

EDUCATION BONDS IN PRACTICE: PARENTS LOOKING TO SAVE FOR THE FUTURE COST OF EDUCATION FOR THEIR FAMILY

MEET TIM AND LARA

Tim and Lara are both 38 years old and have two children aged 3, and 5, with plans for a third child in the next three years. They value education and see it as the doorway to their children's future success in life. They want to send their children to Government Primary and Catholic secondary schools.

Tim has been offered the opportunity to fast-track his career by taking up a secondment in Vietnam – the family are planning to move in the next 12 months. Lara has returned to work and is also completing a masters degree part-time. Their average marginal tax rate is 45% and they have recently sold an investment property leaving \$250,000 to invest.

They are seeking financial advice to create a plan to fund their children's long-term education as they intend to return to Australia after the two-year secondment.

TIM AND LARA'S REQUIREMENTS

- **~\$130,000 per child:** (Based on a child starting from year 7)
- **Location flexibility:** They would like the option to continue with their education plan when they relocate overseas, including Lara's study.

HOW AN EDUCATION BOND CAN HELP



Flexibility

Tim and Lara can fund their own education expenses or withdraw money for other family needs, such as a holiday, with no tax to be reported or paid. If they have a third child, they can add them to the Education Bond as an additional beneficiary without having to commence a new bond.



Savings Escalator

The couple can continue a savings plan to help accumulate wealth on a monthly basis. They can also use the Savings Escalator feature which automatically increases the savings plan yearly to match the increasing school fees they will face by the time their children enter secondary schooling.



Access to the Education Tax Benefit

Payments for eligible education expenses will benefit from the Education Tax Benefit. The benefit is equal to \$30 for every \$70 withdrawn from the bond earnings when used for education purposes.



Education claims

Tim and Lara can make an Education Benefit Claim, as both Australian and international education expenses are eligible, for adults as well as children.



Tax-paid benefits

For bond owners with middle-to-high marginal tax rates such as Tim and Lara, tax paid investments can have a valuable 'arbitrage' benefit. This is because the rates that Futurity pay on their bond are generally lower than the current tax rate that Tim and Lara pay.

Lower tax rates mean higher unit prices and improved performance of Tim and Lara's bond.