

## EDUCATION BONDS IN PRACTICE: SOLE GRANDPARENT, LOOKING TO FINANCIALLY SUPPORT HER FAMILY

### MEET HELEN

Helen is in her golden years and wants to leave a \$450,000 inheritance to help fund her three grandchildren's education (and any further grandchildren) as a priority, as well as helping them towards a deposit on their first homes.

Helen's Financial Adviser has calculated that for each of the current three grandchildren to attend private school would cost ~\$280,000 each. Helen does not need income, but may like to access some of the investment for personal use without triggering a tax event. She wants the education funding to remain in place to meet the needs of her grandchildren when she passes away.

### HELEN'S REQUIREMENTS

- **Personal use:** While Helen does need income, she may like to access some cash for personal use at any time, without triggering a tax event.
- **Long-term planning:** Should Helen pass away, she wants her two daughters, to oversee her intentions for her grandchildren's education funding and future wealth transfer.

### HOW AN EDUCATION BOND CAN HELP



#### Tax-paid investment

Education Bonds are tax-paid investments, meaning throughout the entire bond term of Helen's investment, Futurity pays the tax on the bond's ongoing investment earnings.

The advantage here is, while the bond grows in its tax-paid environment, Helen does not have to be concerned with tax reporting and paying tax (or CGT) on ongoing earnings.



#### Flexibility

Helen can add more grandchildren to the one education bond without setting up a new bond, without any tax issues. She can

also withdraw money for her personal needs as they arise at any time without creating a CGT event.



#### Certainty of wealth transfer

The final bond balance can be transferred to Helen's grandchildren at a nominated date, tax-free. This strategy provides

confidentiality (outside her will) and ensures the balance goes to the intended beneficiaries without being contested.



#### Education Tax Benefit

Whenever there is an Education Benefit Claim, Futurity will automatically include the valuable Education Tax Benefit. So,

should Helen process an education school fee for \$10,000 for one of her grandchildren, a \$3,000 education tax benefit will be generated. This means they will receive \$10,000, yet the earnings component of the bond only reduces by \$7,000.



#### Favourable tax rates

If Helen dies before a grandchild turns 18, the Education Bond will shift to testamentary status. This means that any amounts received as an Education Benefit may be subject to more favourable adult tax rates.



#### Expansive investment menu

Helen can adjust her investment at any time to better match her risk profile, given her age and continued market fluctuations.