

# CASE STUDY TAX BENEFITS.

This case study is to help you understand how guaranteed annuities work and is for illustrative purposes only.

## Important

Getting the most from your retirement requires careful consideration and good financial advice. We recommend you speak to a financial adviser to determine if a guaranteed annuity is right for you and how it could fit within your investment portfolio.

Alternatively you can contact us on 1800 624 100 between 8.30 am and 6 pm (Sydney time), Monday to Friday.

Investing in guaranteed annuities can offer some great tax advantages, particularly if you're aged 60 or over, and using your super money.

## Save tax using super money

- If you're aged 60 years or over, your regular payments are tax free in most circumstances.<sup>1</sup>
- If you're aged 55 to 59 years, you'll receive a 15 per cent tax rebate on the assessable portion of your payment.

## Tax on non-super money

Your taxable earnings (earnings which may be reduced by the capital component of your investment) from an annuity purchased with personal savings (or non super money) will be taxed at your marginal tax rate. Ask your financial adviser for more information on what your savings could be.



## RAY, 61 AND GLENDA, 60

When Ray and Glenda retire they want to fulfil their lifelong dream of travelling across England for 12 months. They currently own their own home and have accumulated \$300,000 in super between them. They also have \$37,000 in shares and \$190,000 from the sale of a holiday house they co-owned with Glenda's brother and sister-in-law.

Ray and Glenda want options to fund their upcoming retirement so they can take their trip to England and still have money for when they return. Above all, they want to enjoy their retirement without worrying about their finances. They're looking for investments that will help reduce tax, meet their daily expenses and offer security and reliability.



Ray and Glenda meet with a financial adviser who recommends purchasing a CommInsure Lifestream Guaranteed Income annuity with their \$300,000 super money. The term is fixed for a 20 year period with indexation applied to protect them from changes to inflation. They now have access to a tax free total income of \$16,056<sup>2</sup> in the first year, with each subsequent year indexed at three per cent. This is sufficient for their everyday expenses. Additionally, Glenda has been nominated as a reversionary beneficiary, so she'll continue to receive payments if Ray dies. As they choose to have no Residual Capital Value their initial lump sum investment will form part of the regular income payments. Over the 20 year period, Ray and Glenda will receive a total of \$431,431 tax free<sup>2</sup> – \$131,431 more than the original capital investment as they are both over 60 years old.

## Want to know more?

We recommend you speak with a financial adviser to determine if a guaranteed annuity is right for you and your investment portfolio.

Alternatively, you can contact us on **1800 624 100** between 8.30 am and 6 pm (Sydney time), Monday to Friday or visit [commbank.com.au/annuities](http://commbank.com.au/annuities)



1 From 1 July 2017 the total amount of superannuation that can be transferred into retirement phase will be capped at \$1.6 million. The cap will be indexed in \$100,000 increments in line with the consumer price index (CPI).

2 Based on nil adviser service fees, nil Residual Capital Value, an indexation of three per cent and a projected yield of 3.38 per cent, and assumes Ray and Glenda have not exceeded their general transfer balance cap. Rates are illustrative only. For current rates, please speak to your financial adviser or call us on 1800 624 100 between 8.30 am and 6 pm (Sydney time), Monday to Friday.

**Things you should know:** This case study has been prepared by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA), a wholly owned but non-guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. The case study is for illustrative purposes only and does not constitute advice. It has been prepared without taking into account any person's objectives, financial situation and needs. The information in this brochure is general information only and does not take into account an individual's objectives, financial situation or needs. You should assess whether the information is appropriate for you and consider talking to a financial adviser before making an investment decision. You should obtain a copy of the Product Disclosure Statement (PDS) before making a decision to invest. To apply for an annuity you will need to complete the application process described in the PDS. The assumptions are based on the continuation of present taxation laws, superannuation laws, social security laws, rulings and their interpretation as at 1 July 2017. You should read the PDS Lifestream Guaranteed Income annuities for more information. It is available by ringing 1800 624 100 between 8.30 am and 6 pm (Sydney time), Monday to Friday. CommInsure is a registered business name of CMLA. Taxation considerations are general and based on present taxation laws and may be subject to change. CMLA is not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on information in the case study to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.