

Target Market Determination – Education Bond

Legal disclaimer

A Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (the **Act**). It sets out the target market for the product, triggers to review the target market and certain other information. It forms part of Lifeplan Australia Friendly Society Limited's (**Issuer**) design and distribution framework for the product.

This document is **not** a product disclosure statement and is **not** a summary of the product features or terms of the product. This document does not consider any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the Product Disclosure Document for the Lifeplan Education Bond (**Product**) before deciding whether to buy this product.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the Product's PDS, unless otherwise defined. The PDS can be obtained by contacting Investor Services on 1300 1300 38 (within Australia) or on our website at

<https://www.australianunity.com.au/wealth/save-for-the-future/lifeplan-education-bond> .

Target Market Determination

Name of product	Lifeplan Education Bond
APIR	LIF0122AU
TMD date	5 January 2023
TMD Version	3
Product description	<p>This is Product is an education bond that is a 'scholarship plan' for individuals, companies and trusts seeking a long term tax-effective way of saving for the future costs of education for a nominated student beneficiary.</p> <p>The Product benefits from its classification under Australian tax law as a 'scholarship plan' which allows the student beneficiary to benefit from tax concessions where investment earnings are used to pay for eligible education and education related expenses (Education Expenses).</p>
Key product attributes	<p>An education bond is an investment offered by a friendly society or life insurance company to allow a consumer to set aside money to cover education expenses.</p> <p>This Product has the following key attributes:</p> <ul style="list-style-type: none"> it is a 'tax paid' investment meaning that tax on a consumer's investment in the Lifeplan Education Bond (Lifeplan Education Bond) is paid by the Issuer at a tax rate of 30% (being the corporate tax rate), rather than at the consumer's personal marginal tax rate;

	<ul style="list-style-type: none"> • it has a wide range of investment options for a consumer to choose from; • it covers a broad range of education and education expenses, providing flexibility for education at all age levels; • a maximum contribution cap applies; • after the initial year of investment, this Product allows a consumer to make additional annual contributions subject to the 125% rule (ie. that contributions in each subsequent year do not exceed 125% of the contributions in the previous year); • additional contributions in excess of 125% of the previous year's contributions can be made, however, the 10 year period after which the tax benefit for non-education withdrawals accessing earnings is reached will re-set; • it allows consumers the ability to withdraw from the amount of their contributions at any time, for any purpose, without any tax implications, as it is treated as tax free capital of the consumer; • it allows consumers the ability to withdraw from their investment earnings at any time. Where the investment earnings are used to pay for eligible education expenses, the consumer may be entitled to a tax benefit in the form of a tax credit for tax previously paid on those earnings within the education bond. Where the investment earnings are used to pay for other or unspecified purposes, the consumer will not be entitled to the tax benefit and the investment earnings will be taxable (unless the consumers has held the education bond for 10 years or more and adhered to the 125% rule), although the consumer may benefit from a 30% tax offset against their assessable earnings; • it allows consumers the flexibility to change their nominated student beneficiary at any time through the life of the education bond; • it allows consumers the ability to control the capital and investment earning allocation of their withdrawal amounts for Education Expenses; • it enables consumers to achieve investment returns without increasing their assessable income or impacting their entitlement to some social security benefits; • it allows consumers to establish a long-term regular savings plan, helping them reach a long-term savings goal for the education of their nominated student beneficiary; • it allows a consumers to nominate a guardian to look after their Lifeplan Education Bond and/or nominate beneficiaries outside a consumer's estate to provide certainty for estate planning.
Issuer name	Lifeplan Australia Friendly Society Limited
Issuer AFSL	237989
Issuer ABN	78 087 649 492

Target Market

The Target Market is the class of persons who are the type of consumer set out below, who have the needs and objectives set out below and are in the financial situation set out below.

Needs and Objectives of Consumer

Note: this section relates to the requirements of s994B(5)(b) of the Act

Approach to target market

TMD indicator key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red/amber/green rating methodology with appropriate colour coding:

In target market	Potentially in target market	Not considered in target market
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Instructions

In the tables below, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

Generally, a consumer is unlikely to be in the target market for the product if:

- **one or more** of their Consumer Attributes correspond to a **red** rating, or
- **three or more** of their Consumer Attributes correspond to an **amber** rating.

Type of Consumer

The consumer can be an individual or joint individuals (aged 16 or over) or a company or trust.

This Product is not suitable for superannuation funds as both superannuation funds and education bonds are tax paid investments, with superannuation funds being taxed at a rate of 15% which is lower than the 30% tax rate for education bonds.

Consumer objectives

Individual/s, with any one or more of the following objectives to invest in a tax-effective long term investment (capped at the life insurance tax rate of 30%) to pay for Education Expenses that:

- offers the consumer investment options to choose from;
- covers a broad range of education and education related expenses, providing flexibility for education at all age levels;
- it allows consumers the ability to withdraw from the amount of their contributions at any time, for any purpose, without any tax implications, as it is treated as tax free capital of the consumer;
- it allows consumers the ability to withdraw from their investment earnings at any time. Where the investment earnings are used to pay for eligible Education Expenses, the consumer may be entitled to a tax benefit in the form of a tax credit for tax previously paid on those earnings within the education bond. Where the investment earnings are used to pay for other or unspecified purposes, the consumer will not be entitled to the tax benefit and the investment earnings will be taxable (unless the consumers has held the education bond for 10 years or more), although the consumer may benefit from a 30% tax offset against their assessable earnings; allows a consumer the flexibility to change their nominated student beneficiary at any time through the life of the education bond;
- allows a consumer to control the capital and investment earning allocation of their withdrawal amounts for Education Expenses;
- enables a consumer to achieve investment returns without increasing their assessable income or impacting their entitlement to some social security benefits;
- allows a consumer to establish a long-term regular savings plan, helping them reach a long-term savings goal the education of their nominated student beneficiary; and
- allows a consumer to nominate a guardian to look after their Lifeplan Education Bond and/or nominate beneficiaries outside a consumer's estate to provide certainty for estate planning.

This Product is not suitable for consumers seeking a tax-effective investment product to use for the purpose of accumulating savings for a key life event (other than Education Expenses).

Level of decision making

Consumer's desired level of decision making	Product consistency with target market	
Investments chosen by consumer from extensive investment menu, with administration provided by the fund		<p>The Lifeplan Education Bond (LEB) offers a wide range of investment options for consumers to choose from. These options provide a range of risk levels from low to high which enables consumers to choose an investment portfolio to match their risk tolerance.</p> <p>Therefore, LEB is likely to be appropriate for consumers seeking an extensive menu. It would also be appropriate for consumers seeking investments from a limited investment menu, as they can choose freely the options they'd prefer to invest in as a subset of the larger menu.</p>
Investments chosen by consumer from limited investment menu, with administration provided by the fund		
Default investment strategy applied where no investments selection is made. Administration is provided by the fund.		

Product investment menu

Consumer's desired type of products on investment menu	Product consistency with target market
Sector specific options	
Sub-sector specific options	
Alternative investment options	
Active investment options - No manager choice	
Active investment options - Some manager choice	
Active investment options - Wide manager choice	
Passive investment options, such as passive index funds	
Ready-made diversified portfolio options	
Capital guaranteed options	
ESG investment options	

Desired number of investment holdings

Consumer's desired holding of multiple investment options/ strategies	Product consistency
Low – consumer wishes to hold no more than 5 investment options	
Medium – consumer wishes to hold between 5 and 15- investment options	
High – consumer wishes to hold more than 15 investment options	

Financial situation of consumer

Life stage of consumer

Life stage of consumer	Product consistency with target market	Product description including key attributes
Child (0-15)		LEB can be invested in by <ul style="list-style-type: none"> • individuals or joint consumers aged 16 or over; • companies and trusts (including deceased estates) (in which case the directors or trustees would be considered the 'consumers').
Early Adulthood (16-40)		
Middle Adulthood (41-70)		
Early Retirement (71-80)		
Retirement (81+)		

Life stage of consumer	Product consistency with target market	Product description including key attributes
		<p>LEB is a product that has been purpose built to accumulate savings for the future costs of education for a nominated student beneficiary (which could include the consumer themselves). Although children under the age of 16 cannot take out the product and own the policy in their own right, they can be added as the nominated student beneficiary at any age with the intention of the education benefits being for their education expenses.</p> <p>LEB can be used to pay for a wide range of Education Expenses including primary education, secondary education and a wide range of tertiary education and training courses. Therefore, while LEB is traditionally used to fund Education Expenses for children, it allows consumers to save for and fund the costs of Education Expenses at all levels and stages of life.</p> <p>As a result, LEB is likely to be appropriate for consumers early adulthood, middle adulthood, early retirement, or retirement.</p>

Intended size of investment

Consumer's intended investment amount	Product consistency with target market	Product description including key attributes
\$0 to \$999		The minimum investment amount for LEB is \$1,000. LEB is subject to a maximum contribution cap. The total contribution cap is linked to the sole purpose test of education bonds being used primarily for the Education Expenses of a nominated student's beneficiary. The maximum contribution cap may be indexed each year, in line with CPI movements in education costs. Therefore, LEB is likely to be appropriate for consumers who are intending to invest between \$1,000 and \$635,000.
\$1,000 to \$635,000		
Over \$635,000		

Investment Timeframe

An education bond is suitable for a consumer with any investment time frame.

Refer to the Consumer selected investment options below for the minimum recommended investment period of the underlying investment options.

Whilst the taxation benefits may be maximised if the education bond is accessed to fund Education Expenses, the investment can be accessed at any time with a taxation credit able to be applied to the consumers tax return where funds are withdrawn for non-Education Expenses.

Therefore, LEB is likely to be appropriate for consumers with any investment timeframe.

Access to Capital

Consumers may redeem their investment at any time (subject to a minimum withdrawal amount of \$500).

Under normal market conditions withdrawals are processed within 7 business days.

There are tax implications for withdrawals made within the first 10 years from the investment earnings of the education bond that are used for non-Education Expenses. Consumers may make withdrawals from the amount of their contributions at any time, for any purpose, without any tax implications, as it is treated as tax free capital of the consumer;

Therefore, LEB is likely to be appropriate for consumers who are not seeking to make withdrawals from the investment earnings within the first 10 years for non-Education Expenses.

Consumer selected investment options

This section of the TMD is relevant to customers who chose one or more investment options when entering the product (that is, customers that do not rely on the default investment option).

This product is consistent with a target market of consumers that wish to choose their own tolerance for risk.

The risk levels of each investment option are disclosed in the PDS and on the investment bond platform. They are also available as an Appendix to this TMD. These risk levels correspond to the Standard Risk Measure (SRM) jointly developed by the Financial Services Council (FSC) and the Association of Superannuation Funds of Australia (ASFA). The available investment options cover all SRM risk levels.

Investment diversification

Consumers can select from a wide range of investment options enabling a diversified portfolio of assets that they would not be able to access in their own right. Where the consumer has selected a diversified investment option(s) further diversification might not be required.

Where consumers invest in a sector specific fund, they should consider diversifying their investment across multiple investment choices within the Product's investment menu or otherwise across their investable assets outside of superannuation.

For all funds that have a High or Very High Risk and Return profile, consumers also should consider diversifying across multiple investment options within the Product's investment menu or otherwise across their investable assets outside of superannuation.

The investment options should be assessed against the consumer's attributes for the relevant portion of their portfolio, rather than the consumer's portfolio as a whole.

Asset Class / Sector	Consumer's Risk (ability to bear loss) and Return profile			
	Low	Medium	High	Very High
<i>Cash</i>	In target market	In target market	In target market	In target market
<i>Diversified - Defensive</i>	In target market	In target market	In target market	In target market
<i>Diversified - Balanced</i>	Possibly in target market	In target market	In target market	In target market
<i>Diversified - Growth</i>	Not in target market	Possibly in target market	In target market	In target market
<i>Australian Equities</i>	Not in target market	Not in target market	In target market	In target market
<i>Diversified – High Growth</i>	Not in target market	Not in target market	In target market	In target market

Other elements of TMD

Appropriateness requirements

Note: this section relates to the requirements of s994B(8)(b) of the Act and RG 274.64–66.

Explanation of consistency of key attributes with TMD
<p>The Issuer has assessed the Product and formed the view that the Product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market because:</p> <ul style="list-style-type: none"> • LEB is a long term, tax-effective way of saving for the future costs of education for a nominated student beneficiary; • LEB benefits from its classification under Australian tax law as a 'scholarship plan', allows the consumer to benefit from tax concessions where investment earnings are used to pay for Education Expenses; • it enables consumers to achieve investment returns without increasing their assessable income or impacting their entitlement to some social security benefits; and • it allows a consumers to nominate a guardian to look after their Lifeplan Education Bond and/or nominate beneficiaries outside a consumer's estate to provide certainty for estate planning.

Distribution Conditions/Restrictions

Note: this section relates to the requirements of s994B(5)(c) of the Act.

Distribution Channel	Distribution Condition
Direct Distribution	The application form for the Product includes TMD related questions that a consumer will need to provide information in relation to;
Financial advised consumers	Financial advisers must be authorised by the Issuer and are required to have reviewed and considered this TMD as part of their processes for providing advice to their clients.

Appropriateness requirements – distribution conditions

Note: this section relates to s994B(8)(a) of the Act and RG 274.100.

The Issuer has assessed the distribution conditions and formed the view that the distribution conditions will make it more likely that consumers who acquire the Product will be in the target market because:

- the Issuer's distribution channel for this Product is restricted to direct distribution by the Issuer and financial advisers who are authorised by the Issuer to distribute the Product;
- employees of the Issuer involved in the distribution of this Product will be required to follow the Issuer's internal procedures for the approval of applications for the Product; and
- financial advisers involved in the distribution of this Product must be authorised by the Issuer and are required to have reviewed and considered the TMD.

Review Triggers

Note: this section relates to the requirements of s994B(5)(d) of the Act.

Where the Issuer of the TMD has determined that any of the following has occurred:

- ASIC reportable significant dealing outside of TMD.
- Significant or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) regarding the Product where the product Issuer considers this reasonably suggests that this TMD is no longer appropriate.
- Material change to key product attributes, terms and/or conditions where the product Issuer considers this reasonably suggests that this TMD is no longer appropriate.
- The use of Product Intervention Powers, regulator orders or directions in relation to the distribution of this Product where the product Issuer considers this reasonably suggests that this TMD is no longer appropriate.

- e) A significant breach event relating to the design or distribution of this Product where the product Issuer considers this would reasonably suggest that (i) this Product is unsuitable for a particular cohort of consumers and (ii) the TMD may no longer be appropriate.
- f) A significant or unexpectedly high number of clients do not receive discounted tax treatment upon withdrawal (e.g. withdrawal prior to the 8th year of the investment being initiated.)

Maximum period for reviews

Note: this section relates to the requirements of s994B(5)(e) and (f) of the Act.

Review periods	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	3 years and 3 months

The review period allows for the collection of data for 1 year/3 years, plus three months for the completion of the review.

Distributor Information Reporting Requirements

Note: this section relates to the requirements of s994B(5)(g) and (h) of the Act.

Regulated person(s)	Requirement	Reporting deadline
All distributors	To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Quarterly *
All distributors	Complaints (as defined in section 994A(1) of the Act) where the nature of the complaints relate to the Product. The distributor should provide all the content of the complaint, having regard to privacy.	Quarterly *
All distributors	Significant dealing outside of TMD under s994F(6) of the Act.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.

* Quarterly reporting is due 10 business days after the end of the March, June, September and December quarters.

Distributors must report to Lifeplan Australia Friendly Society Limited using the method specified on the website: <https://www.australianunity.com.au/wealth/distributor-complaints>.

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This target market determination (TMD) is made by Lifeplan Australia Friendly Society Limited ABN 78 087 649 492, AFS Licence No. 237989 (Issuer) pursuant to section 994B of the Corporations Act 2001 (Cth). The Issuer is the issuer of the Product.

This document is not a summary of the Product, or the Product Disclosure Statement for the Product (PDS). It does not (and is not intended to) set out a summary of the terms or features of the Product.

This document is intended to provide a record of the Issuer's assessment of the Product, which forms the basis of this TMD. It also details the Product's distribution channel(s) and distribution strategy which must align to this TMD. This document is also used as a basis for the periodic review of the Product's suitability for distribution to the identified target market.

This document does not (and is not intended to) provide or constitute financial product advice. The target market described in this TMD is general in nature only and does not make any statement or representation that a particular person is or is not in the target market described in this TMD. This TMD does not take into account the objectives, financial situation and needs of any particular person and the Issuer makes no representation as to whether or not the Product is suitable for any particular person.

Prior to making any decision in relation to the Product, investors should obtain and consider the PDS, and obtain financial product advice if necessary. This TMD should not be taken by a person to be a substitute for obtaining and considering the PDS or obtaining financial product advice that takes into account the person's objectives, financial situation and needs.

An investment in the Product is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and performance of the Product may differ materially from the forecasts, estimates and opinions set out in this TMD. No guarantee as to the repayment of capital, the performance of the Product or any rate of return described in this TMD is made by the Issuer or any other person.

This material is not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

The Issuer, and its officers, employees, agents and advisers, believe that the information in this TMD and the sources on which the information is based (which may be sourced from third parties) are correct as at the date of this TMD. While every care has been taken in the preparation of this TMD, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by Issuer, or its officers, employees, agents or advisers. To the fullest extent permitted under law, the Issuer excludes all liability for information provided in this TMD.

Definitions

Term	Definition
Consumer's Risk (ability to bear loss) and Return profile	
<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC recommends adoption of the Standard Risk Measure (SRM) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the <u>Standard Risk Measure Guidance Paper For Trustees</u>. SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. Issuers may wish to supplement the SRM methodology by also considering other risk factors. For example, some products may use leverage, derivatives or short selling, may have liquidity or withdrawal limitations, or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating.</p> <p>A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
Low	<p>The consumer is conservative or low risk in nature, seeks to minimise potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)) and is comfortable with a low target return profile.</p> <p>Consumer typically prefers defensive assets such as cash and fixed income.</p>
Medium	<p>The consumer is moderate or medium risk in nature, seeking to minimise potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)) and comfortable with a moderate target return profile.</p> <p>Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.</p>
High	<p>The consumer is higher risk in nature and can accept higher potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 6)) in order to target a higher target return profile.</p> <p>Consumer typically prefers predominantly growth assets such as shares, property and alternative assets with only a smaller or moderate holding in defensive assets such as cash and fixed income.</p>
Very high	<p>The consumer has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses (e.g. has the ability to bear 6 or more negative returns over a 20 year period (SRM 7) and possibly other risk factors, such as leverage).</p> <p>Consumer typically prefers growth assets such as shares, property and alternative assets.</p>

Distributor Reporting

Significant dealings	<p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is ‘significant’ and distributors have discretion to apply its ordinary meaning.</p> <p>The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> • they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or • they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> • the nature and risk profile of the product (which may be indicated by the product’s risk rating or withdrawal timeframes), • the actual or potential harm to a consumer (which may be indicated by the value of the consumer’s investment, their intended product use or their ability to bear loss), and • the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red or amber ratings attributed to the consumer). <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> • it constitutes more than a third of the distributor’s total retail product distribution conduct in relation to the product over the reporting period, • the consumer has 3 or more criteria that are Not In Target Market (Red)
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