

Lifeplan Education Bond

The Lifeplan Education Bond makes accessing your funds easy and flexible, whilst aiming to optimise the tax advantages for investors. The following four examples demonstrate how education and non-education claims are treated, and what the tax position is for each.

Most claims are processed using our EasyClaim process, and if investors wish, they are also able to control funding of withdrawals between the contributions account, earnings account and education tax benefit—subject to the product rules and tax laws. Different scenarios are funded in different ways.

Example 1 – \$2,000 to pay school expenses

	Contributions Account	Earnings Account	Education Tax Benefit	Total
Balance	\$15,000	+ \$2,800	+ \$1,200	\$19,000
Claim				
- Student under 18	\$1,584	\$291	\$125	\$2,000
- Student 18 and over	Nil	\$1,400	\$600	\$2,000
Tax	Nil	Nil ¹	Nil ¹	Nil ¹

Example 2 – \$21,000 to pay school expenses

	Contributions Account	Earnings Account	Education Tax Benefit	Total
Balance	\$50,000	+ \$25,000	+ \$10,715	\$85,715
Claim				
- Student under 18	\$20,584	\$291	\$125	\$21,000
- Student 18 and over	\$458	\$14,379	\$6,163	\$21,000
Tax	Nil	Nil ¹	Nil ¹	Nil ¹

Note

Default withdrawal process—we assume there is no other income earned by the student and we withdraw from Education Tax Benefit and earnings account, up to the relevant tax free threshold, on a 30% ETB and 70% earnings account basis, with balance from the contributions account.

Maximum contribution is \$590,000 per student—effective 1 October 2019 and reviewed annually.

Effective tax thresholds for 2019 –20 are:

Under 18

\$416 p.a. – low income tax offset generally not available.

18 and over

\$18,200 not including offsets.

¹ Calculations assume student has no other taxable income and therefore drawings remain within tax threshold and ensure no tax

Example 3 – Redeem all funds in year 8 for non-school related expenses such as repay mortgage or first home deposit

	Contributions Account	Earnings Account	Education Tax Benefit	Total
Balance	\$50,000	+ \$25,000	+ \$10,715	\$85,715
Claim				
- Student under 18	\$50,000	\$25,000	Unclaimable	\$75,000
- Student 18 and over				
Tax	Nil	Bond Tax Rules*	Not available	Not applicable

Note

In examples 3, the earnings account cannot be accessed until all funds in the contributions account are withdrawn.

* Withdrawals made for other or unspecified purposes do not qualify for the Education Tax Benefit and the proceeds are assessed as investment income in your hands in accordance with normal investment bond rules. Refer to our Product Disclosure Document for further information.

¹ Calculations assume student has no other taxable income and therefore drawings remain within tax threshold and ensure no tax.

Important Information

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