages with estate planning features designed to stand the test of time.

Securing wealth across generation

Supporting members with funds for financial security has been in our DNA since we were established over 185 years ago and we are now one of the largest providers of Investment Bonds, offering:

Access

With one of the largest investment bond menus, including low-cost options such as index funds and ETFs.

Confidence

Simple investing, flexibility and control to strengthen financial resilience.

Peace of mind

A strong investment philosophy based on investor trust, capital security, regulatory compliance and governance.

A leading investment bond offering, tailored to meet investor needs

10 Invest

For simple, efficient investing.

Lifeplan

For tailored, flexible wealth building and transfers.

Lifeplan Education

For long-term, education savings.

Funeralplan Bond

For tax-advantaged, funeral savings.

For Real Wellbeing Since 1840

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