

# FUTURITY

EDUCATION BONDS

EdInvestor | EdSaver

## PRODUCT FEATURES BOOKLET

PART A – PRODUCT DISCLOSURE STATEMENT



5% of Futurity Management fees on the Education Bond range will be donated to Futurity's Education Foundation for the currency of this PDS (p.53).

#### ABOUT USING THIS PDS

This is a combined Product Disclosure Statement (PDS) comprising a **Part A PDS – Product Features Booklet**, a **Part B PDS – Investment Menu Booklet** and also **Futurity's Financial Services Guide (FSG)** at p.92 of this Part A PDS. An **Application Form** also accompanies this PDS.

If you have not received both Parts A and B together, please contact us or your Financial Adviser. We recommend that you read this entire PDS carefully, and if necessary, seek independent, professional advice.

The date of this PDS is 31 August 2022.

**The Education Bonds are issued and managed by Futurity Investment Group Limited<sup>1</sup> ACN 087 648 879 and AFSL 236665, a mutually structured, friendly society-based life insurance company (p.6).**

When used in this PDS as the context requires:

- **'Futurity'** means Futurity Investment Group Limited and **'we', 'our'** or **'us'** means Futurity; and
- **'you'** means you in a general context as a prospective investor or as a Bond Owner (or an **Appointed Associate** acting in respect of your Bond).

Some words or expressions in this PDS that commence with capital letters have defined meanings in the Glossary on p.93.

**Information in this PDS is of a general nature and does not take into account your objectives, financial situation or needs. This PDS does not (and is not intended to) contain any recommendations, statements of opinion or advice.**

**Before making any decision based upon information in this PDS, you should read it carefully in its entirety and consider getting professional advice from a licensed Financial Adviser.**

**We also recommend that you read and consider Futurity's Target Market Determination that is current at the time you complete your Application (available at our website).**

This PDS contains information that we believe is the latest available as at its issue date. We will update information that should be updated by issuing a replacement PDS or a supplementary PDS, or by such other means which is convenient to you and allowable under the Corporations Act (p.82).

When this is done, at any time you can obtain a current PDS on request or by downloading one at [futurityinvest.com](http://futurityinvest.com). We suggest you retain this PDS or any updated information for future reference.

Applications to invest in the Education Bonds may only be made using the Application Form that accompanies this PDS.

If you access an electronic version of this PDS, please ensure you download and read this PDS in its entirety. If you have received this PDS by Electronic Means, we can provide you with a hard copy free of charge on request.

Distribution of this PDS (including by Electronic Means) in countries outside of Australia may be subject to legal restrictions. Persons residing outside Australia who receive or access this PDS should seek independent legal advice before using or relying on it.

This PDS does not constitute an offer or invitation to invest in the Education Bonds in any place where, or to any person to whom, it would not be lawful to make such an offer or invitation.

#### YOUR INVESTMENT IS NOT GUARANTEED

Your Education Bond's investment performance will be impacted by Australian and international economic conditions, investment markets, tax rates, legislation and the performance of your selected Investment Options and their Underlying Managed Funds (UMFs).

**For all Investment Options on the Bond's investment menu, past performance is not indicative of future performance.**

As such, none of Futurity or the managers of the UMFs, guarantee (whether expressly or impliedly) the return of your invested capital or that the Investment Options will achieve any particular rate or level of returns or meet their investment objectives or performance benchmark targets.

#### IF YOU NEED HELP

If you need help about investing generally, then speak with a licensed Financial Adviser.

The Australian Securities and Investments Commission (ASIC) can assist with checking whether a Financial Adviser is licensed.

ASIC has a helpful website [asic.gov.au](http://asic.gov.au) and telephone helpline for investors on 1300 300 630. We can also assist you in finding a licensed Financial Adviser if you do not have one.

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<sup>1</sup> Prior to 29 November 2019 Futurity was known as Australian Scholarships Group Friendly Society Limited.



INTRODUCING FUTURITY AND OUR

# Education Bond

RANGE

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## ABOUT FUTURITY

### **Futurity is an independent and mutually structured financial institution and Australia's leading issuer of tax-effective, life-event education bonds.**

We are owned by our 56,000+ members (not by shareholders) and for decades we have been supporting the education journeys of generations of Australian and New Zealand families. Since Futurity's foundation almost 50 years ago, we have supported the education journey of over 565,000 children and returned over \$3.6 billion in education benefits.

As at 30 June 2022, Futurity had total assets of \$1.02 billion and we manage and invest over \$900 million in education savings and investments for our members. Futurity has considerable financial strength and capital reserves that underpins our resilience to meet product, administration and service commitments to members over the long-term and across changing investment and economic cycles.

Our primary purpose is to enable our members to attain financial self-sufficiency to meet lifelong education objectives for themselves, their families and others dear to them. Futurity's product range brings new perspectives to using Education Bonds to achieve these goals.

Embedded in Futurity's DNA is representing our members' education interests with strong and active advocacy. We aim to create awareness and stimulate debate on important issues, such as the cost of education, and on increasing the accessibility, affordability and quality of education for all Australians.

Futurity also engages in education-purposed philanthropy on behalf of our members via the Futurity Education Foundation.

Besides our savings and investment education bonds, through Futurity Education Loans, we offer parents assistance with paying school fees and other related education costs by smoothing these expenses into manageable repayments over a 12-month period.

Futurity is a prudentially supervised financial institution regulated by the Australian Prudential Regulation Authority (**APRA**).

"Education and learning are lifelong pursuits.

And in this suddenly different world of the early 2020s – the challenges of affordability, choice and quality of education are not just about our children and grandchildren.

More and more, these challenges will impact adult's education needs in tougher and different job markets amidst a new flexible shape of work. This will demand lifelong education for upskilling, learning new technologies and taking different career paths.

Education is the key to unlocking the door to opportunities and to achieving our own lifelong education aspirations."



## ABOUT FUTURITY'S EDUCATION BONDS

This ground-breaking range of Education Bonds is designed for you to tax-effectively save and invest to accumulate funding for your lifelong education-purposed objectives.

These Bonds have the flexibility and features to establish financial provisioning for a full spectrum of education courses to serve you, your children or grandchildren, or anyone dear to you. A Bond can be established to serve a family across multiple generations or can be tailored for just one Individual Education Beneficiary.



### TWO TYPES OF EDUCATION BOND:

#### FAMILY EDUCATION BOND

A first-of-kind 'discretionary' Education Bond that works like your own tailored, education-purposed family trust structure – but with the inbuilt tax-effectiveness of a conventional education bond.

Under the one Bond, you have discretion to appoint up to 10 Education Beneficiaries and can flexibly make Education Benefit Claims for some or all of them.

#### INDIVIDUAL EDUCATION BOND

With an Individual Education Bond, you nominate only one Education Beneficiary for each Bond.

This one-to-one product structure is designed so as all of the benefits of the Bond are earmarked, invested and accounted for in respect of your one nominated Individual Education Beneficiary.

You can use multiple Individual Education Bonds if you want separate Bonds, say for the children of blended family units.

OR

### TWO WAYS TO ESTABLISH YOUR EDUCATION BOND

#### EdInvestor

With EdInvestor, from the outset of your Bond's establishment (by its application process) you have access and choice of the full range of product features and its full expansive Investment Menu.

You choose whether to set up a Family Education Bond with discretion to appoint multiple Education Beneficiaries, or an Individual Education Bond with one Education Beneficiary nominated per Bond.

Each bond type gives full access to all Bond features, including making additional contributions under a Savings Plan or by Add-on Contributions. You can also switch across the extensive Investment Menu, or take advantage of the product's estate and intergenerational planning features.

#### EdSaver

With EdSaver, your Bond's initial establishment (and its application process) is pre-set to an easy to begin Savings Plan and a Family Education Bond via our streamlined EdSaver application journey.

EdSaver introduces you to just the product's main features needed to set up a Family Education Bond, allowing you to get started on your savings journey quickly. Simply provide some personal details, decide how much you wish to contribute and which Investment Option(s) you wish to invest in. EdSaver has a smaller 'set-and-forget' style Investment Menu with seven Investment Options depending on your appetite for risk, time horizon and targeted return.

Over time, we will provide you with more information about how to make the most of your EdSaver with other features that may be of interest, such as adding or replacing beneficiaries or setting up estate planning strategies. You can consider the other features available at a time that suits you – your EdSaver can grow and adjust with you as your individual needs change over time.

OR

# EDUCATION BONDS AND THEIR PURPOSES

## WHAT ARE EDUCATION BONDS?

They are financial products for saving and investing to tax-effectively accumulate funds for meeting education expenses. As long-term, growth investments, Education Bonds are ideal for attaining financial self-sufficiency for your lifelong education objectives – whether for yourself, your family and/or others dear and important to you.

Education Bonds are investment-linked life insurance contracts between you and Futurity. Only friendly society-based life companies can issue them – and they carry strong legal protections and security measures under the Life Act and stringent APRA prudential supervision of Futurity.

## WHAT ARE THEIR SPECIAL TAX BENEFITS?

Education Bonds have special taxation benefits that can produce superior ‘after-tax’ outcomes as against other investment types.

**Tax-Paid Investing** – You<sup>2</sup> can benefit from:

- lower tax that Futurity pays on your behalf on the Bond’s investment growth, rather than the higher personal tax that you might otherwise pay in your hands; and
- all investment growth being automatically reinvested – amplifying the compounding benefits of the Bond’s Tax-Paid environment.

**A Valuable Education Tax Benefit** – An additional cash amount is automatically included with each Education Benefit Claim due to Futurity fully passing on tax deduction benefits received when we pay Education Benefits.

**Tax-Free Components** – Various avenues for accessing your Bond and its distributions to you, your Education Beneficiaries and estate are made Tax-Free.

**Other Withdrawals (Any Purpose)** – Importantly, if you want to make withdrawals for any non-education or personal use – advantageous Investment Bond Tax Rules apply.

<sup>2</sup> Generally, you will benefit if you are a Bond Owner on middle to high personal marginal tax rates – being 34.5%, 39% and 47% (including the Medicare levy) (p.68).

## WHAT IS SPECIAL ABOUT FUTURITY’S EDUCATION BONDS?

This is a ground-breaking Education Bond product range.

**First Ever Family Education Bonds** giving you the ‘discretion’ to appoint up to 10 Education Beneficiaries under the one tax-effective, flexible Bond.

**Individual Education Bonds** to tailor a separately invested, managed and accounted for Bond for an individual Education Beneficiary.

**Lifelong Education Courses & Lifelong Education Expenses** designed for you, your children, grandchildren and others – with Bond Terms up to 99 years.

You have avenues to establish and operate your Bond as an **EdInvestor** or **EdSaver**, with flexibility to utilise some or all of the available features.

### EDINVESTOR AND EDSAVER FEATURES:



#### CONTROL

Bond Owner(s) have full control of their investment, whether used for education purposes or for their own changed personal use.



#### ACCESS

At any time for Education Benefit Claims and Other Withdrawals (Any Purpose).



#### PLANNING FEATURES

Estate and intergenerational planning tools and appointing Bond Guardians.



#### A MASTER FUND-LIKE INVESTMENT MENU

32 Investment Options with leading Australian and international managers & switching tax-freedom.



#### EASE & FLEXIBILITY OF OPERATION

Minimise burdensome annual taxation and CGT reporting for Bond Owners.



#### PEACE OF MIND

Secure peace of mind knowing your education funding plans are in place.

## WHO ARE THEY FOR?\*



YOU



PARENTS



GRANDPARENTS



PARENTS & GRANDPARENTS



UNCLES, AUNTIES & GODPARENTS



THOSE WITH CHARITABLE OBJECTIVES



TRUSTEES

## FOR WHAT PURPOSE?

**For your own (or a spouse or partner’s) lifelong self-education and learning**

- Career-related and re-skilling education costs.
- Your self-learning – a language, arts, cultural, religious courses – perhaps courses for your health & wellbeing.

**A dedicated, tax-effective way to save and fund children’s education**

- Establish and keep your education savings separate from other accounts and investments. (You are less likely to dip into them for other things).
- Prospective parents and couples planning a family – start your Bond for ‘yet-to-be born’ Education Beneficiaries.

**Increasingly bear the financial burden for grandchildren’s education**

- Use a Family Bond for discretionary distributions for your grandchildren’s school fees and higher education costs.
- Set up a dedicated education funding vehicle to pre-fund your grandchildren’s education costs.

**Secure and confidential Estate Planning arrangements**

- Use the Bond’s ‘Will-like’ estate planning features to distribute to Bond Estate Nominees without the cost and complication (and potential legal challenges) of Wills and estates.
- Use the Future Activated Transfer feature (p. 41) to make intergenerational wealth transfers and education provisioning.

**Set up a low, or no maintenance dedicated education investment**

- Use an Individual Bond and a Lump Sum Plan (p. 30) for a ‘set-and-forget’ education-purposed investment for a niece, nephew, godchild or children of friends.

**Charitable sponsorships and support for unrelated beneficiaries**

- Education funding for the children, or others, who are the objects of your charitable giving or sponsorships.

**Simplify arrangements for trustees of family trusts & deceased estates**

- A tax-effective, low maintenance alternative to family trusts or testamentary trusts (created under your Will) to provide education funding for children and grandchildren.
- Education Bonds do not annually generate taxable ‘assessable income’ and can convey considerable benefits when held as investment assets inside family or testamentary trusts.
- When contributions to an Education Bond are sourced from a deceased estate, special tax concessions may apply to treat Education Beneficiaries, who are minors to be beneficially taxed like adults, who have higher Tax-Free thresholds.

\* We also recommend that you read and consider Futurity’s Target Market Determination that is current at the time you complete your Application (available at our website)

## KEY FEATURES

### EDINVESTOR AND EDSAVER

You can establish your Education Bond either by using the EdInvestor or EdSaver application process.

If you use **EdInvestor**, your Bond will have, from its outset, access to the full range of product features and full Investment Menu, and you can set it up as a Family Bond or Individual Bond.

**EdSaver** Bonds are set up via a streamlined process and operate as a Family Education Bond using a savings plan with only the essential features initially activated. All features are available to you after establishment, including changing to an Individual Bond later if you wish.

### KEY FEATURES – FAMILY EDUCATION BONDS

<b>Bond Type</b>	A new generation Education Bond with discretion for you to appoint and remove multiple Education Beneficiaries (p.22).
<b>Appointed Education Beneficiaries</b>	At any one time, you can have up to 10 Appointed Education Beneficiaries across two broad classes under the one Family Bond (p.22). These appointments and replacements can be made by you – or by Bond Representatives or Bond Guardians (if appointed and authorised by you).
<b>Discretionary Education Beneficiary Classes</b>	<b>Family Class</b> includes you, your spouse (or partner), your children, grandchildren, brothers, sisters, nephews, nieces or any family relative (p.22); and/or <b>Friends Class</b> covers persons who are unrelated to you such as: children of friends or employees, carers, objects of your charitable giving and for supported or sponsored children (p.22).
<b>Maximum Investment Contribution Limits</b>	A \$660,000 maximum Contribution limit applies to each Appointed Education Beneficiary over the duration of your Family Bond. (We can annually review these maximums, generally in line with CPI movements) (p.30).
<b>Education Benefit Claims</b>	Flexibly make Education Benefit Claims against your Family Bond for one or multiple Appointed Education Beneficiaries at the same time (p.31).

### KEY FEATURES – INDIVIDUAL EDUCATION BONDS

<b>Bond Type</b>	A conventional, one-to-one Education Bond structured so as all of its benefits are earmarked, invested & accounted for only for one nominated Individual Beneficiary (p.24).
<b>Nominated Education Beneficiary</b>	Nominate any person (related or unrelated) as the Bond's sole Individual Education Beneficiary (p.24).
<b>Multiple Bonds</b>	Use multiple Individual Bonds for separately managed, invested & accounted for Bonds for multiple Education Beneficiaries (p.24).
<b>Maximum Investment Contribution Limit</b>	A \$660,000 maximum Contribution limit applies over the duration of each Individual Education Bond. (We can annually review these maximums, generally in line with CPI movements) (p.30).
<b>Replacement Individual Beneficiary</b>	A Replacement Individual Beneficiary can be nominated at any time by you – or by Bond Representatives or Bond Guardians (if appointed and authorised by you) (p.24).
<b>Education Benefit Claims</b>	Flexibly make Education Benefit Claims against your Individual Bond for your single Nominated Education Beneficiary (p.31)

## KEY FEATURES – FAMILY AND INDIVIDUAL BONDS

<b>Education Courses</b>	Expansive range of Australian and international courses - pre-school, primary, secondary & higher education; vocational education & training; career enhancing; adult education and special needs courses (p.18).
<b>Education Expenses</b>	Full spectrum of educational expenses for school, tuition & course fees. Also for books, devices, uniforms, excursions and travel (p.18-19). Education Living Expenses and Student Debt Repayments (p.18-19).
<b>Bond Ownership Options</b>	Individual or joint owners (up to three joint owners). A company or trust (including deceased estate) can be a Bond Owner (p.35).
<b>Bond Representatives</b>	Appoint individual or joint representatives to act for you whilst you are alive and have legal capacity to act for you (with your chosen level of authority) to exercise Authorised Functions in respect of your Bond (p.83-84). Available after establishment for <b>EdSaver</b> .
<b>Savings Plans</b>	<b>Initial Contribution</b> – min \$1,000 per Bond (\$100 min per Investment Option) (p.30). <b>Savings Contributions</b> – min \$200 per month (\$50 min per Investment Option) (p.30). <b>Savings Escalator Feature</b> – automated regular increases (up to 25%) of the previous year’s savings contribution level (p.30).
<b>Lump Sum Plans</b>	<b>Initial Contribution</b> – min \$5,000 per Bond (\$500 min per Investment Option) (p.30). <b>Add-On Contributions</b> – min \$500 (\$100 min per Investment Option) (p.30).
<b>Bond Terms</b>	Set your Bond’s duration between 1 and 99 years (p.36).  Alternatively, set your Bond Term to end upon your death or a set period (e.g. 10 years) after your death. It can be changed by you at any time (p.36). Your set Bond Term may end earlier if a Bond Death Maturity occurs.  <b>EdSaver</b> is automatically established with a 99 year Bond Term, but this can be changed at any time.
<b>Life Insured</b>	You will normally be set as your Bond’s Life or joint Lives Insured (p.36).  Additionally, you might want to appoint your Education Beneficiaries (as joint Lives Insured) and/or some other person(s).
<b>Bond Maturity Events</b>	Your Bond will mature and become payable, either: <ul style="list-style-type: none"> <li>• at the end of your selected Bond Term; or</li> <li>• before this ends, if Bond Death Maturity occurs due to death of the Bond’s last surviving Life Insured.</li> </ul> In both instances, the Bond Maturity payment is the full value of Bond Benefits at that time (p.34).
<b>Investment Menu</b>	<b>Full Investment Menu</b> – An expansive menu of 32 Investment Options invested into UMFs of leading Australian & international fund managers. (See Part B PDS).  Switch between the menu’s Investment Options at any time without personal tax or CGT consequences.  <b>EdSaver Streamlined Investment Menu</b> – After Bond establishment you are free to choose across the full menu should you choose.

<b>Access to Your Bond</b>	<b>Education Benefit Claims &amp; Other Withdrawals (Any Purpose)</b> allowed at any time (p.31-33.) Both are processed using daily Unit Prices - we aim to do this within seven Business Days. Min amounts – Education Benefit Claims \$200 per claim (p.33) & Other Withdrawals (Any Purpose) \$500 per withdrawal (p.33).
<b>Planning Features</b>	<b>Bond Transfers</b> – Transfer at any time to someone else with full preservation of your Bond’s tax-advantaged status. Set a Future Activated Transfer for a particular future date or happening of an event (such as your death) to transfer your Bond to someone else (p.41).  <b>Bond Guardian(s)</b> – Appoint individual or joint guardians to act for you (with your chosen level of authority) to exercise Authorised Functions in respect of your Bond if you die or become legally, physically or mentally incapacitated (p.44).  <b>Estate Planning</b> – ‘Will-like’ Nomination Feature – appoint multiple Bond Estate Nominees (p.42) to receive your Bond Benefits (in your set proportions) upon a Bond Death Maturity.  <b>EdSaver</b> allows you to progressively add these features after establishment, at a time that suits you.
<b>Competitive Fee Structure</b>	<b>No entry or exit fees apply.</b> Depending on your selected Investment Option – ongoing Management Fees comprising Futurity Management Fees and UMF Investment Fee of between 0.46% p.a. and 1.45% p.a. Fees & Other Costs are set out in the Fees & Costs section (p.52-63).  <b>EdInvestor</b> and <b>EdSaver</b> have the same simple, competitive fee structure.
<b>Measuring Your Investment</b>	The value of your Bond Benefits & its growth are measured by current Unit Prices that we strike for each Investment Option (p.37).
<b>Cooling-Off Period</b>	You have within 14 days from the first to occur of either, receipt of your Confirmation Certificate (p.76) or five days after we issue your Bond to cancel your Bond (p.86).

## MAIN RISKS

The main risks with the Education Bonds are:

**Investment Risk**, because the value of your Bond Benefits will increase or decrease according to your selected Investment Options and the value of your Unit Holding;

**Market Risk**, such as the changing conditions and volatility of the share market for equities, fixed interest markets, bond markets and the property market; and

**Taxation Risk**, such as unintended or sub-optimal taxation benefit outcomes due to your choice of type and amount of Education Benefit Claims and Other Withdrawals (Any Purpose) from your Bond.

Investment and market risks are carried by you as Bond Owner and depend on the type of Investment Options that you select. These risks may cause possible delays in repayment and possible loss of earnings and loss of invested capital and they and many other risks, like credit, currency, legislative and compliance risks are explained in the ‘Understanding Risk’ section on pages 44-45 of the Part B PDS.

Taxation risk, such as changes to Taxation Law, is carried by you as the Bond Owner and potentially by your Bond’s Education Beneficiaries. The current taxation treatment for Education Bonds is set out in the ‘How The Tax Framework Operates’ section (p.66-73).



# UNDERSTANDING LIFELONG EDUCATION COSTS

Education and learning are lifelong pursuits and in this ever-changing world there are new challenges and more to do and achieve. Access to learning and a good education is undoubtedly the gamechanger – not only for our children and grandchildren, but also for ourselves and others dear to us.

Over the past decade, the cost of education increased by over 42% while overall inflation (All groups CPI) rose by only 24%.<sup>3</sup> In an environment where wage growth is constrained, it is increasingly difficult for hardworking Australian families to cope with rising education costs.

Once the magnitude of the education funding challenge is understood, Australian families realise the sound sense to plan and save. The potential expense can be enormous and can go into many hundreds of thousands of dollars for a full private school and university education.



## CHILDREN (Primary & Secondary)

Funding 13 years of schooling (including a Kindergarten/Preparatory year) is a major financial undertaking.

Costs can vary enormously between individual schools with major influencing factors being the location and the chosen school sector – Government, Catholic or Independent.

Our annual Planning for Education Index (available at [futurainvest.com](http://futurainvest.com)) guides parents on what they can expect to pay to educate a child in Australia.

### MAJOR CITIES

**Some Cost Examples<sup>4</sup>** – These figures are an estimated cost of education over 13 years of schooling in Australian major cities for a child starting in 2022. It includes tuition costs, as well as ancillary costs such as uniforms, devices, excursions, instruments etc. across the three sectors:

- Government - \$83,869
- Catholic - \$143,944
- Independent - \$349,404

### REGIONAL / REMOTE

**Some Cost Examples<sup>5</sup>** – These figures are an estimated cost of education over 13 years of schooling in regional Australia for a child starting in 2022. It includes tuition costs, as well as ancillary costs such as for uniforms, devices, excursions, instruments etc. across the three sectors:

- Government - \$68,268
- Catholic - \$110,370
- Independent - \$143,701

<sup>3</sup> Total cost of education measured by the Australian Bureau of Statistics [abs.gov.au](http://abs.gov.au)  
<sup>4</sup> Data taken from ASG Planning for Education Index 2022 and assumes a child starting Preparatory year in 2022.

<sup>5</sup> See footnote 4.



## YOUNG ADULTS (Vocational & University)

There are many paths after completing secondary school. Many students go to University to obtain a Degree and others will favour Vocational Education and Training (VET).

Undergraduate Degrees typically run for three to six years, with fees divided into four bands. Domestic students are eligible for subsidised fees via Commonwealth Supported Places (CSPs).

The primary providers of VET are TAFE institutes, which typically offer Certificate or shorter Diploma courses.

### VOCATIONAL EDUCATION AND TRAINING

**Some Cost Examples<sup>6</sup>** – These vary depending on the location, level and duration of study. Some examples:

- Diploma of Event Management at TAFE NSW – \$11,350 full fee (\$3,750 with Government subsidy)
- Certificate IV in Property Services (Real Estate) at Box Hill TAFE – \$7,064 full fee (\$2,879 with Government subsidy)

### UNIVERSITY

**Some Cost Examples<sup>7</sup>** – These are examples of popular Degrees:

**CSPs<sup>8</sup> for domestic undergraduate students with fees divided into three bands:**

- Band 1 – Teacher, 4 year Degree \$15,940
- Band 2 – Engineer, 4 year Degree \$32,084
- Band 3 – Doctor, 6 year Degree \$68,406
- Band 4 – Economist, 3 year Degree \$43,890

**Full fee-paying (at Bond University assuming 2023 fees)**

For many students (including from overseas) studying at a private institution or at postgraduate level, a more expensive full-fee place is the only option. Examples:

- Bachelor of Commerce, 2 year Degree \$97,200
- Medical Program (BMedSt and MD), 4 year 8 month Program \$422,240

<sup>6</sup> Costs are current as at the date of this PDS. These costs are tuition fees only and do not include ancillary costs such as devices, excursions, living away from home expenses etc. More information about these costs are detailed on p.18

<sup>7</sup> See footnote 6.

<sup>8</sup> [studyassist.gov.au/help-loans-commonwealth-supported-places-csps/student-contribution-amounts](http://studyassist.gov.au/help-loans-commonwealth-supported-places-csps/student-contribution-amounts)



## CAREER & SELF-LEARNING (Many courses & avenues)

Education as a lifelong pursuit is an enabler to adapting to a different employment market, increasing your earning potential, and importantly, giving greater lifestyle flexibility and choices.

With the employment landscape now so rapidly changing, the jobs we had and were trained for today may not exist in the near future. It is becoming increasingly important for ongoing investment in lifelong personal education journeys – up-skilling, retraining or embarking on career changes.

### CAREER

**Some Cost Examples** – These are examples of post-graduate courses and other micro credential qualifications.

- Master of Business Administration at Melbourne Business School – \$92,250, up to two years
- Master of Business Administration at Australian Graduate School of Management – \$78,480, 12 months full-time
- Leadership course – five day residential program at INSEAD in France (~EUR\$9,650 or A\$14,496)
- Accounting and Bookkeeping – 18 weeks full-time Certificate IV at TAFE NSW (\$1,980)
- Digital micro credential course – 12 week program studying UX Design at General Assembly (\$13,500)

### SELF-LEARNING

Lifelong learning is not just about your career, many people simply have lifelong ambitions to get a degree or study the arts, their cultural and religious interests or learn languages. There are a wide range of options to follow, including TAFE courses, private tuition or going back to University to study in a different field.

### Cost Example

- Bachelor of Fine Arts, Melbourne University, 3 year Degree \$24,063

## ELIGIBLE EDUCATION COURSES & EXPENSES

When funding your education requirements, you can make Education Benefit Claims from your Bond's investment earnings to cover the fullest spectrum of lifelong Eligible Education Expenses.

Eligible Education Expenses are education expenses which are reasonably incurred by, or on behalf of, Education Beneficiaries undertaking Eligible Education Courses. Expenses can include course and tuition fees, books, devices, travel, and much more.

Eligible Education Courses are Australian or international courses that are conducted at a pre-school, primary, secondary or tertiary educational institution, or other educational institutions as approved by Futurity from time to time.

Eligible courses and expenses include those listed on the following pages, but Futurity also has the discretion to approve a course or expense not listed here.

### LIFELONG EDUCATION COURSES

An Eligible Education Course is a formal or informal process or program that facilitates gaining knowledge, skills, attitudes, values, beliefs and habits, and excludes a single event program of short duration, such as a standalone seminar or webinar.

Eligible Education Courses include:

- **Pre-school and Early Learning courses** – whether undertaken in childcare, kindergarten, pre-school, or pre-primary school facilities
- **Primary and Secondary school courses**
- **Higher Education courses** – University degrees
- **Vocational Education and Training** – including apprenticeships or training offered by registered training organisations

- **Special Education** – education or training programs or remedial courses for those with physical, intellectual or learning disabilities
- **Indigenous Education** – programs, training or courses for those that identify as First Nations Australians
- **Career enhancing courses** – training to gain further qualifications or enhance skills and knowledge to improve career prospects (where costs are not met by an employer)
- **Adult Education courses** – courses for those over 18 which need not be career enhancing, such as the arts or a language
- **Ongoing accreditation** – courses taken for ongoing professional development, professional accreditation or membership to a professional association

These courses can be Australian and international courses, full-time, part-time, short-form, micro-credential courses, open learning, online courses, college of management, enabling and foundation courses, language courses, remote and home-schooling courses, self-directed learning or casual courses.

### LIFELONG EDUCATION EXPENSES

The Bond's Eligible Education Expenses are aligned to the range of eligible courses including:

- Course and Tuition Fees
- Hidden add-on expenses
- Living away from home expenses
- Travel Expenses to attend Eligible Education Courses
- Student Loan Repayment
- Student Union Fees

As long as these expenses are incurred undertaking Eligible Education Courses, they can be compulsory, non-compulsory, voluntary, or optional expenses.

### HIDDEN ADD-ON EDUCATION EXPENSES

Apart from course fees, there are often hidden expenses, which can easily add to several thousands of dollars and are demanding a greater share of the family budget. Eligible Education Expenses also cover:

- school uniforms
- books
- computers, devices and calculators
- musical instruments
- performing arts materials
- excursions and camps
- sports and other education related material

### LIVING AWAY FROM HOME EDUCATION EXPENSES

For Education Beneficiaries living away from home - perhaps undertaking University studies in shared rental or on-campus accommodation, Education Living Expenses can be claimed. These include day-to-day general living expenses for accommodation, utility expenses, and other reasonable outgoings related to undertaking Eligible Education Courses.

These costs might otherwise need to be met by you as parents, or even by students working part-time, which may be a distraction from his or her studies.

### EDUCATION CLAIM DECLARATIONS

You do not have to support every Education Benefit Claim by giving us receipts and invoices.

You as Bond Owner, or some other authorised person simply makes an Education Benefit Declaration in the Claim Form, that an Education Benefit Claim relates to an Eligible Education Course and/or is for an Eligible Education Expense that has been paid or is due and payable (p.32).

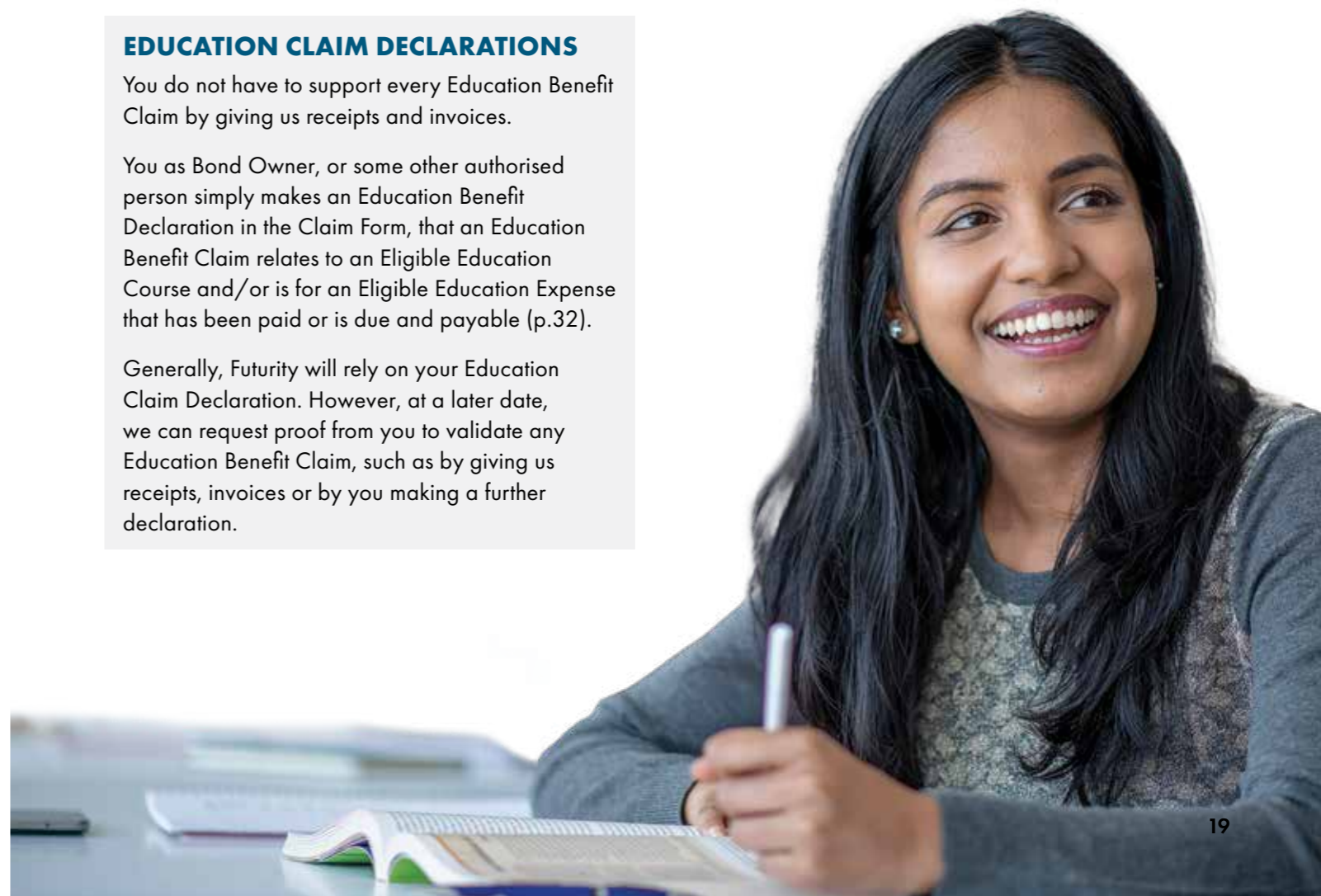
Generally, Futurity will rely on your Education Claim Declaration. However, at a later date, we can request proof from you to validate any Education Benefit Claim, such as by giving us receipts, invoices or by you making a further declaration.

#### Primary School

Miles is about to begin secondary studies in grade 7 at a nearby Independent school. In addition to paying the Tuition Fees and buying a new uniform, books and a computer, he is required to purchase a new guitar for music lessons. All of these costs are able to be claimed as Eligible Education Expenses from his Bond.

#### University

Megan is moving interstate to study at University and will be sharing off-campus accommodation with a friend. The cost of this accommodation, along with utilities and other reasonable outgoings related to undertaking her University course, qualify as Eligible Education Expenses.



OUR  
**Education  
Bond**  
RANGE



Family Education Bonds..... 22  
Individual Education Bonds..... 24

# FAMILY EDUCATION BONDS

## WHAT ARE FAMILY EDUCATION BONDS

These are new generation savings and investment Education Bonds with discretion for you to appoint and remove multiple Education Beneficiaries under the one flexible Bond.

A Family Bond operates like your own education-purposed discretionary trust to tax-effectively invest and make discretionary distributions (Education Benefit Claims) for your family's and friends' lifelong education funding.

## WHO CAN BE APPOINTED?

At any one time, you can have up to 10 Appointed Education Beneficiaries across two broad classes under the one Family Bond.

'Family Class' includes you, your spouse (or partner), your children, adopted children, stepchildren, grandchildren, step grandchildren, a parent, sister, brother, uncle or aunt, descendant or remoter issue.

'Friends Class' covers your friends, carers, employees, partners and their children or grandchildren; persons

who are objects of your charitable or philanthropic giving, bequests and benevolent causes.

In the Application Form you select whether either or both of the Family Class and Friends Class applies to your Bond. This can be altered by you at any time.

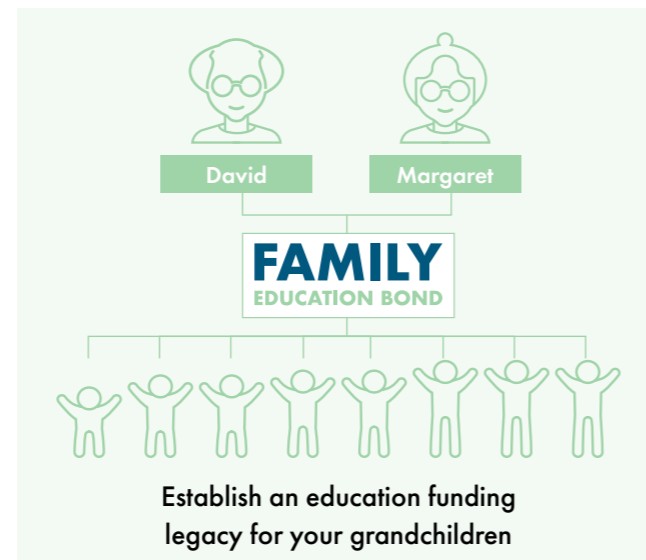
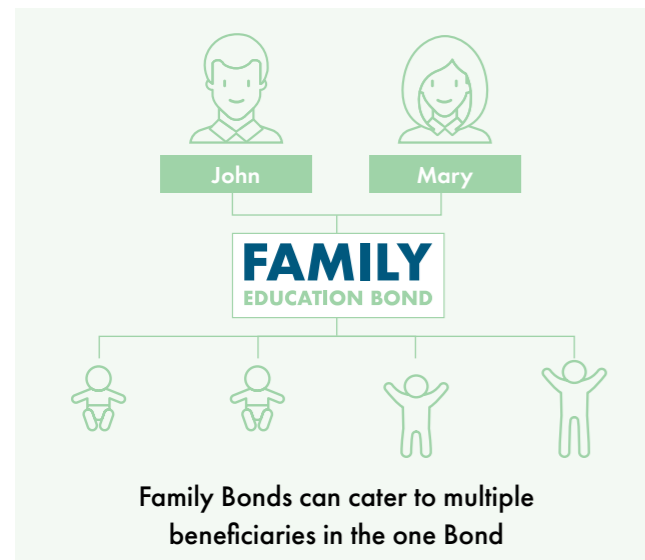
You can commence your Education Bond without initially having any Appointed Education Beneficiaries in place, choosing to make your appointments from the Family or Friends Class at a future date.

You may appoint and remove Education Beneficiaries at any time. Bond Representatives and Bond Guardians can also do this, if authorised by you.

## EDUCATION BENEFIT CLAIMS

When you need access to funds, Education Benefit Claims can be easily made at any time for your Appointed Education Beneficiary(s). Separate claims must be made for each Appointed Education Beneficiary (p.32).

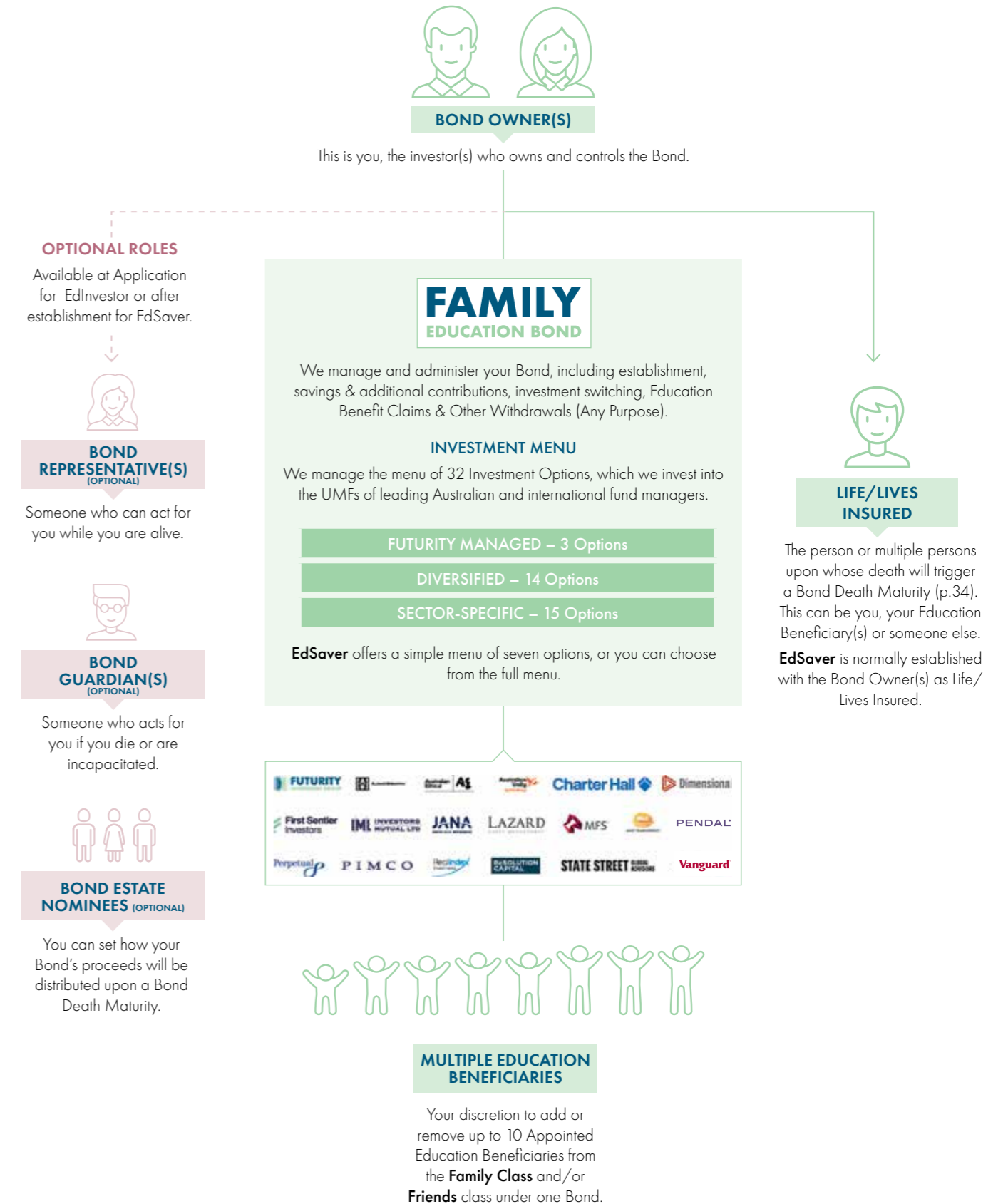
You can appoint Bond Representative(s) (such as a child's parent) to have access to your Bond for making these claims and other Authorised Functions that you allow.



## Ideas For Family Bonds:

- Create multiple Family Bonds for each limb of a large family group
- Use Education Bonds as investment assets inside family trusts or education trusts or for deceased estate investments
- For simplifying complex Wills & legal estates – use a Family Bond as a tax-effective, low cost and a low maintenance alternative to creating testamentary trusts for children under your Will
- Use as a dedicated investment for education funding of children, such as in circumstances of a divorce or family breakup.

## WHO'S INVOLVED WITH YOUR FAMILY BOND



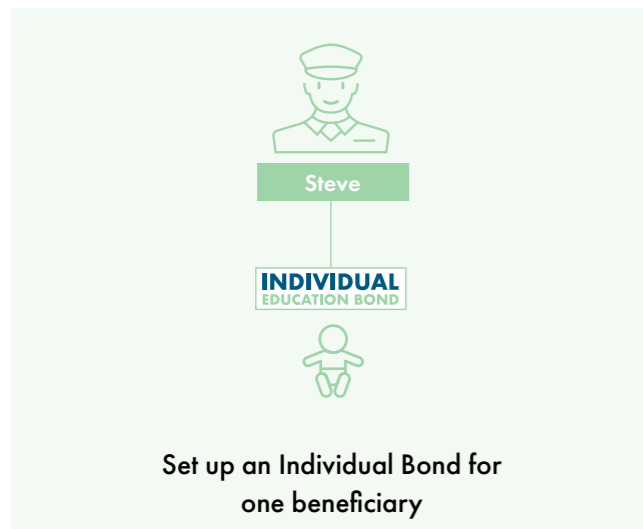
# INDIVIDUAL EDUCATION BONDS

## WHAT ARE INDIVIDUAL EDUCATION BONDS

An Individual Education Bond is established and operated for one Individual Education Beneficiary.

There can be a variety of family and other circumstances giving rise to a preference for using Individual Education Bonds, including:

- for single child families or for sponsors setting up a Bond for a particular child, such as a favourite niece or nephew;
- in family situations to align separate Individual Bonds to the different ages, education goals and timeframes of individual children; or
- to maintain the confidentiality and privacy of different arrangements between the Individual Education Beneficiaries. This might be desirable in 'blended' family situations with children from current and previous relationships.



## WHO CAN BE NOMINATED?

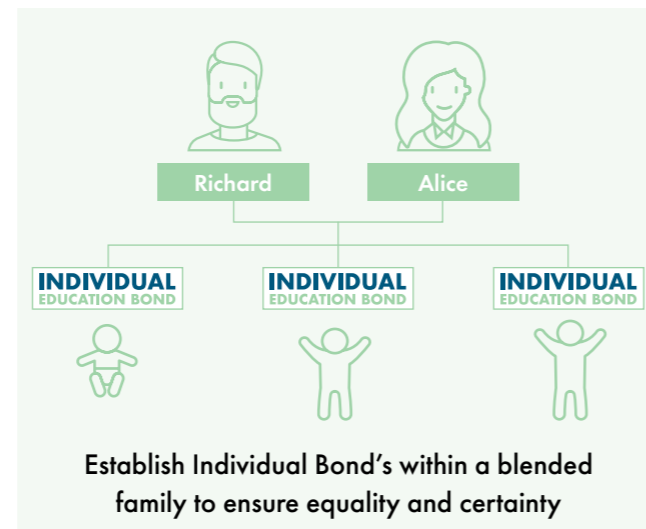
Any natural person (related or unrelated) of any age can be nominated as the Bond's sole Individual Education Beneficiary.

You can also establish an Individual Bond without nominating an Education Beneficiary at the commencement of your Bond. You might want to do this for a 'yet-to-be born' child or grandchild.

The Bond simply accumulates and remains in place without an active Education Beneficiary until you are ready to nominate one. The only requirement is that your Education Bond is created with the purpose and intention of making an Education Beneficiary appointment.

## CHANGING AN INDIVIDUAL EDUCATION BENEFICIARY

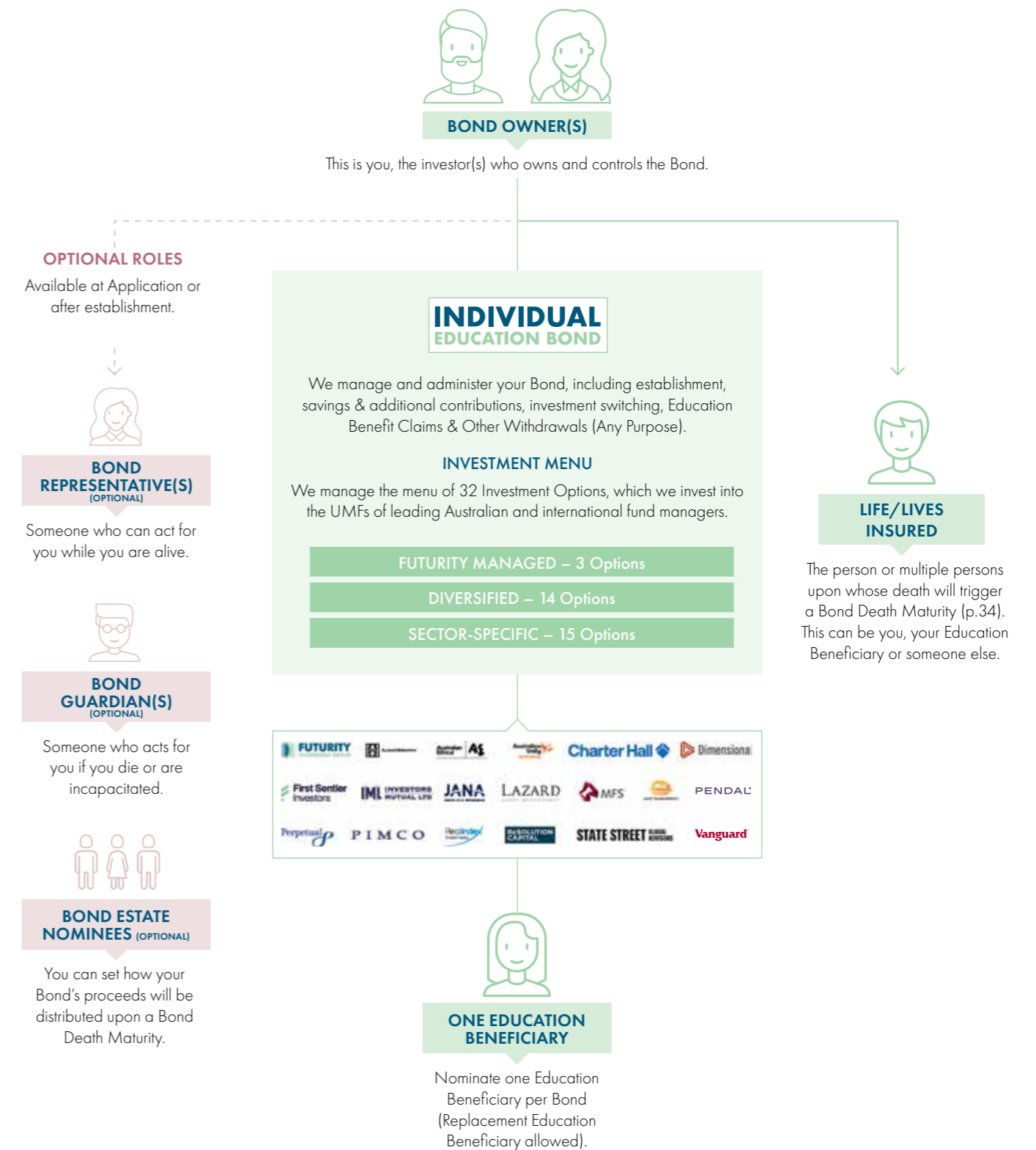
Should you want to change the Individual Beneficiary, you can appoint a Replacement Individual Beneficiary at any time. Bond Representatives and Bond Guardians can also do this, if authorised by you.



### 💡 Ideas For Individual Bonds:

- Create education-purposed endowments for:
  - An overseas sponsored child
  - A favourite grandchild
- Single child families
- Blended family situations
- Split family circumstances
- Special arrangements for estranged family members or a problem-child within a single family or large family group.

## WHO'S INVOLVED WITH YOUR INDIVIDUAL BOND



A photograph of a man and a woman standing together in a bright room, looking out a window. The man is on the left, wearing a blue denim shirt over a maroon t-shirt, with his arms around the woman. The woman is on the right, wearing a white long-sleeved top, with her arms crossed. They are both smiling warmly. The background shows a white window frame and a glimpse of greenery outside.

# HOW Your Bond WORKS

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# STAGES OF YOUR BOND

## STAGE 1 ESTABLISH YOUR BOND



### ESTABLISH YOUR BOND

USE THE EDINVESTOR OR THE STREAMLINED EDSAVER APPLICATION PROCESS

#### EdInvestor

##### CHOOSE BOND TYPE, OWNERSHIP & TERM

- Choose a Family Education Bond or an Individual Education Bond.
- Specify your ownership type – individual or joint owners (p.35) a company or trust can also be a Bond Owner (p.35-36).
- Set a Bond Term either a period (1 - 99 years) or based on the timing of your death as Bond Owner (p.36).
- Nominate yourself and/or some other person(s) as your Bond's Life Insured (p.36) (eg. Education Beneficiaries).
- Optionally – you can appoint Bond Representatives (p.83-84) and/or Bond Guardians (p.82-83). You can also make a Bond Estate Nomination for estate planning (p.42-43).

##### SELECT YOUR PLAN TYPE & INVESTMENT MIX

- Decide on a Savings Plan or a Lump Sum Plan (p.30).
- Allocate your Contribution across the Bond's menu of 32 Investment Options. (See Part B PDS).
- Based on your chosen investment mix, we issue you Units (p.79) in each of your selected Investment Options.

OR

#### EdSaver

##### STREAMLINED CHOICES AND ESTABLISHMENT JOURNEY

- Establish a Family Education Bond with an automatically set Bond Term of 99 years.
- Specify your ownership type – individual or joint owners (p.35). The Bond Owner(s) is normally nominated as the Bond's Life Insured (p.36).
- Start a Savings Plan with as little as \$1,000 upfront and an ongoing contribution of at least \$200 per month. Alternatively, make an initial Lump Sum contribution of \$5,000 or more.
- Allocate your Contribution across EdSaver's streamlined Investment Menu. You can also select from the menu's full list of 32 Investment Options. (See Part B PDS).
- Based on your chosen investment mix, we issue you Units (p.79) in each of your selected Investment Options.

## STAGE 2 MANAGE & GROW, CONTROL & ACCESS



### MANAGE & GROW YOUR BOND

- Growth occurs under a tax-advantaged Education Bond environment (p.67) and is reflected in the performance of your selected Investment Options, plus any additional Contributions that you make.
- You have tax-freedom to manage your Bond's investment mix by switching between its Investment Options at any time (p.70).

### YOU HAVE FULL CONTROL & FULL ACCESS

- At all times, you have full control and discretion to deal with your Bond.
- You also have access to your Bond Balance for making Education Benefit Claims or Other Withdrawals (Any Purpose) (p.31-33).
- You can transfer your Bond to another person with immediate effect or as a Future Activated Transfer (Transfers occur without personal tax or CGT implications) (p.41).

## STAGE 3 BOND MATURITY

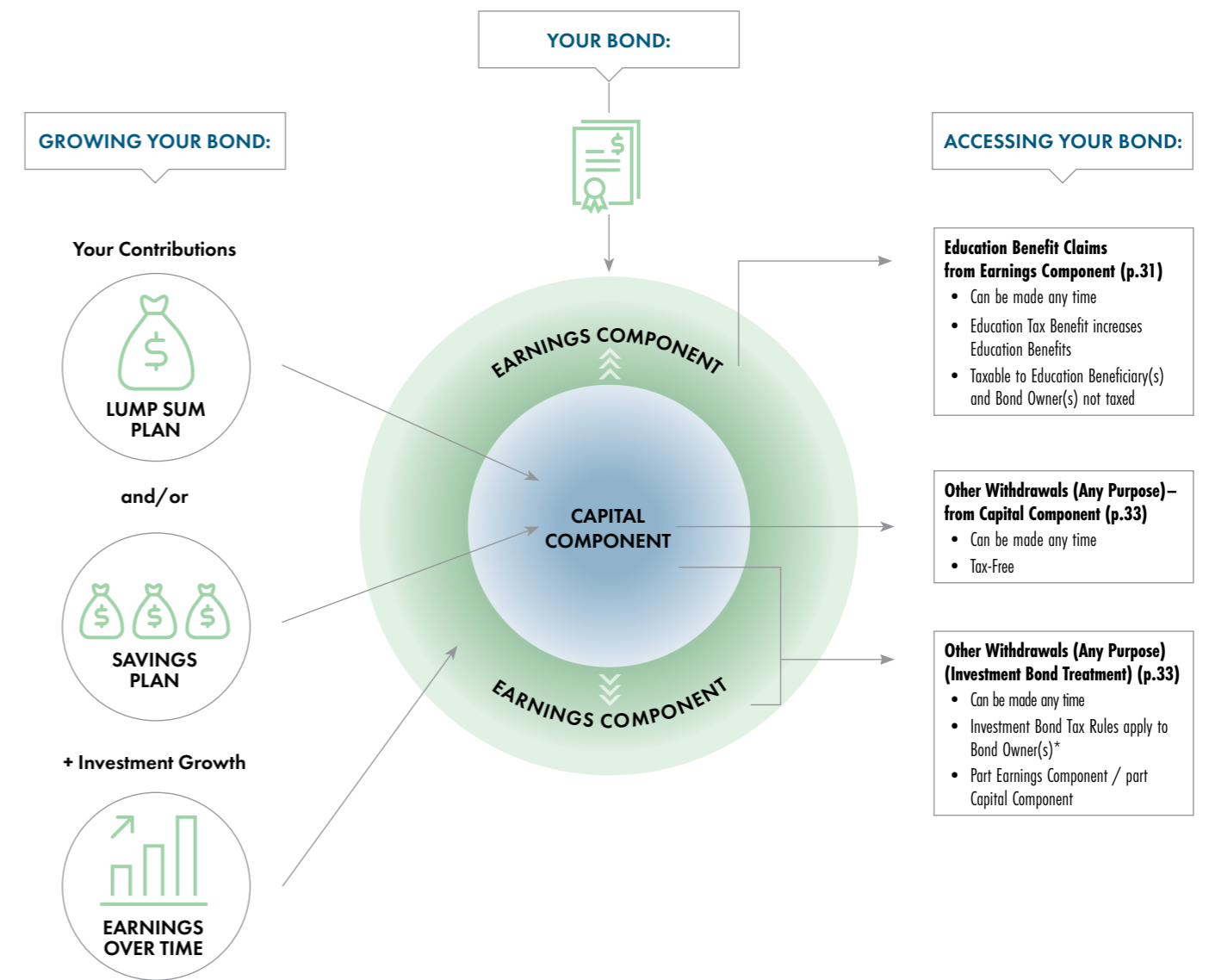


### BOND MATURITY EVENTS

- If you do not fully draw-down your Bond, two events determine it becoming payable due to Bond Maturity:
  - your selected Bond Term (p.36) ends; or
  - a Bond Death Maturity (p.34) occurs **before** your selected Bond Term ends.
- In both instances, the Bond Maturity payment is the full value of Bond Benefits as they stand at that time.

# COMPONENTS OF YOUR BOND

Your Bond – It is important to understand that your Bond works with a Bond Capital Component and a Bond Earnings Component. The sum of these two components at any time equals your Bond Balance.



Growing Your Bond – Your Bond Balance grows:

- whenever you make Savings Plan or Lump Sum Contributions – we will add these to your Bond's Capital Component; and
- by any investment earnings of your selected Investment Options – these net earnings increase your Bond's Earnings Component.

#### \* Investment Bond Tax Rules – Other Withdrawals (Any Purpose) (p.71-72)

- Investment Bond 10 Year Advantage – all other Withdrawals are Tax-Free after 10 years
- Withdrawals due to death, accident or illness are at all times Tax-Free
- Other Withdrawals within 10 years – assessable to Bond Owner(s) with a 30% Tax Offset benefit

Accessing Your Bond – Your Bond Balance decreases:

- whenever you make Education Benefit Claims and Other Withdrawals (Any Purpose); and
- the type and purpose of access will determine whether the drawdown is made against your Bond's Earnings Component and/or its Capital Component.

## MAKING CONTRIBUTIONS

There are two ways to contribute to a Futurity Education Bond.

### LUMP SUM PLANS

You can establish your Bond by making a single 'once-off' Lump Sum Contribution. You can also make Add-On Contributions from time to time.

Lump Sum plans may suit those wanting to establish their Bond with a larger Capital Component aligned to say, a Family Bond's long-term education funding objectives (p.47).

- Minimum Initial Contribution is \$5,000 per Bond with a minimum investment amount of \$500 for each selected Investment Option.
- Minimum Add-On Contributions are \$500 per Bond – with a minimum of \$100 per Investment Option.

### SAVINGS PLANS

Savings Plans can be started with a low \$1,000 Initial Contribution and you can flexibly adjust the level and frequency of your regular savings amount.

- Minimum Initial Contribution is \$1,000 per Bond – with a minimum of \$100 per Investment Option.
- Ongoing minimum Savings Contributions of \$200 per calendar month – with a minimum of \$50 per Investment Option.
- Frequency of your regular Savings Contributions – monthly, quarterly, half yearly or annually.

Savings Plans are ideal for building dedicated education funding for primary and secondary school fees. You can save and grow your investment to a certain level, from which you can start drawing-down to finance the education costs.

Savings Escalator Feature – For Savings Plans, you can set a percentage (up to 25%) by which your regular Savings Contributions will automatically increase each year. The escalation in your regular Savings Plan amount

will occur each year on the anniversary of your Bond's Commencement Date. You can increase or decrease your rate of escalation at any time by contacting us. By escalating within these limits, you preserve the Investment Bond 10-Year Advantage (p.72).

**Paid-Up Status** – A Savings Plan will be classified as reaching 'Paid-Up Status' once the total net Contributions received has reached \$5,000.<sup>9</sup> Once this level is reached you can make Education Benefit Claims and Other Withdrawals (Any Purpose).

### MAXIMUM INVESTMENT CONTRIBUTION LIMITS

For an **Individual Bond**, a maximum \$660,000 Contribution limit applies for each Bond. (This is the total of your initial, Add-On and Savings Plan Contributions made over the life of your Bond).

For **Family Bonds**, the \$660,000 maximum Contribution limit applies to each Appointed Education Beneficiary over the duration of your Family Bond. (This is the total of your initial, Add-On and Savings Plan Contributions made for each Appointed Education Beneficiary).

The total amount of Contributions for Family Bonds is much higher because the limit applies to each Appointed Education Beneficiary.

**For example, if your Family Bond has five Appointed Education Beneficiaries, the total maximum Contribution limit would be 5 x \$660,000 or \$3,300,000.**

This maximum limit of Contributions may be reviewed annually, generally in line with CPI. See [futurityinvest.com](http://futurityinvest.com) for current limits.

This maximum limit is set to ensure the integrity of the Bond, as an Education Bond as being funded to a limit that is commensurate with its design and purpose and also to operate as an investment to meet the future expected education expenses of Education Beneficiaries.

<sup>9</sup> This also allows you to convert from a Savings Plan to a Lump Sum Plan if you choose.

## ACCESSING YOUR BOND

You can access your Education Bond at any time in three ways:

ACCESS TYPE	PURPOSE OF ACCESS	FOR TAX PURPOSES WHO IS TREATED AS RECEIVING THE AMOUNTS?	TAX STATUS OF AMOUNT RECEIVED
<b>1) Education Benefit Claims*</b>	Eligible Education Expenses	Education Beneficiary, who is a minor under age 18	Taxed at MTRs applicable to minors with Minor's \$416 Tax-Free Threshold or Excepted Income of Minor's \$18,200 Tax-Free Threshold (p. 68).
		Education Beneficiary age 18 or over	Taxed at MTRs applicable to adults with benefit of Adult's \$18,200 Tax-Free Threshold (p.68).
<b>2) Other Withdrawals - Investment Bond Rules</b>	Any Purpose	Bond Owner – Access before 10 years	Assessable to you as Bond Owner at your MTR within 10 years with 30% Tax Offset Benefit (p.71-72).
		Bond Owner – After 10 years	Tax-Free at all times. Other Withdrawals after 10 years (p.72).
<b>3) Other Withdrawal - Your Capital Component</b>	Any Purpose	Bond Owner – Any time	Tax-Free at all times (p.71).

### 1) ACCESSING YOUR BOND FOR EDUCATION PURPOSES – EDUCATION BENEFIT CLAIMS

Education Benefit Claims can only be made for Eligible Education Courses and/or to meet Eligible Education Expenses (p.18-19). These claims will be automatically processed by us only from your Bond's Earnings Component.

Importantly, an Education Tax Benefit will be included. This benefit represents a refund of the tax already paid by Futurity on the investment earnings and is equal to \$30 for every \$70 withdrawn from the Earnings Component of your Bond (p.69).

### WHO CAN MAKE EDUCATION BENEFIT CLAIMS?

Education Benefit Claims are generally intended to be made by you as the Bond Owner.

You can authorise the parent (or legal guardian) of an Education Beneficiary or otherwise Bond Representatives (p.83-84) or Bond Guardians (in certain circumstances)

(p.82-83) to make Education Benefit Claims from your Bond. If the Education Beneficiary is over 16 years of age, you can authorise them to make Education Benefit Claims directly.

### WHO WILL WE PAY EDUCATION BENEFIT CLAIMS TO?

Education Benefit Claims will normally be paid to you as Bond Owner to be applied in meeting the education expense of the Education Beneficiary to whom the claim relates.

If authorised by you in writing, you can arrange for us to pay a claim to your Education Beneficiaries that are over 16 years of age, or otherwise, their parent (or legal guardian), Bond Representatives or Bond Guardians or an Approved Facility.

**Important Note – You should consider the taxation consequences of the various ways of accessing your Bond before submitting your request. Please refer to p.66-73 for further information. If you are unsure please consult with your taxation adviser or Financial Adviser.**





### Education Benefit Claim

Matt has a Bond Balance of \$80,000, comprising \$60,000 Capital Component and \$20,000 Earnings Component.

He wants to make an Education Benefit Claim to pay for his daughter Sarah's (aged 19) textbooks for her first year at University, as well as a new laptop she needs for her graphic design degree. The total cost will be \$5,000.

Whilst the claim amount is \$5,000, Matt's Bond Balance only decreases by \$3,500 (from the Earnings Component) and the balancing \$1,500 is the Education Tax Benefit that Futurity is able to add on to the claim.

Matt's Bond now has a balance of \$76,500, which is made up of \$60,000 in the Capital Component and \$16,500 in the Earnings Component.

As Sarah's part-time restaurant job only pays her around \$10,000 a year, the \$5,000 of additional assessable income still keeps her within the Adult Tax-Free Threshold.

### EDUCATION CLAIM DECLARATIONS

You do not have to support every Education Benefit Claim by giving us receipts and invoices. You as Bond Owner, or some other authorised person, simply makes an Education Benefit Declaration in the Claim Form that an Education Benefit Claim relates to an Eligible Education Course and/or is for an Eligible Education Expense that has been paid or is due and payable for particular Education Beneficiaries.

Futurity will usually rely on your Education Claim Declaration, however under the Product Rules, we can at a later date request proof from you, such as by giving us receipts, invoices or by you making a further declaration to validate any Education Benefit Claim.

### MAKING MULTIPLE BENEFICIARY CLAIMS

With a Family Education Bond, you might be claiming for multiple Appointed Education Beneficiaries at the same time. Your Claim Form must stipulate each Appointed Education Beneficiary, as each of these are treated as separate Education Benefit Claims allocated to each specific person.



### Education Benefit Claim with Capital Added

Kate has a Bond Balance of \$10,000 comprising \$9,000 in her Bond's Capital Component and \$1,000 in its Earnings Component.

She wants to make an Education Benefit Claim of \$1,000 to pay for her son's Grade 3 uniform and some stationery for school.

Kate decides that she wants to take \$600 from the Capital Component, and the remaining \$400 from the Earnings Component.

Futurity is able to add the Education Tax Benefit on the portion taken from the Earnings Component. Therefore, the drawing of \$1,000 will be made up of \$600 from the Capital Component, \$280 claimed from the Earnings Component, and \$120 as the Education Tax Benefit.

Although a payment of \$1,000 is received, Kate's Bond Balance only decreased by \$880. Also, this is Tax-Free receipt because the \$400 from the Earnings Component is under the Minor's Tax-Free Threshold.

Kate's Bond now has a balance of \$9,120, which is made up of \$8,400 in the Capital Component and \$720 in the Earnings Component.

### ACCESSING YOUR BOND FOR NON-EDUCATION PURPOSES – OTHER WITHDRAWALS (ANY PURPOSE)

A major advantage of Futurity's Education Bonds is that you have flexibility to access your investment by making Other Withdrawals (Any Purpose) at any time. These withdrawals might be for a new car, a family holiday or for any unspecified personal use.

When making Other Withdrawals (Any Purpose) – you can choose whether they are sourced from your Capital Component or whether Investment Bond Tax Rules will apply.

As these types of withdrawals can be used for non-education related expenses, it will not be increased by the Education Tax Benefit in the same way as for Education Benefit Claims.

You simply need to complete the relevant sections of the Claim Form in order to instruct us on your preference as to the type of access.

### 2) OTHER WITHDRAWALS – INVESTMENT BOND TAX RULES

Where Investment Bond Tax Rules apply, we automatically process the Other Withdrawal (Any Purpose) partially from each of the Capital Component and the Earnings Component based on an established formula determined by the ATO.



### Other Withdrawals (Any Purpose) Investment Bond Treatment

Steven's Family Education Bond set up seven years ago has grown to a healthy \$300,000 Bond Balance with \$240,000 in its Capital Component and \$60,000 of Earnings Component.

He wants to make a \$20,000 Other Withdrawal (Any Purpose) to pay for his family's upcoming holiday in the Greek Islands. As this will be treated as an Investment Bond Withdrawal – he does not need to specify whether the money is taken from his Bond's Capital Component or its Earnings Component.

An ATO formula (under the Investment Bond Tax Rules), that we apply automatically calculates that \$16,000 will be deducted from his Bond's Capital Component and \$4,000 from its Earnings Component.

Steven now has a Bond Balance of \$280,000 comprising \$224,000 in the Capital Component and \$56,000 in the Earnings Component.

### 3) OTHER WITHDRAWALS (ANY PURPOSE) – CAPITAL COMPONENT

You can access your Bond's Capital Component at any time Tax-Free. This component comprises your Contributions made from monies that you have already personally paid tax on or are capital sums.



### Other Withdrawals (Any Purpose) – Capital Only

Samantha needs \$20,000 to pay for her son Kyle's Year 11 school fees at a prestigious private school. Her Bond Balance is \$50,000, comprising \$40,000 of Capital Component and \$10,000 of Earnings Component.

As she wants to grow her Bond's \$10,000 Earnings Component and access it for Kyle's university education after he turns 18 – when added Education Tax Benefits can be better utilised – she decides to withdraw the \$20,000 from her Bond's Capital Component. Samantha always has flexibility to add back to her Bond's Capital Component at any time.

Samantha's Bond now has a balance of \$30,000, which is made up of \$20,000 in the Capital Component and an unchanged \$10,000 in the Earnings Component.

### EDUCATION BENEFIT CLAIMS AND OTHER WITHDRAWALS (ANY PURPOSE) INFORMATION

The minimum Education Benefit Claim is \$200 and the minimum Other Withdrawal (Any Purpose) amount is \$500 per claim.

Education Benefit Claims and Other Withdrawals (Any Purpose) are unable to be made from a Savings Plan that has not reached its Paid-up Status (p.30) of \$5,000.

For Education Benefit Claims and Other Withdrawals (Any Purpose), the minimum Bond Balance of \$500 (and \$500 per Investment Option) must be maintained.

Unless instructed otherwise by you at the time of the Education Benefit Claim or request for an Other Withdrawal (Any Purpose), we will process these proportionately across all Investment Options currently held as part of your Bond.

Education Benefit Claims and Other Withdrawals (Any Purpose) will be usually processed by us within seven Business Days.

## OTHER IMPORTANT THINGS ABOUT YOUR BOND

### BOND MATURITY

#### BOND MATURITY EVENTS

Two events will cause your Education Bond to mature and become payable:

- your Bond Term ends by the expiration of your selected number of years; or
- before the Bond Term ends – a Bond Death Maturity occurs due to death of the Bond's last surviving Life Insured.

#### BOND TERM MATURITY PAYMENTS

If your Bond matures due to its Bond Term coming to an end – then its full Bond Balance is distributed to you. Investment Bond Tax Rules will apply, meaning this will be a Tax-Free receipt where the Investment Bond 10-Year Advantage applies (p.72).

#### BOND DEATH MATURITY PAYMENTS

If your Education Bond comes to an end due to the death of its Life Insured(s) – then its full Bond Benefits are Tax-Free distributions to you (where you are not the Life Insured) or to other Bond Estate Recipients (p.93).

Under the Product Rules, these payments are not due until the Business Day after Futurity completes our Bond Estate Completion procedures following a Bond Death Maturity claim due to the death of the Bond's last surviving Life Insured.

Our Bond Estate Completion procedures entail us obtaining proofs of identity and entitlement and us completing applicable legal procedures and our internal processes to finalise a Bond Death Maturity claim in order to pay Bond Benefits.

### ADDITIONAL DETAIL ABOUT BOND PARTICIPANTS

#### BOND OWNERSHIP

You can establish your Education Bond with a variety of ownership options.

##### Individuals

An Education Bond can be owned by up to three individual persons – no upper age limit applies to Bond Ownership.

##### Joint Bond Owners

When multiple individuals own an Education Bond, under the Product Rules, they hold the Bond as joint Bond Owners. You can establish a Bond with up to three joint Bond Owners.

This gives rise to a basic estate planning outcome. In the event of a joint Bond Owner dying during your Education Bond's selected Bond Term, its full ownership will automatically pass to its surviving joint Bond Owner(s).

As it is usual for spouses to be joint Bond Owners, the death of one will automatically install the surviving spouse as owner, and importantly, this occurs without having to go through Will and legal estate procedures.

For tax purposes, if an Education Bond is owned jointly, any assessable growth upon making Other Withdrawals (Any Purpose) within 10 years will, under Investment Bond Tax Rules, be treated as belonging to each joint owner in equal shares.

When your Education Bond is jointly owned, you can instruct us as to who or which combination of joint Bond Owners have authority to give binding instructions (and sign) in respect of Bond Transactions. It is important to note that in certain circumstances, such as due to litigation between Bond Owners, divorce, separation or family disputes, Futurity has discretion to override these instructions. (p.89)

#### Children

A child, provided he or she is over the age of 10<sup>10</sup> can own an Education Bond. If the child is between age 10 and 16 consent of his or her parent or legal guardian is required.

#### Companies and Other Legal Entities

Where a company or other legal entity type owns an Education Bond, an individual as Life Insured still needs to be specified.

#### Trusts and Trustees

An Education Bond can be owned by an individual or a company acting in the capacity of a trustee for other persons.

This can be simply done by them applying for a Bond as a 'trustee for some other named person(s)' and us registering them in this fashion. Such simple Bond trusteeship declarations might be used by parents to hold Education Bonds as trustees for their children, and especially for children under age 10.

Bonds might also be held as investment assets inside more formally created trusts, such as discretionary or family trusts established by deeds, or testamentary trusts which are created in your Will.

<sup>10</sup> Under the Life Act, an Education Bond cannot be owned by a child under age 10.

Whilst Futurity will establish an Education Bond in the name of a trustee, and we might be in receipt of documentation about the trust and its beneficiaries<sup>11</sup>, this does not constitute us as having actual or constructive notice of the trust's terms, nor impose obligations on us in respect of the trust. These are your separate and private trust matters outside of your Bond's terms.

### LIFE INSURED

This is the person or multiple persons whose death will trigger a Bond Death Maturity. Your Bond will end before its set Bond Term if a Bond Death Maturity occurs due to the death of the last surviving Life Insured.

You as Bond Owner(s) will normally be the Life Insured. You might also want to appoint your Education Beneficiary(s) as separate or joint Lives Insured with you, or some other person(s).

Where an individual or company owns an Education Bond as trustee, individual Life/Lives Insured still need to be specified and it is not possible to make a Bond Estate Nomination in these circumstances.

Education Bonds also can have an additional Life or Lives Insured added during the Bond Term. However, a Life Insured once appointed cannot be removed because traceability must be maintained to the Education Bond's original Life Insured so as to not jeopardise its Investment Bond tax treatment status by creating a new Bond. Please contact us if you want to use this feature and we will send the relevant Form.

## BOND TERMS

### BOND TERMS WITH A SET PERIOD

You can establish your Education Bond with a set duration between 1 and 99 years. It is important to note though that your set Bond Term may end earlier if a Bond Death Maturity occurs (p.34).

Education Bonds can have many longer-dated, strategy-based applications. That is why Bond Terms of up to 99 years are possible.

Setting longer duration Bond Terms can be useful when using a Family Bond, as an alternative to establishing a family or discretionary trust (which typically have long durations) or where the Bond is used as the investment asset inside such trusts.

Bond Terms can also be matched with specific education-purposed strategies aligned with a draw-down period, say for paying school fees or to coincide with the expected event's occurrence, such as discharging student loans or debt.

### BOND TERMS ENDING ON DEATH OF THE BOND OWNER

You can also set a Bond Term that ends upon your death as Bond Owner (or joint Bond Owners) or a set period (e.g. 10 years) after your death. Even if you set a Bond Term in this way, it will nevertheless end earlier if a Bond Death Maturity occurs (p.34).

The Bond's many estate planning-based strategies (p.40) will often involve setting Bond Terms that will occur on death of a Bond Owner or be aligned to his or her life expectancy period.<sup>12</sup>

### SETTING AND CHANGING YOUR BOND TERM

Bond Terms are originally set in the Application Form.

At any time you can change the Bond Term, whether by increasing or decreasing the set number of years (up to 99) or changing the period linked to the death of the Bond Owner.

## YOUR BOND BALANCE

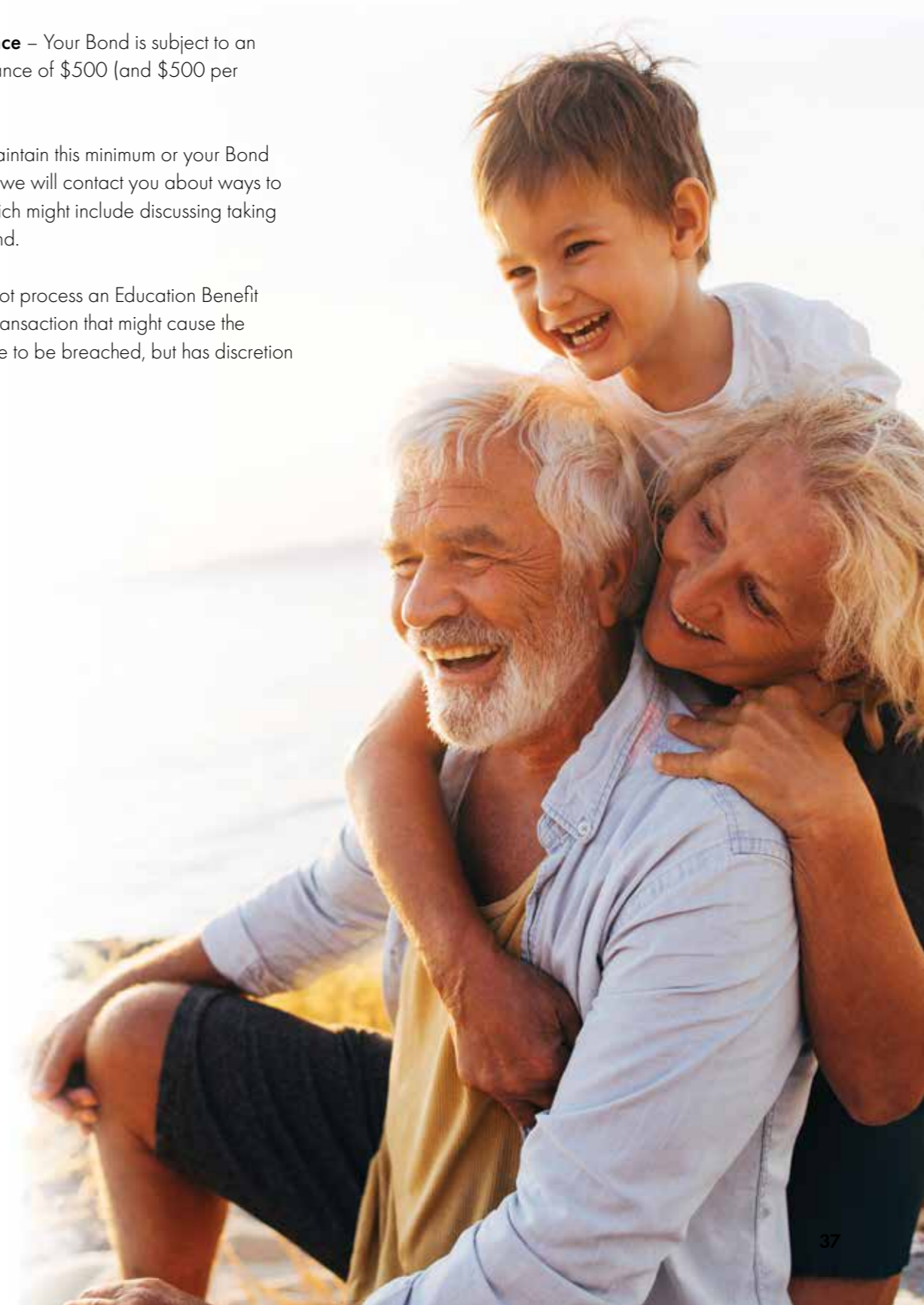
### WHAT IS YOUR BOND BALANCE?

Your Bond Balance at any stage of its Bond Term is the value of your Bond Benefits. This is the total value of your Unit Holding (as measured by the current Unit Prices) of each of your selected Investment Options and is also equal to the addition of your Bond's Capital Component and Earnings Component.

**Minimum Bond Balance** – Your Bond is subject to an ongoing minimum balance of \$500 (and \$500 per Investment Option).

If you are unable to maintain this minimum or your Bond Balance falls below it, we will contact you about ways to rectify the situation, which might include discussing taking steps to close your Bond.

Futurity will generally not process an Education Benefit Claim or other Bond Transaction that might cause the minimum Bond Balance to be breached, but has discretion to do so.



<sup>11</sup> For instance, we might be given such information and documentation for the purpose of AML / CTF Laws.

<sup>12</sup> A Bond Term that ends upon the death of a Bond Owner or a set period after their death is not available to Company or Trust Bond Owners.

# Planning strategies

## & CASE STUDIES



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## PLANNING FEATURES AND CONTROL

Futura's Bonds have a range of features that are central to using them in tax-effective financial and estate planning strategies.

Importantly, Bond Owners are always in control of their Education Bond(s) in case any unforeseen circumstances arise. For instance, if you are a parent or grandparent and your circumstances change, these new generation Education Bonds can be accessed for any personal unspecified purpose by making Other Withdrawals (Any Purpose) (p.33).

## FAMILY BOND STRATEGIES

### SIMPLIFY FAMILY TRUST AND DECEASED ESTATE ARRANGEMENTS

#### Alternatives to Family Trusts

The legal structure, taxation and other features of Family Education Bonds can favourably position them as a tax-effective, low maintenance alternative to family, discretionary and testamentary trusts (created under your Will) in meeting your education funding objectives.

The 'off-the-shelf' simplicity of Family Bonds makes them ideal as against creating small trusts and they can be superior on tax, administrative efficiency and cost grounds.

#### Education Bonds Held Inside Private Trusts

Because Education Bonds are Tax-Paid investments (p.67) and do not annually generate taxable 'assessable income', they can convey considerable benefits when held as investment assets inside family, discretionary or testamentary trusts.

For instance, if an Education Bond is a trust's sole internal investment, this private trust itself will have no annual income to distribute, nor any CGT consequences when modifying its investment strategy via the Bond.

Accordingly, such structured arrangements can prevent adverse tax outcomes for 'non-distributing' family and discretionary trusts and can assist them with managing their level of annual income distributions to beneficiaries.

As Bond Terms can be up to 99 years, these can be aligned with a family trust's duration, which is commonly set at 80 years.

## INDIVIDUAL BOND STRATEGIES

### STRUCTURING INDIVIDUAL BONDS FOR MULTIPLE EDUCATION BENEFICIARIES

Individual Bonds can be structured with tailored arrangements to meet your objectives for multiple Individual Education Beneficiaries. For instance:

- by structuring multiple Individual Bonds targeted to produce equal accumulations (say for individual children with wide age differences) – separate Bonds are set up with a different initial Contribution amount and different Bond Terms aligned to the equal accumulation objective;
- alternatively, each Individual Bond might be structured with an equal starting Contribution – a grandparent's estate plan could be suited to equal starting amounts with Bond Terms set to say each grandchild's 28th birthday; or
- Individual Bonds might be structured with a different mix of Investment Options (See Part B PDS), tailoring shorter-term or longer-term investment accumulation objectives to the differing ages of the Education Beneficiaries.

Whilst some of these objectives could also be met using a Family Bond, there would be far less certainty for each Individual Beneficiary, especially in circumstances where the Family Bond is operating for many potential beneficiaries after the Bond Owner's death.

## BOND TRANSFER STRATEGIES

You can transfer your Education Bond at any time to one or multiple individuals – and even to other entities, such as a company or a trust.<sup>13</sup>

Bond transfers enable you to tax-effectively achieve intergenerational wealth transfers. These can be done whilst you are alive with immediate effect or you can put in place arrangements, that can facilitate your Bond's ownership passing to your intended recipients well after (e.g. many years) the date of your death.

<sup>13</sup> A Bond Owner must be at least 16 years of age to transfer a Bond to another person.

## IMMEDIATE ACTIVATED TRANSFERS

A Bond transfer can be made with immediate effect. This means that upon the date that Futurity registers a person or company specified by you as the recipient Bond transferee(s) – they will become the absolute new owner of the Education Bond.

From a legal standpoint, your Bond's transferee simply replaces you as Bond Owner. The Bond transferee has full access to and control of the Bond, and you cease all rights and interests in the Bond.

From a tax standpoint, the Bond transfer occurs with full preservation of its tax-advantaged status, such as maintaining its advantages under Investment Bond Tax Rules (including its original Commencement Date) and retaining the pre-transfer apportionment between the Bond's Capital Component and Earnings Component (p.71).

## FUTURE ACTIVATED TRANSFERS

With the Future Activated Transfer feature, your Bond's ownership can be automatically programmed to shift from you (e.g. parents/grandparents) as its original owner(s), to other persons, including your Education Beneficiaries.

It automatically shifts ownership of your Bond to other persons (such as children or grandchildren) to occur:

- at a set future date (e.g. 22 August 2030); or
- upon the happening of certain events, such as your death as the Bond Owner or following a specified period (e.g. 5 years) after your death.<sup>14</sup>

If the Bond Owner dies prior to the Future Activated Transfer becoming operative, his or her Bond Guardian(s) (and if not appointed, the Bond Owner's LPR) will under the Product Rules hold the Bond in trust until then.

Again, the Bond transferee(s) receives ownership of the Education Bond in its tax-advantaged state without its existing Bond Benefits being impacted.

Until then, you have full control and access to your Bond Benefits, including using the Bond totally for your own purposes – rather than allowing it to automatically transfer.

You can use this feature for creating specific inheritances for children and grandchildren to accomplish tax-effective intergenerational wealth transfers outside of your Will.



### Bond Transfers Grandparents David & Margaret

David and Margaret want their Family Bond to continue to be available to their grandchildren when they pass away. So, they nominate for the ownership of the Bond to transfer to their children (their grandchildren's parents) on their death as joint Bond Owners. When they pass away, the parents will take full control over the Bond from that point on to manage how they wish.



### Bond Transfers Parents Richard & Alice

Richard & Alice have two Individual Education Bonds that they plan to transfer ownership of to each child once they have completed their education. This allows for the Bond to pass to the children, whilst maintaining its tax-advantaged status. The investment can then be used for any purpose, for example a first home deposit.

## TWO IMPORTANT NOTES ABOUT BOND TRANSFERS

- Both an Immediate Bond Transfer and Future Activated Transfer will automatically cause a Bond Estate Nomination to be cancelled. The appointment of any Appointed Associates will also be cancelled unless otherwise instructed by the Bond transferee.
- A Future Activated Transfer will not become operative at Law until both the Bond Owner and the Bond transferee have signed the Transfer Form and it has been registered by Futurity. Where possible, Futurity will recognise and effect the transfer upon the Bond Owner having fully completed the Transfer Form, and the Bond transferee subsequently accepting the terms of the transfer.

<sup>14</sup> Future Activated Transfers upon the happening of certain events are not available to Company or Trust Bond Owners.

## ESTATE PLANNING STRATEGIES

Futurity's Education Bonds have valuable estate planning tools to help you meet your future education funding plans, as well as your estate planning objectives.

Establish 'peace-of-mind' arrangements for your estate's affairs by planning ahead with certainty over who, how and when your wealth will be distributed to your next generation. You can do this by making a 'Will-like' **Bond Estate Nomination** to achieve tax-effective inheritances. Your Bond's proceeds will be distributed to your Bond Estate Nominees (on a Tax-Free basis) in line with beneficiary allocations determined by you.

You can also ensure your Bond investment meets your future education funding and estate plans by appointing a **Bond Guardian** to act for you (with your chosen level of authority) if you die or become legally, physically or mentally incapacitated.

Importantly, before your arrangements take effect, you have full ownership and control of your Bond just in case there is a change of mind about the nomination or a change in your own financial situation.

### ESTATE NOMINATION FEATURE

Your Education Bond has a 'Will-like' Bond Estate Nomination feature that operates with the basic functionality of a conventional Will.

You as the Bond Owner simply nominate one or more Bond Estate Nominees<sup>15</sup> and set percentage entitlements for your Bond Benefits to be distributed in the event of a Bond Death Maturity. Your Bond's proceeds will then be distributed to your selected Bond Estate Nominees (on a Tax-Free basis) in line with your beneficiary allocations.

With a Bond Estate Nomination, your Bond Benefits pass directly (and confidentially, if you wish) to your Bond Estate Nominees. As this occurs outside of your Will and legal estate, these arrangements also avoid any delays and costs of obtaining probate or administration of your estate. Importantly, as 'non-estate' distributions, a Bond Estate Nomination generally brings certainty by eliminating the risks of legal action often associated with contested estate and disputed Wills.

Bond Estate Nominations can be cancelled or amended by you at any time.

### SIMPLIFYING COMPLEX WILLS AND ESTATES

Bond Estate Nominations, being arrangements made outside of Wills and legal estates, give rise to them having other application in conjunction with, or as an alternative to, conventional Wills. Apart from being able to be made in secret, they are useful for:

- intergenerational wealth transfers and directed inheritances;
- financially assisting children (including for education) of previous relationships or in blended family situations;
- confidentially (outside of your Will) resolving potential conflicts and inequities between children and grandchildren that are complex and sensitive to arrange in your Will; and
- privately and confidentially setting up provisions or bequests for the children of a partner, employee or friend.

### Survivorship rules between your bond nominees

#### Joint Survivorship

Bond Estate Nominations are usually set to work under joint survivorship rules in the event of a Bond Death Maturity.

This means that if you have appointed multiple Bond Estate Nominees and one pre-deceases the others – then his or her share of the Bond is automatically redistributed to the other surviving nominees. This redistribution is made on a pro-rata basis according to the surviving Bond Estate Nominees proportional entitlements as set by you in the Bond Estate Nomination Form.<sup>16</sup>

It also means that you don't need to remember to change your Bond Estate Nomination in the event of the death of one of your Bond Estate Nominees.

<sup>15</sup> Besides nominating individual persons, Bond Estate Nominees can also be legal entities – such as companies and incorporated associations and therefore can be used for making charitable bequests.

<sup>16</sup> This redistribution only applies to Bond Estate Nominees who are individual natural persons, and if none survive you then your Bond Estate Nomination becomes of no effect.



### Estate Nomination Grandparents David & Margaret

David and Margaret are the joint Lives Insured of their Family Bond and have nominated their five grandchildren as Bond Estate Nominees with equal 20% entitlements.

When the last survivor of David and Margaret dies, their Bond's proceeds will be distributed directly to their grandchildren as Tax-Free distributions.

### 'Down-the-line' Survivorship

You can also set your Bond Estate Nomination to operate with a different mode of survivorship by instructing a 'down-the-line' outcome.

This survivorship mode, instead of automatically re-distributing a deceased Bond Estate Nominee's share to the other surviving Bond Estate Nominees – will direct us to pass this share 'down-the-line' to his or her LPR, to deal with in accordance with his or her Will and legal estate arrangements.

We have a specially tailored Bond Estate Nomination Form for 'down-the-line' Bond Estate Nominations. Please contact us for this Form and we recommend that you obtain advice from your Financial Adviser and/or legal adviser for this type of Nomination.

### Partial Bond Estate Nominations

You also have the option to make a partial Bond Estate Nomination by indicating that less than 100% of your Bond Benefits will apply to your Bond Estate Nomination. For instance, if you nominate three Bond Estate Nominees to receive 30% each (or 90%) of your Bond Balance – the remaining 10% will be left to pass under your Will and legal estate arrangements.

### No Bond Estate Nomination Made

If you do not make a Bond Estate Nomination, then in the event of a Bond Death Maturity, your Bond Balance will pass under your normal Will and legal estate arrangements.

### TAX-FREE ESTATE PLANNING DISTRIBUTIONS

Central to the Education Bond's estate planning advantages is that if a Bond Death Maturity occurs, its full Bond Balance will be distributed Tax-Free (p.70):

- to you, where your Bond has been set up with some other person(s) as its Life Insured(s); or
- to your Bond Estate Recipients.

### How to Make or Change a Bond Estate Nomination

You can make a Bond Estate Nomination as part of your original Application Form or do this at any later time. Simply complete Section 7 in the Application Form or you can obtain a Bond Estate Nomination Form upon request. You can also download one at [futurityinvest.com](http://futurityinvest.com)

You can also at any time revoke your Bond Estate Nomination, change your Bond Estate Nominees and the percentage allocations in favour of them.

Bond Estate Nominations can only be made by individuals, who are over the age of 16 and who are also the Lives Insured under the relevant Bond.

Before making a Bond Estate Nomination you should consider obtaining advice from a Financial Adviser or legal adviser.

## APPOINTING BOND GUARDIAN(S)

You can appoint one or more (up to three) Bond Guardians to act in your capacity as Bond Owner in the event of your death, legal, physical or mental incapacity.<sup>17</sup>

Under the Product Rules, Bond Guardians must act in the best interests of, firstly your Education Beneficiaries and secondly, any Bond Death Nominees (if appointed). So, it is important to appoint someone who can be trusted and is a competent person.

Bond Guardians have basic authorised functions for standard Bond operation, covering things such as receiving reports and statements and having access to your Bond's and your personal details.

In the Application Form (or by later written instructions to Futurity), you can also expand the Bond Guardian's level of authority to do certain additional functions on your behalf including:

- giving us Investment Option switching instructions;
- making Contributions and Education Benefit Claims or Other Withdrawals (Any Purpose); and
- appointing and removing Appointed Education Beneficiaries and nominating Replacement Individual Beneficiaries.

<sup>17</sup> There are no personal tax or CGT implications for a Bond Guardian fulfilling this role.

A Bond Guardian is strictly limited to Authorised Functions and under the Product Rules, he or she cannot do certain fundamental things, such as changing the Bond's Life Insured, its Bond Estate Nominees or changing your personal details.

Terms and conditions apply to using the Bond Guardian facility (p.82-83).



### **Bond Guardian Grandparents David & Margaret**

David & Margaret want their Family Bond to remain in place for the education needs of their grandchildren even if they pass away. They appoint one of their children (the grandchildren's father Michael) as their Bond Guardian and he must administer the Bond in the best interests of the Education Beneficiaries. The wishes of David and Margaret continue to be fulfilled, ensuring their grandchildren's education is looked after by their trusted son.

### **What if I Die Without Appointing Bond Guardian(s)?**

If you as the last surviving Bond Owner die without appointing Bond Guardian(s), your Education Bond will, under the Product Rules, be held in trust by your Legal Personal Representative (LPR). It will continue to be administered for the benefit of your Education

Beneficiaries, and ultimately when this purpose ends, be distributed to your Bond Estate Recipients.

## ASSET PROTECTION

Situations can arise where you as Bond Owner might have personal financial problems, such as caused by serious debt, litigation liability actions or even bankruptcy proceedings.

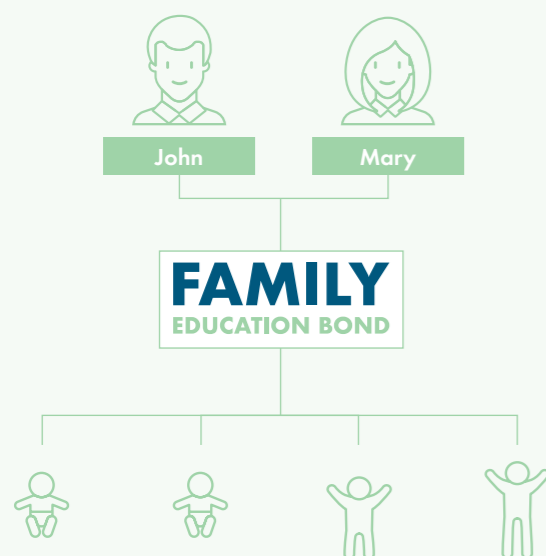
As forms of life insurance investment contracts, Education Bonds enjoy special protections from creditors under Australian bankruptcy laws.

Similar type protections apply to your superannuation benefits, which have an unlimited level of protection. Generally, an Education Bond held by a Bond Owner is protected from creditors, where the Bond Owner (or the Bond Owner's spouse- including de facto spouse) is also the Life Insured under the Bond.



## PARENTS – JOHN & MARY\*

John and Mary, with the recent arrival of twins, now have four children under age four.



John is a self-employed plumber with an annual income averaging around \$85,000 and Mary is a full-time mum.

Although they plan to educate their children at Government schools, they realise this isn't truly free. There

are the 'voluntary' contributions to the school and all the hidden additional costs each year for computers, excursions, books, school sports, and the like. These can add up to hundreds of thousands of dollars over 13 years of schooling for four children.

Starting with \$2,000 they already have and a \$3,000 gift from Mary's mother, they set up a Family Education Bond with a Savings Plan of \$251 each month.

Their goal is to ease the January 'back-to-school' burden by drawing \$5,000 each year until all their children complete secondary schooling.

Five years after starting their Bond (based on an illustrative return of 6% p.a. after fees and tax) it comprises \$20,032 in Capital Component, plus \$3,145 in Earnings Component. They then make their first Education Benefit Claim of \$5,000 or \$1,250 for each child.

The \$5,000 received is completely Tax-Free. This is because each child's drawdown from the Earnings Component is within the Minor's \$416 Tax-Free Threshold (p.68) and the rest is withdrawn from the Capital Component and is a Tax-Free return of contributions.

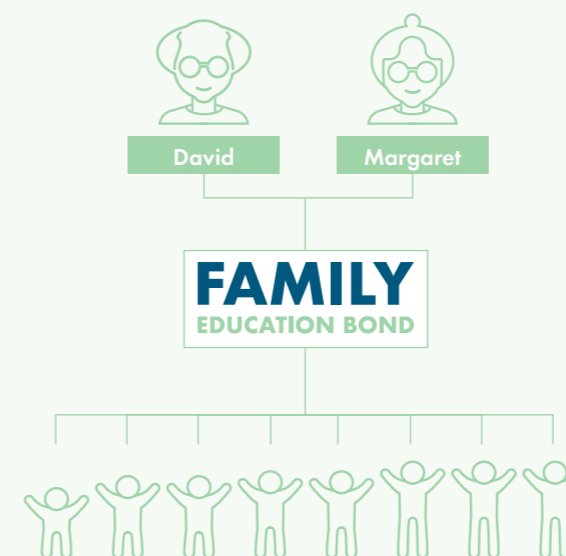
Draw Down Details:	Per Child	All 4 Children
Withdrawal from Earnings Component:	\$291	\$1,164
Education Tax Benefit:	\$125	\$500
Increased value of Education Benefit Claim:	\$416	\$1,664
Capital Component:	\$834	\$3,336
<b>Total Received:</b>	<b>\$1,250</b>	<b>\$5,000</b>

Education Bond Movements	Starting Balance	Draw Down	Closing balance
Earnings Component:	\$3,145	\$1,164	\$1,981
Capital Component:	\$20,032	\$3,336	\$16,696
<b>Total:</b>	<b>\$23,177</b>	<b>\$4,500</b>	<b>\$18,677</b>
Education Tax Benefit:		\$500	
<b>Total Received:</b>		<b>\$5,000</b>	

\*Illustrative purposes only – see 'Important Note About the Case Studies' (p.49).

## GRANDPARENTS – DAVID & MARGARET\*

After retiring from long and successful professional careers, David and his wife Margaret want to establish a large education funding legacy for their eight grandchildren aged between 6 and 16.



Rather than using a family or discretionary trust structure, they have invested \$500,000 into a Family Education Bond – attracted by its off-the-shelf simplicity with no establishment costs and ongoing administrative and tax management efficiency.

With a Family Bond they have discretion to draw down in favour of their grandchildren as Appointed Beneficiaries and they can also add any future grandchildren as they are born.

One year after investing, their Bond Balance is \$530,000 comprising \$30,000 of Earnings Component and their original \$500,000 Capital Component. They decide to draw \$5,000 for each grandchild.

Because each Education Benefit Claim automatically generates an Education Tax Benefit of \$30 for every \$70 (funded via Futurity) they only need to draw \$291 from the Bond's Earnings Component for each beneficiary – which the Education Tax Benefit increases to \$416, and a balance of \$4,584 drawn from the Bond's Capital Component.

No part of the \$30,000 that the Bond earned in its first year, or the \$5,000 Education Benefit Claim for each grandchild (\$40,000 for all 8) is personally taxed to David or Margaret. And, although each \$416 Education Benefit Claim amount is assessable in the hands of each grandchild, it would be Tax-Free in their hands because it falls within their Minor's \$416 Tax-Free Threshold (assuming they are treated as minors).

Draw Down Details:	Per Child	All 8 Children
Withdrawal from Earnings Component:	\$291	\$2,328
Education Tax Benefit:	\$125	\$1,000
Increased value of Education Benefit Claim:	\$416	\$3,328
Capital Component:	\$4,584	\$36,672
<b>Total Received:</b>	<b>\$5,000</b>	<b>\$40,000</b>

Education Bond Movements	Starting Balance	Draw Down	Closing Balance
Earnings Component:	\$30,000	\$2,328	\$27,672
Capital Component:	\$500,000	\$36,672	\$463,328
<b>Total:</b>	<b>\$530,000</b>	<b>\$39,000</b>	<b>\$491,000</b>
Education Tax Benefit:		\$1,000	
<b>Total Received:</b>		<b>\$40,000</b>	

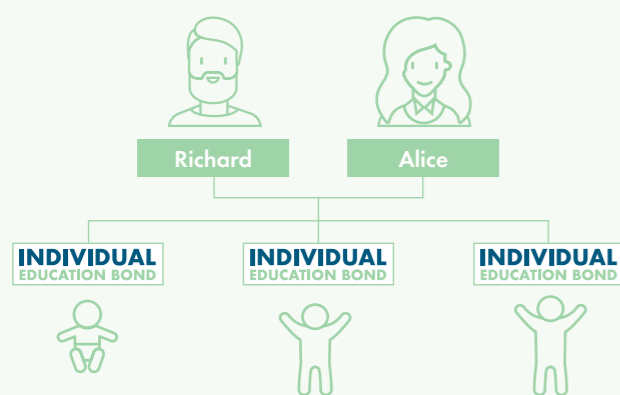
\*Illustrative purposes only – see 'Important Note About the Case Studies' (p.49).



# INDIVIDUAL BONDS – CASE STUDIES

## RICHARD & ALICE'S BLENDED FAMILY\*

Richard and Alice Burke have three children – Harry age 9 and Sally age 8 from Alice's first marriage and Susie age 2 from their own marriage.



After receiving a large inheritance from Richard's wealthy parents, they decide to make financial provision for their children's post-secondary education. Because of their 'blended' family situation and large age differences between the children, they decide to set up three \$50,000 Individual Education Bonds.

It is important to them that each child's Bond has an equal amount invested and is maintained separately. These are established with the same Lump Sum Initial Contribution for each Bond.

They decide on a different investment mix for each Bond to suit their needs based on their educational goals and the age of each child (longer-term strategy for Susie and medium-term for Harry and Sally).

### Harry's Bond – Education Claim for University Fees

Ten years after establishing Harry's Bond, its Bond Balance is \$98,000, comprising their original \$50,000 Capital Component and investment growth represented by a healthy \$48,000 Earnings Component.

They make an Education Benefit Claim of \$10,000 for Harry's University fees. Pleasingly, because this Education Claim is automatically sourced from the Earnings Component, it generates a \$3,000 Education Tax Benefit. So, although they get their requested \$10,000 payment, their Bond Balance only reduces by \$7,000.

This \$10,000 Education Benefit Claim amount is taxable in the hands of Harry (now aged 19) as the Education Beneficiary at his MTR and because he is under the Adult's \$18,200 Tax-Free Threshold, and has no other income, he pays no tax.

Draw Down Details	Harry
Withdrawal from Earnings Component:	\$7,000
Education Tax Benefit:	\$3,000
Increased value of Education Benefit Claim:	\$10,000
<b>Total Received:</b>	<b>\$10,000</b>

Education Bond Movements	Starting Balance	Draw Down	Closing Balance
Earnings Component:	\$48,000	\$7,000	\$41,000
Capital Component:	\$50,000		\$50,000
<b>Total:</b>	<b>\$98,000</b>	<b>\$7,000</b>	<b>\$91,000</b>
Education Tax Benefit:		\$3,000	
<b>Total Received:</b>		<b>\$10,000</b>	

### Harry's Bond – Other Withdrawal (Any Purpose) – a first car

Harry also needs a car and the Burkes have agreed to access \$10,000 from his Bond. As this is a non-education purposes Other Withdrawal (Any Purpose) it will be automatically processed by us using Investment Bond Tax Rules. This means the withdrawal will be allocated by Futurity to the Bond's Capital and Earnings Component based on a formula automatically applied by the ATO. As per the Investment Bond 10-year Advantage (p. 72) this payment will be tax free in the hands of Richard and Alice as the Bond Owners.

Draw Down Details	Harry
Withdrawal from Earnings Component:	\$4,505
Withdrawal from Capital Component:	\$5,495
<b>Total Received:</b>	<b>\$10,000</b>

Education Bond Movements	Starting Balance	Draw Down	Closing Balance
Earnings Component:	\$41,000	\$4,505	\$36,495
Capital Component:	\$50,000	\$5,495	\$44,505
<b>Total:</b>	<b>\$91,000</b>	<b>\$10,000</b>	<b>\$81,000</b>

\*Illustrative purposes only – see 'Important Note About the Case Studies' (p.49).

## STEVE'S GODCHILD\*

Steve, a Qantas pilot and sworn bachelor is the proud godparent of best mate Matt's just born daughter, Katie.



Steve wants to give her a head-start by funding Katie's post-secondary education. He also wants a 'set-and-forget' investment where he doesn't incur a personal income tax liability or need to worry about tax administration. It is important to Steve that the investment will automatically pass to Katie's ownership and control when she turns 18.

Steve sets up an Individual Education Bond with a Lump Sum investment of \$5,000 and given the investment horizon, invests in growth Investment Options which he expects will deliver an assumed 6% p.a. return after fees and tax. Steve calculates that on Katie's 18th birthday, the Bond Balance will be worth \$14,272.

Benefit: By using an Education Bond, Steve's intentions will automatically occur on the chosen future transfer date. Steve still maintains full access and control (including changing the transfer date, making withdrawals or changing Investment Options) until Katie turns 18. As Bond Owner, Steve will not incur any personal income tax liability in respect of the Education Bond.

On her 18th birthday, Katie will become the Education Bond's owner and will be able to make tax-effective Education Benefit Claims for herself.

\*Illustrative purposes only – see 'Important Note About the Case Studies' (p.49).

## IMPORTANT NOTE ABOUT THE CASE STUDIES

The Case Studies in this PDS are simplified examples of how the Education Bonds might operate. The 6% p.a. used is for illustrative purposes and assumes a long term investment timeframe and is net of fees and Fund Tax. It is not an indication of expected returns, nor is it a financial forecast or prospective financial information.

Investment performance of the Education Bonds is impacted by many factors, including economic conditions, investment markets, and importantly for your particular Bond the type of Investment Options selected by you.

The taxation information in the Case Studies is current as at the date of this PDS and is based upon our general understanding of relevant Taxation Laws. As these laws and applicable tax rates may change over time, the Education Tax Benefit is not guaranteed. These changes can also impact the Tax-Free Thresholds, the MTRs assumed in the examples and the application of benefits associated with Investment Bond Tax Rules.

Please refer to 'How the Tax Framework Operates' on (p.66-73) and contact your taxation adviser or Financial Adviser if you are unsure and require advice. The ATO website can be accessed at: ato.gov.au

# Fees

## & OTHER COSTS



## FEES AND OTHER COSTS

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better investor services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable if you are a wholesale or professional investor. Ask us or your Financial Adviser.

### TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website [moneysmart.gov.au](http://moneysmart.gov.au) has a Managed Funds fee calculator to help you check out different fee options.

The fees and other costs that you may be charged are outlined in the following section. These fees and costs may be deducted from your investment, from the returns on your investment or from the assets of the Investment Options as a whole. Refer to the Taxation section on p.66-73 for information about the impact of taxes on your investment.

You should read all of the information about fees and costs because it's important to understand their impact on your investment.

### TYPE OF FEE OR COST      AMOUNT      HOW AND WHEN FEES ARE CHARGED

FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE BOND		
<b>Establishment Fee</b> The fee to open your investment	Nil	Not Applicable
<b>Contribution Fee</b> The fee on each amount contributed to your investment	Nil	Not Applicable
<b>Withdrawal Fee</b> The fee on each amount you take out of your investment	Nil	Not Applicable
<b>Exit Fee</b> The fee to close your investment	Nil	Not Applicable

### TYPE OF FEE OR COST      AMOUNT      HOW AND WHEN FEES ARE CHARGED

MANAGEMENT FEES		
The fees for managing your investment have two components:  A detailed breakdown of Management Fees for all Investment Options on the menu is in the table on p.55.	<b>1) Futurity Management Fees*</b> 0.70% p.a. for all Investment Options, other than 0.40% p.a for the Futurity Sectoral Active -Cash Option.  <b>2) UMF Investment Fees**</b> Range between 0.06% p.a. to 0.75% p.a.	Calculated daily on the net asset value of each Investment Option. This is reflected in the Unit Price of each Investment Option and is charged to the Investment Option monthly in arrears.  <i>For the currency of this PDS, 5% of Futurity Management Fees on the Education Bond range will be donated to Futurity's Education Foundation, on a quarterly basis paid in arrears.</i>  Investment management fees charged by the UMFs are deducted at UMF level and incorporated into their respective unit prices. Importantly, these fees are not directly met by you, but are reflected in the investment performance of UMF units held in the Investment Options.

### OTHER FEES AND COSTS

<b>Switching Fees</b> The fee for changing Investment Options	Nil	Not Applicable***
<b>Buy/Sell Costs</b>	Range between 0.00% and 0.35%	These costs are reflected in the Buy Unit Price and the Sell Unit Price that Futurity strikes on a daily basis for each Investment Option (p.60). Depending on the Investment Option and whether you are buying or selling Units – a small percentage cost is borne by you.
<b>Direct and Reimbursable Costs</b>	Capped at a maximum per Investment Option of 0.10% p.a	Costs that Futurity charges directly (or is reimbursed for) against the Investment Options. These costs vary between Investment Options and include asset acquisition, disposal, valuation and transaction costs, and auditor's, actuary's and legal fees.  They are not fees charged by us, nor charged to you separately, but are reflected in each Investment Option's Unit Price (p.60).  These costs are capped and any costs above the cap will be absorbed and met by Futurity from our Management Fund (p.60).
<b>Performance Fees</b>	Nil	None of the UMFs on the investment menu currently charge Performance Fees (p.58).

\*The Futurity Management Fees component has Reduced Management Fee Scale arrangements applying progressively to Bond Balances (p.59).

\*\*For two of the Futurity Managed & Blended Investment Options, Futurity charges a standard after-tax 0.245% p.a. UMF Portfolio Management expense, which for consistency is disclosed as an inclusive part of each Option's UMF Investment Fee. (See the table on p.54-55 and explanation on p.56.)

\*\*\*You may incur Buy/Sell Costs when switching between Investment Options (p.60).

**TOTAL MANAGEMENT FEES – INVESTMENT MENU OPTIONS**

Investment Option Name	Underlying Manager	MANAGEMENT FEES (ANNUAL)			TRANSACTION COSTS
		Futurity Management Fees P.A.	+ UMF Investment Fees P.A. *	= Total Management Fees P.A.	Buy / Sell Costs
<b>FUTURITY MANAGED &amp; BLENDED</b>					
<b>FUTURITY MANAGED &amp; BLENDED RANGE</b>					
Futurity Managed & Blended - Balanced Portfolio	Futurity	0.70%	0.53% †	1.23%	0.15% / 0.15%
Futurity Managed & Blended - Growth Portfolio	Futurity	0.70%	0.55% †	1.25%	0.18% / 0.18%
Futurity Managed & Blended - Responsible Investment Portfolio	Futurity	0.70%	0.60%	1.30%	0.18% / 0.18%
<b>DIVERSIFIED</b>					
<b>VANGUARD INDEXED RANGE</b>					
Futurity Diversified Indexed - Conservative	Vanguard	0.70%	0.20%	0.90%	0.10% / 0.10%
Futurity Diversified Indexed - Balanced	Vanguard	0.70%	0.20%	0.90%	0.10% / 0.10%
Futurity Diversified Indexed - Growth	Vanguard	0.70%	0.20%	0.90%	0.09% / 0.09%
Futurity Diversified Indexed - High Growth	Vanguard	0.70%	0.20%	0.90%	0.08% / 0.08%
<b>MLC ACTIVE RANGE</b>					
Futurity Diversified Active - Conservative	MLC	0.70%	0.56%	1.26%	0.10% / 0.10%
Futurity Diversified Active - Balanced	MLC	0.70%	0.58%	1.28%	0.10% / 0.10%
Futurity Diversified Active - Growth	MLC	0.70%	0.62%	1.32%	0.10% / 0.10%
Futurity Diversified Active - High Growth	MLC	0.70%	0.65%	1.35%	0.10% / 0.10%
<b>DIMENSIONAL ACTIVE RANGE</b>					
Futurity Diversified Active - Balanced - 2	Dimensional	0.70%	0.28%	0.98%	0.08% / 0.08%
Futurity Diversified Active - Growth - 2	Dimensional	0.70%	0.29%	0.99%	0.10% / 0.10%
Futurity Diversified Active - Responsible Investment	Dimensional	0.70%	0.29%	0.99%	0.10% / 0.10%
<b>OTHER DIVERSIFIED ACTIVE RANGE</b>					
Futurity Diversified Active - Growth - 3	Perpetual	0.70%	0.71%	1.41%	0.26% / 0%
Futurity Diversified Active - High Growth - 2	Pendal	0.70%	0.56%	1.26%	0.19% / 0.19%
Futurity Diversified Active - Responsible Investment - 2	Pendal	0.70%	0.69%	1.39%	0.14% / 0.14%
<b>SECTOR-SPECIFIC</b>					
<b>VANGUARD INDEXED RANGE</b>					
Futurity Sectoral Indexed - Australian Fixed Income	Vanguard	0.70%	0.13%	0.83%	0.08% / 0.08%
Futurity Sectoral Indexed - Australian Equities	Vanguard	0.70%	0.11%	0.81%	0.05% / 0.05%
Futurity Sectoral Indexed - International Equities	Vanguard	0.70%	0.15%	0.85%	0.06% / 0.06%
Futurity Sectoral Indexed - Emerging Market Equities	Vanguard	0.70%	0.40%	1.10%	0.22% / 0.22%
Futurity Sectoral Indexed - Property	Vanguard	0.70%	0.16%	0.86%	0.06% / 0.06%
Futurity Sectoral Indexed - Responsible Investment	Vanguard	0.70%	0.14%	0.84%	0.07% / 0.07%
Futurity Sectoral Indexed - International Fixed Income	Vanguard	0.70%	0.17%	0.87%	0.13% / 0.13%
<b>SPECIALIST MANAGERS RANGE</b>					
Futurity Sectoral Active - Cash	First Sentier	0.40%	0.06%	0.46%	0% / 0%
Futurity Sectoral Active - Australian Fixed Income	PIMCO	0.70%	0.37%	1.07%	0% / 0.05%
Futurity Sectoral Active - Australian Equities	AllianceBernstein	0.70%	0.25%	0.95%	0.25% / 0.25%
Futurity Sectoral Active - International Equities	MFS	0.70%	0.56%	1.26%	0.15% / 0.15%
Futurity Sectoral Active - Emerging Market Equities	MFS	0.70%	0.66%	1.36%	0.35% / 0.35%
Futurity Sectoral Active - International Fixed Income	PIMCO	0.70%	0.41%	1.11%	0% / 0.05%
Futurity Sectoral Active - Responsible Investment	Perpetual	0.70%	0.75%	1.45%	0.15% / 0.15%
Futurity Sectoral Active - Responsible Investment - 2	Australian Ethical	0.70%	0.70%	1.40%	0.15% / 0.15%

Table notes: \* This is the UMF Investment Fee including estimated UMF indirect costs. All fee percentage rates in this column reflect their true final percentage after-tax rates, which is 70% of their UMF's before-tax rate. (See 'UMF Investment Fees' p.57-58.)

†These are multiple UMF investments managed by Futurity as Blended Options. Each stated rate is inclusive of a standard after-tax 0.245% UMF Portfolio Management expense charged by Futurity. (See p.56.)

## ADDITIONAL EXPLANATION OF FEES AND COSTS

### MANAGEMENT FEES

The fees for managing your investment have two components:

- 1) Futurity Management Fees; and
- 2) UMF Investment Fees.

Total Management Fees, being the addition of these two components for all the Investment Options on the Education Bonds' menu are shown in the table on p.54-55.

### FUTURITY MANAGEMENT FEES

#### How and When Calculated

These fees finance our ongoing operations and a standard Management Fee of 0.70% p.a. applies across all Investment Options, other than for the Futurity Sectoral Active – Cash Investment Option, which has a 0.40% p.a. fee.

Futurity Management Fees are deducted from income of the Investment Options before Unit Prices are declared and are not taken directly from your investment. The fee is calculated daily on the net asset value of each Investment Option and is reflected in its Unit Price. It is charged to the Investment Options monthly in arrears.

### These Fees Cover

Futurity Management Fees cover:

- administration of your Bond, including operating the Investment Options, their Unit Pricing and asset valuations – financing our corporate operations, including risk management, governance and compliance and for our marketing, product development and distribution activities; and
- investment management that Futurity itself undertakes in the day-to-day management of the Bond's investment menu, including running our UMF research, selection, appointment and Investment Committee processes, and costs of engaging specialist asset consultants.

### Futurity's Three Managed and Blended Options

In contrast to all other Investment Options on the menu, these three options are each managed by Futurity as a blended mix to form diversified portfolios of multiple UMFs. Futurity constructs each Option's portfolio from an extensive Approved Manager List with sector-specific UMFs spanning major asset classes (e.g. equities, property, fixed income) (See Part B PDS p.6-9).

For two of the Blended Investment Options, namely the Managed & Blended – Balanced Portfolio and the Managed & Blended – Growth Portfolio, Futurity charges a standard after-tax 0.245% p.a UMF Portfolio Management expense, which for consistency is disclosed as an inclusive part of the Option's UMF Investment Fees (See the table on p.54-55). Currently, no UMF Portfolio Management expense applies to the Managed & Blended – Responsible Investment Portfolio.

### TAX EFFECTS ON MANAGEMENT FEE DISCLOSURES

The payment of Futurity Management Fees are internal transactions undertaken within Futurity as a single taxpayer entity and are transacted between our Management Fund and each of our Investment Options. As such, they are not tax assessable or deductible – and all percentage rates listed as Futurity Management Fees in the table on p.54-55 reflect their final fee rates as they impact your Bond investment.

### UMF INVESTMENT FEES

#### How and When Calculated

These are investment management fees charged by our UMF investment managers and they currently range between 0.06% p.a. and 0.75% p.a. (See the table on p.54-55).

UMF Investment Fees are deducted at their respective underlying fund level and are incorporated into each underlying fund's unit prices. Importantly, these fees are not directly met by you, but are reflected in the investment performance of the units held by us in the Bond's Investment Options. As such, ultimately these fees do impact to varying degrees your Bond's investment value.

### Type of Fees

Generally, the UMFs that we invest into are wholesale Managed Funds with lower investment fees than those charged by retail Managed Funds available to ordinary retail investors.

### EXAMPLE OF ANNUAL TOTAL MANAGEMENT FEES

This table illustrates how Management Fees and costs for the Diversified Indexed – Growth Option (UMF: Vanguard) can affect your Education Bond investment over a one-year period. You can use it to compare this product with other investment products.

This example assumes your Bond's Initial Contribution is \$50,000 and you make an Add-On Contribution of \$5,000 at the beginning of the year.

Diversified Indexed – Growth Option		Bond Balance of \$50,000 with total Contributions of \$5,000 at the beginning of year
Contribution fees	Nil	Nil on your \$5,000 contribution made at the beginning of the year.
<b>PLUS</b> Total Management Fee	0.90% p.a	And, for every \$50,000 you have invested in this Investment Option, you will be charged \$450 each year.
<b>EQUALS</b> Cost of Investment Option		If you had an investment of \$50,000 and contributed an additional \$5,000 at the beginning of that year, you will be charged fees of \$495.

**Table Notes** – The total Management Fee of 0.90% p.a. comprises Futurity Management Fees of 0.70% p.a. + the UMF Investment Fee of 0.20% p.a. (See the table on p.54-55.)

A transaction Buy/Sell cost of 0.09% is also incurred on the \$5,000 Add-On Contribution for the Vanguard Diversified Index – Growth Option used in the example. This would amount to a once off \$4.50.

The example does not show the impact of any fees that you might have separately agreed with your Financial Adviser (p.62).

Basically, their fee levels depend on whether the UMF is actively or passively managed, diversified or sector-specific and their asset classes (e.g. cash, fixed income, Australian/ international equities etc.). We take the level of UMF fees and expenses into consideration as part of our UMF cost/performance evaluation and selection appointment function.

#### UMF Performance Fees and Gearing Effects

Some Managed Funds may charge performance fees based on investment returns they achieve exceeding set objectives, such as bettering a Performance Benchmark, like the S&P/ASX 300 Accumulation Index.

Also, some specialised Managed Funds may undertake a level of gearing by borrowing additional funds to invest. This can have the effect of increasing Managed Fund investment fees because of increased charges on the borrowed funds.

None of the UMFs currently are Managed Funds that have performance fees or undertake gearing.

#### Future UMF Investment Fees

The UMFs that Futurity invests into are independent of us, and generally under their respective Managed Fund's constitutions, have rights to increase fees or can operate under a waived or reduced fee basis for certain periods.

As such, future fee increases or application of fee waivers are out of Futurity's control and are not predictable by us – however, any changes to UMF Investment Fees is an important UMF Selection Factor in our decision to invest and hold units in a particular UMF. (See Part B PDS p.43).

#### Tax Effects on UMF Investment Fees Disclosures

UMF Investment Fees are incurred by Futurity as indirect fees that are embedded in the unit prices of the UMFs held by our Investment Options. The transactions undertaken between Futurity, as a separate taxpayer entity and the responsible entities (or trustees) of each UMF are external and at arm's length. As such, such fees are effectively tax-deductible – because UMF earnings (net of such fees) are subject to tax.

The benefit of these tax deductions results in reduced income tax provided for and paid by Futurity at our tax rate, which is currently 30%. Futurity fully passes this tax benefit on to the Investment Options, and they are taken into account in calculating their Unit Prices.

So, all UMF Investment Fees disclosed in the Management Fees table (p.54-55) reflect their true final percentage after-tax rates – these are shown as 70% of their before-tax rate, applying Futurity's current 30% tax rate. It is this lower UMF Investment Fee rate that actually impacts your Bond investment.

#### REDUCED MANAGEMENT FEE SCALE ARRANGEMENTS

If you invest larger amounts of over \$50,000, or if your Bond Balance exceeds \$50,000, you may be entitled to Reduced Management Fee Scale arrangements applying progressively to your Bond Balance.

These arrangements only apply to reduce standard Futurity Management Fees in accordance with our standard fee and Reduced Management Fee Scale arrangement disclosures made from time to time in current PDSs. They do not extend to UMF Investment Fees, which are charged separately from us. Also, certain Investment Options can have different levels of fee reduction or can be excluded from our calculation of your Bond Balance.

If you have multiple Bond holdings, we may agree to aggregate their respective Bond Balances. The Reduced Management Fee Scale arrangements will be applied progressively on Bond Balance brackets as follows:

Bond Balance	Reduced Management Fee Scale*
First \$50,000	0.70% p.a (Standard fee)
Next \$200,000	0.55% p.a (Reduced fee)
Next \$750,000	0.40% p.a (Reduced fee)
Next \$1,000,000	0.25% p.a (Reduced fee)
Above \$2,000,000	0.00% p.a (Nil fee)

Table Note – \*Futurity Sectoral Active – Cash Option currently has a 0.40% p.a Futurity Management Fees and is excluded from these Reduced Management Fee Scale arrangements.

#### HOW THE REDUCED MANAGEMENT FEE SCALE ARRANGEMENTS WORK

The reduced Management Fees are calculated at the end of each month using the average amount of your Bond Balance for the month. This is a simple average of the start of month Bond Balance and end of month Bond Balance.

We will apply the fee reduction by sourcing a rebate amount from Futurity's Management Fund that will be credited to your Investment Option holdings. Management Fee rebate amounts will be credited by way of additional Units to the Earnings Component of your Bond.

These additional Units will be allocated normally in the following month and will use the Buy Unit Price applicable on the day the transaction is processed.

If your Bond has more than one Investment Option, the total rebate amount will be allocated in the form of additional Units applied proportionally across each Investment Option.

If you make a full Education Benefit Claim or Other Withdrawal (Any Purpose), your drawing will only include a rebate calculated to the end of the month prior to that drawing. No fee reduction applies if you make a full Education Benefit Claim or Other Withdrawal (Any Purpose) within the cooling off period.

Futurity reserves the right to determine your entitlement to the reduced Management Fees, and their calculation and acceptance by us.

#### EXAMPLE OF THE REDUCED MANAGEMENT FEE SCALE ARRANGEMENTS

An Education Bond has a Bond Balance of \$600,000 invested into two Investment Options, namely \$350,000 in Futurity Blended - Balanced Portfolio and \$250,000 in Futurity Sectoral Indexed – Australian Equities.

Bond Balance	If the reduced Management Fee scale is applied	
\$0.00 to \$50,000 (Standard fee)	0.70% p.a	\$350 (\$50,000 @ 0.70%)
\$50,001 to \$250,000	0.55% p.a	\$1,100 (\$200,000 @ 0.55%)
\$250,001 to \$1,000,000	0.40% p.a	\$1,400 (\$350,000 @ 0.40%)
\$1,000,001 to \$2,000,000	Nil	Exceeds the Bond Balance
Above \$2,000,000	Nil	Exceeds the Bond Balance
<b>Total Futurity Management Fees</b>		<b>\$2,850</b>

With the fee reductions applied, Futurity's standard annual Management Fees would be lowered by \$1,350 to \$2,850.

## OTHER FEES AND COSTS

### DIRECT AND REIMBURSABLE COSTS

Under the Product Rules, a range of Futurity's costs can be charged directly to the Investment Options or reimbursed to us if our Management Fund has paid or incurred them on behalf of an Investment Option.

They are not charged to you separately, but are reflected in each Investment Option's Unit Price.

Depending on the type and level of investment assets held, these costs will vary between the Investment Options.

These costs include acquisition, disposal, valuation and transaction costs, such as for brokerage, state duty, insurances, custody and valuation costs. They also can include auditor's fees, actuary's fees and legal fees incurred in respect of the operation of the Investment Options.

These costs are capped at a maximum per Investment Option of 0.10% p.a – any costs above the cap will be absorbed and met by Futurity from our Management Fund.

If we seek to remove or decrease the above capping arrangement, we will give you at least three months' prior written notice.

### BUY/SELL COSTS

For all Investment Options, their respective Buy Unit Prices and Sell Unit Prices incorporate a small percentage cost to cover transaction costs.

Given that all Investment Options on the menu are typically fully invested into UMFs (other than small cash holdings), these transaction costs are limited to the underlying Buy/Sell Costs of the UMFs. Futurity incurs these transaction costs when we buy or sell units in the UMFs.

In order that each Bond Owner equitably bears transaction costs applicable to their own Bond – (when making Contributions, switches, claims and withdrawals) – Futurity seeks to ensure that our Buy Unit Price or Sell Unit Price mirrors the corresponding UMFs Buy/Sell Costs as set by the UMF investment managers from time to time.<sup>18</sup>

Buy/Sell Costs of the UMFs that we currently use range between 0%/0% and 0.35%/0.35%.<sup>19</sup> These costs applicable to each Investment Option are shown in the table on p.54-55 and work by the:

- Buy Unit Price imposing a small percentage cost when you acquire Units in an Investment Option – you are issued slightly fewer Units when you contribute or switch to an Investment Option; and
- Sell Unit Price imposing a small percentage cost when you redeem Units – you receive a slightly less amount for Education Benefit Claims or Other Withdrawals (Any Purpose) or are issued slightly fewer Units when you switch from an Investment Option.

### DISHONOUR FEE

If we incur a fee because a direct debit, BPAY®, EFT or cheque for your Education Bond is dishonoured or cancelled by your financial institution, a corresponding amount may be charged against your Bond Balance.

## INCREASES OR ALTERATIONS TO FEES OR COSTS

In certain circumstances we can vary our fees within limits prescribed in the Product Rules. If we seek to increase fees, we will give you at least three months' prior written notice. Under the Product Rules, these are the maximum level of fees (inclusive of the net effect of GST) allowed:

- Contribution Fee of 5%;
- Management Fee of 2% p.a.; and
- Switching Fee of 5% of the value of the investment switched.

These maximums can only be changed by us with your approval as Bond Owner.

### GST

Unless otherwise indicated, all fees and charges disclosed in this PDS and Financial Adviser remuneration (if agreed by you) are inclusive of GST (where applicable). Where Reduced Inputs Tax Credits are available, GST payable can be lessened.

Contributions, Switches, Education Benefit Claims or Other Withdrawals (Any Purpose) do not create a GST liability for you.

## STATE DUTY

When establishing your Education Bond, some Australian States may levy a small amount of duty on your Initial Contribution. For example, New South Wales duty on a \$50,000 Initial Contribution is \$49.

For the currency of this PDS and in respect of all Bonds issued under it, Futurity will meet and pay any duty for you for Initial Contributions of up to \$50,000.

For Initial Contributions above \$50,000, duty is met by you and will be deducted from your Initial Contribution amount. Your Confirmation Certificate will detail any duty that has been deducted.

Ongoing Savings Plan amounts and Add-On Contributions do not attract duty.

<sup>18</sup> For Investment Options with multiple UMFs, a composite average of the respective underlying Buy/Sell Costs is estimated by us.

<sup>19</sup> Buy/Sell Costs are estimated and applied by the managers of the UMFs and subject to change from time to time and are beyond Futurity's control.

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## YOUR FEE ARRANGEMENTS WITH YOUR FINANCIAL ADVISER

If you retain the services of a Financial Adviser, it is up to you to negotiate and reach your own agreement as to his or her remuneration.

For instance, you might agree a set amount or percentage as an Initial Advice Fee, and perhaps ongoing Adviser Service Fees in respect of your Education Bond.

Alternatively, you might agree with your Financial Adviser to charge professional fees on a 'fee-for-service' basis, a flat fee or for time spent or based on the value of your total Bond and any other investments looked after by your Financial Adviser.

### IMPORTANT INFORMATION ABOUT ADVISER SERVICE FEES

If you have instructed us to pay ongoing Adviser Service Fees to your Financial Adviser from your Education Bond, in addition to providing you with a fee disclosure statement your Financial Adviser must seek your consent annually to continue to receive such payment. Your Annual Bond Owner Statement will outline all relevant fees. This information is also accessible from the Investor Portal. If you have not provided the required consent and ongoing Adviser Service Fees continue to be deducted, please notify us immediately so that we can cease making these payments on your behalf. The recovery and payment of any overpayment of ongoing Adviser Service Fees received by your Financial Adviser will be a matter between you and your Financial Adviser.

## INITIAL ADVICE FEE

You can negotiate and agree to remunerate your Financial Adviser by an Initial Advice Fee for the advice and services for establishing your Education Bond.

Any Initial Advice Fee agreed between you and your Financial Adviser can be instructed to us in the Application Form and can be charged as:

- a percentage of your Initial Contribution amount; or
- a set dollar amount.

Initial Advice Fees are deducted from your Initial Contribution before investment and will usually be paid to your Financial Adviser around the 10th day in the month following your Bond's Commencement Date.

### Example of Initial Advice Fees

An Education Bond established with a \$50,000 Initial Contribution and an agreed Initial Advice Fee of 1.5% will result in a \$750 deduction from your Initial Contribution, which we pay to your Financial Adviser.

## ADVISER SERVICE FEES

You can also agree with your Financial Adviser to remunerate him or her with ongoing Adviser Service Fees.

These fees might cover ongoing advice and services, such as monitoring your investment and reporting to you about it, advice about switching between Investment Options, and for other financial planning, estate planning and taxation advice as your circumstances change.

Adviser Service Fees might also cover your Financial Adviser acting as your Bond Guardian(s) or Bond Representative(s) (p.82-84).

Any agreed Adviser Service Fees can be instructed to us in the Application Form and can be charged against your Bond Balance as:

- a percentage of your Bond Balance; or
- a set dollar amount.

Adviser Service Fees are usually paid in arrears around the 10th of each month where applicable.

### Example of Adviser Service Fees

An Education Bond with a \$50,000 Bond Balance and with an agreed 0.25% p.a. Adviser Service Fee will incur an annual cost of \$125 adjusted against your Bond Balance.<sup>20</sup>

## Monitoring and Checking Your Financial Adviser Arrangements

Futurity does not monitor the type or level of services provided to you by your Financial Adviser. We recommend that you:

- check that you are receiving the agreed services, especially if you are paying ongoing Adviser Service Fees; and
- regularly review the services provided and consider if the fees are appropriate.

## Your Adviser Fee Instructions

If Adviser Service Fees have been agreed between you and your Financial Adviser, these cannot be increased or changed by Futurity or by your Financial Adviser, unless advised to us in writing by you.

If you are not happy with the services being provided, you should speak to your Financial Adviser. Also at any time, you can instruct Futurity in writing to cease, reduce or increase the Adviser Service Fee.

Instructions on these matters are deemed to be agreed provisions and accepted by your Financial Adviser in accordance with his or her declarations given to us in the Financial Adviser section of the Application Form.

## Your Financial Adviser's Duties

Your Financial Adviser must fully disclose in a Statement of Advice provided to you in respect of your Education Bond, any remuneration being charged for advice and services given.

He or she is also required to act in your best interests by placing your interests ahead of his or her own when providing personal advice to you or when entering fee arrangements with you.

## DIFFERENTIAL FEE ARRANGEMENTS

We may individually negotiate and enter into other fee arrangements with certain investors, including:

- 'sophisticated' and 'professional' investors (within the meaning of the Corporations Act);
- with our employees; or
- with large investors or other investors as permitted by Law.

Where such other fee arrangements are agreed, then lesser fees can be charged by us or fees can be rebated or waived at our discretion.

## BENEFITS FROM TAX CREDITS AND OFFSETS

Under the Product Rules, each Investment Option will be credited with the benefit of tax credits (or tax offsets) realised by Futurity.

Tax credits are amounts that can reduce income tax paid and provided for – and accordingly, can favourably impact the Investment Options and their Unit Prices. So, tax credits (when available) help reduce the effective Fund Tax rate below their current nominal rate of 30% (p.67).

Tax credits include claimable tax offsets – such as franking tax offsets and foreign tax offsets, that relate to franked dividend income and certain classes of foreign income.

<sup>20</sup> This is a simplified example because it ignores any fluctuation in the value of your Bond during the course of a year.







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# HOW THE TAX FRAMEWORK OPERATES

The Australian taxation framework governing Education Bonds has various components to its tax-effectiveness and the availability of its valuable tax benefits. Essentially, these depend on whether your Bond is accessed for education purposes or non-education uses, timing of the access and the individual circumstances of you, as Bond Owner and your Education Beneficiaries.

Futurity's Education Bonds, when established for the sole purpose of providing Education Benefits to Education Beneficiaries qualifies them for advantageous 'scholarship plan' taxation treatment. This means that whenever you make an Education Benefit Claim, Futurity automatically includes an Education Tax Benefit. This is a substantial benefit of an additional \$30 for every \$70 withdrawn from your investment as Education Benefits.

Whilst the taxation framework governing Education Bonds requires that a qualifying Bond must be taken out solely for education purposes – these tax rules also recognise that situations can subsequently arise for making Other Withdrawals (Any Purpose) such as for a 'non-education' purpose. When made, these Other Withdrawals (Any Purpose) can still be a tax-advantage because Investment Bond Tax Rules apply.

## NINE COMPONENTS OF THE EDUCATION BOND TAX FRAMEWORK

1. Tax-Paid Investing Benefits
2. The Education Tax Benefit
3. Tax-Free Elements
4. No Personal Taxable Income or CGT Applies
5. Switch Investment Options Without Personal Tax or CGT
6. Transfer Your Bond Without Personal Tax or CGT
7. 'Set-and-Forget' Investing
8. Other Withdrawals (Any Purpose) – Capital Component
9. Other Withdrawals (Any Purpose) – Investment Bond Tax Rules

**Important Note – It is impossible to foresee Taxation Law and ruling changes that may impact upon the taxation arrangements applying to education bonds. Futurity recommends that you seek advice from your taxation adviser or Financial Adviser before making any decisions with respect to your Bond that may have taxation implications.**



## 1. TAX-PAID INVESTING BENEFITS

Education Bonds are Tax-Paid investments. This means that throughout the entire Bond Term of your investment, Futurity (rather than you) pays the tax (called **Fund Tax**) on your Bond's ongoing investment earnings.

### Main Advantages

The main advantages of Tax-Paid investments are:

- you as Bond Owner, whilst your Bond grows in its Tax-Paid environment, do not have to be concerned with tax reporting and paying tax (or **CGT**) on ongoing Fund earnings;
- for Bond Owners with middle to high marginal tax rates (**MTRs**)<sup>21</sup>, Tax-Paid investments can have valuable tax rate 'arbitrage' benefits. This is because effective Fund Tax rates (that we pay) on the Bond's Investment Options are generally lower than their higher ongoing personal MTRs (that you pay); and
- Education Bonds, are non-distributing investments and whilst accumulating, do not add to the Bond Owner's personal taxable income from year to year. The impact of investment earnings automatically being reinvested and compounding in a Tax-Paid investment structure can add up to significant additional performance benefits.

### Benefits of Sub-30% Effective Fund Tax Rates

Each Investment Option on the Bond's Investment Menu has its own effective Fund Tax rate that we assess and use when we calculate its daily Unit Price.

This rate is nominally prescribed as 30%, however, depending on the types of asset classes held in each Option – and the level of franking and foreign tax offsets passed from its UMF(s) and our tax provisioning – its actual effective Fund Tax rate can be significantly less than 30%.

This table illustrates our estimated, long-term, effective (or true) Fund Tax rate ranges applicable to the asset classes of the Bond's different Investment Options.

Investment Asset Class	Estimated Effective Fund Tax Rate Ranges
Australian Equity Investments	18% – 26%
International Equity Investments	20% – 27%
International Emerging Markets	24% – 27%
Australian Fixed Interest Investments	28% – 30%
International Fixed Interest Investments	28% - 30%
Property and Infrastructure Investments	22% – 26%
Cash and Deposit Investments	30%
Diversified & Blended Options	22% – 30%

Given most effective Fund Tax rates are sub-30%, this means that for most middle to high taxed Bond Owners with higher personal MTRs applying to each extra dollar of investment income, valuable tax rate 'arbitrage' advantages can rise.<sup>22</sup>

The benefit of lower effective Fund Tax rates translates to higher Unit Prices and improved performance of your Bond.

<sup>21</sup> Middle to high personal MTRs are 34.5%, 39% and 47% (including the Medicare levy) p. 68.

<sup>22</sup> This is also the case with even low-income minors (under age 18) whose investment income is otherwise subject to the highest MTR of 66% (when their non-excepted Division 6AA income exceeds the low Minor's \$416 Tax-Free Threshold), and a flat MTR of 45% on their entire income (when their Division 6AA taxable income exceeds an-also-low \$1,307).

### Importance of your Marginal Tax Rate for Tax-Effective Investing<sup>23</sup>

An investment is said to be 'tax-effective' if you end up with less tax than you would have paid on another investment with the same return and risk. While lower tax can help your savings grow faster, you should never base an investment decision on tax benefits alone.

The first step in understanding how tax affects you is to know what 'marginal tax rate bracket' you are in.

This simply means "If I earn an extra dollar, how much extra tax will I pay?" Generally, you will have higher or lower MTRs over time as your salary increases or decreases due to joining or leaving your job, promotions or demotions, working more or less time, retiring, or having more or less investments with better or worse returns.

### MTRs FOR ADULT BOND OWNERS OR EDUCATION BENEFICIARIES

Taxable Income	Marginal Tax Rate Brackets
0-\$18,200	Nil – 'Adult's \$18,200 Tax-Free Threshold'
\$18,201-\$45,000	19c for each \$1 over \$18,200
\$45,001-\$120,000	\$5,092 plus 32.5c for each \$1 over \$45,000
\$120,001-\$180,000	\$29,467 plus 37c for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45c for each \$1 over \$180,000

**Table Note** – These MTRs apply to Australian residents (for tax purposes), and do not include impacts of the Medicare levy (added 2%) or the Medicare Levy Surcharge (added 1%-1.5% for high income earners without private health cover).



Michael is an aircraft engineer on average weekly earnings, and in 2020 he earned \$92,000. This puts him on a 32.5% MTR and he will pay marginal tax of 32.5% for every extra dollar he earns, as his income level is in the over \$45,000 tax bracket. His wife Sarah, a teacher, works part-time and earns \$48,000 which puts her in the 32.5% MTR bracket also.<sup>25</sup>

### MTRs FOR MINOR EDUCATION BENEFICIARIES<sup>24</sup>

Taxable Income	Marginal Tax Rate Brackets
0-\$416	Nil – 'Minor's \$416 Tax-Free Threshold'
\$417 – \$1,307	66c for each \$1 over \$416
Over \$1,307	45% of total income.

**Table Note** – With low-income minors (under age 18). Division 6AA (ITAA36) reduces a child's Tax-Free threshold from \$18,200 to \$416, with income between \$417 and \$1,307 taxed at MTR of 66%. When above \$1,307, the whole income is charged at a flat rate of 45%.

### MTRs ON EXCEPTED INCOME OF MINORS WHO ARE EDUCATION BENEFICIARIES

Taxable Income	Marginal Tax Bracket
0-\$18,200	Nil – 'Excepted Income Minor's \$18,200 Tax-Free Threshold'

**Table Note** – When monies used to invest in an Education Bond are sourced from (for example) a death benefit of a life insurance policy (including another Education Bond), or from a superannuation account, or from an estate of a deceased person (including a Will estate or testamentary trust) – the income of a minor may be treated as 'excepted income of a minor.' This means income in the form of an amount received as an Education Benefit may be subject to tax under more favourable adult tax rates (with its much higher Tax-Free threshold of \$18,200).

## 2. THE EDUCATION TAX BENEFIT

When established for the sole purpose of providing Education Benefits to Education Beneficiaries, Futurity's Education Bonds qualifies them for advantageous 'scholarship plan' taxation treatment.<sup>26</sup>

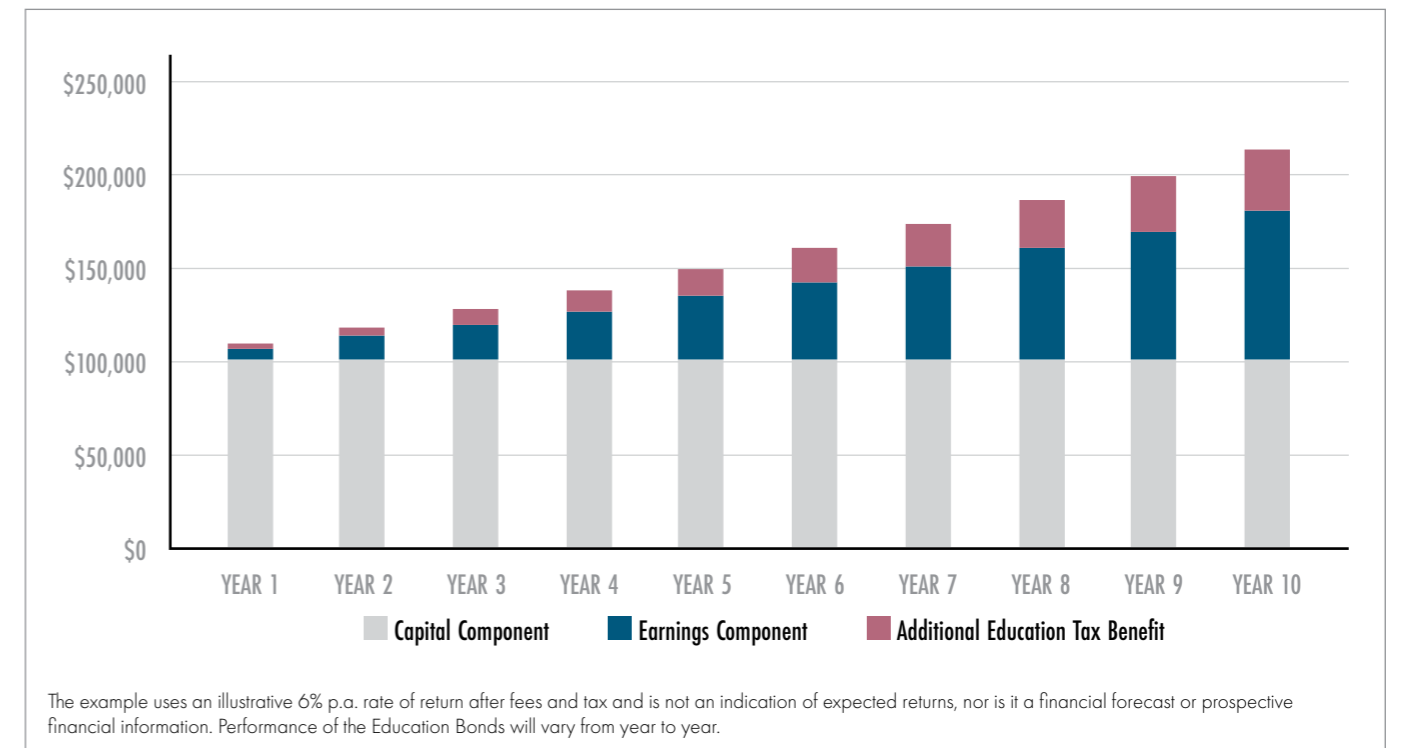
This is a valuable tax benefit that arises whenever you make Education Benefit Claims. Futurity automatically includes Education Tax Benefits, which amounts to an additional \$30 for every \$70 withdrawn from your investment earnings as Education Benefits. (See p.46 Case Study examples).

Education Benefit Claims are processed by us from your Bond's Earnings Component. In effect, the benefit

represents a refund of the Fund Tax already paid by Futurity on the Bond's investment earnings. The Education Tax Benefit arises because Futurity claims a tax deduction for Education Benefit Claims paid and we fully pass the full dollar benefit of this to the receiving Education Beneficiaries or other authorised parties receiving it on their behalf.

Education Benefit Claim amounts are tax assessable in the Education Beneficiary's hands at their MTR, rather than taxable to the Bond Owner. Depending on the age of the Education Beneficiary, the Education Benefit will be a Tax-Free receipt or some personal tax may be assessable on the year of receipt at his or her MTR (p.68).

### IMPACT OF EDUCATION TAX BENEFITS ADDED TO EDUCATION CLAIMS OVER 10 YEARS



<sup>23</sup> This content has been derived from the ASIC moneysmart.gov.au website.

<sup>24</sup> Applicable to resident Minors on their non-excepted taxable income under Division 6AA of the Income Tax Assessment Act 1936.

<sup>25</sup> Average weekly ordinary time earnings for full-time adults in Australia in November 2021 was \$1,748, which equates to \$90,896 (annual) – per Australian Bureau of Statistics media release of 24 February 2022.

<sup>26</sup> Under sections 15-60 and 320-112 of the Income Tax Assessment Act 1997.

### 3. TAX-FREE ELEMENTS

There are various avenues to access your Bond and receive distributions from it that give rise to Tax-Free treatment for you, your Education Beneficiaries and those who are your Bond Estate Recipients.

#### Ways to Access with Tax-Free Treatment

- **Education Benefit Claims** – made from your Bond's Earnings Component are Tax-Free for Education Beneficiaries:
  - **18 years or over** with taxable income that falls within the 'Adult's \$18,200 Tax-Free Threshold'<sup>27</sup> (p.68); or
  - **under 18 years** by the end of the tax year with taxable income<sup>28</sup> that falls within the 'Minor's \$416 Tax-Free Threshold' or falls within the 'Excepted Income Minor's \$18,200 Tax-Free Threshold' (p. 68).
- **Other Withdrawals (Any Purpose) – Capital Component** – withdrawals made at any time and in all situations from this component of your Bond (p.71) are always Tax-Free receipts.
- **Other Withdrawals (Any Purpose) – Earnings Component** – withdrawals made at any time and in any amount after 10 years from this component of your Bond are Tax-Free receipts where the Investment Bond 10-Year Advantage applies (p.72).
- **Financial Difficulties, Accident, Other Disability or Serious Illness** – Also, if you as Bond Owner<sup>29</sup> have to access your Bond at any time by Other Withdrawals (Any Purpose) due to unforeseen serious financial difficulties or due to accident, other disability or serious illness – then Tax-Free distribution treatment can also apply under Investment Bond Tax Rules.

#### Ways Your Bond Makes Tax-Free Distributions

- **Bond Death Maturity** – If your Education Bond comes to an end and matures due to the death of its Life Insured(s) – then its full Bond Benefits are Tax-Free distributions to your Bond Estate Recipients (p.34).
- **Bond Term Maturity** – If your Bond matures due to its Bond Term set by you coming to an end – then all proceeds distributed to you are Tax-Free where the Investment Bond 10-Year Advantage applies (p.34).

### 4. NO PERSONAL TAXABLE INCOME OR CGT APPLIES

Education Bonds are non-distributing investments and whilst accumulating from year to year, their investment growth does not add to the Bond Owner's personal taxable income. This is an advantage as against other investment types that:

- annually distribute taxable returns, such as interest on bank accounts, Managed Fund distributions and dividends paid on shares; or
- generate assessable profits or capital gains on redemptions,

both of which normally add to an investor's personal taxable income.

Education Bonds also do not involve any CGT implications for you as Bond Owner or for your Education Beneficiaries. This contrasts with other investment types, such as direct share ownership and Managed Funds, which can also have additional CGT reporting and tax liabilities when accessing, transferring or modifying investment assets.

### 5. SWITCH INVESTMENT OPTIONS WITHOUT PERSONAL TAX OR CGT

You can switch between Investment Options on the Bond's extensive master fund-like Investment Menu without upsetting its advantageous tax status. Importantly, when you switch between Options this does not cause any personal tax or CGT liabilities for you.

This tax-freedom to make changes to your Bond's investment strategy without the CGT implications, is a major advantage over other investments like Managed Funds and unit trusts that might attract potential tax liabilities and tax reporting obligations when changing their investment mix. The switching facilities of these other 'flow-through' tax type investments usually involve unit redemption and acquisition transactions resulting in capital gains or losses.

### 6. TRANSFER YOUR BOND WITHOUT PERSONAL TAX OR CGT

You can transfer your Education Bond to other person(s) or an entity at any time. Transfers can be done to have immediate effect or set up as a Future Activated Transfer (p.41). Either way, the legal and taxation effects are the same:

- your Bond's transferee(s) simply replace you as the absolute Bond Owner with full access to and control, and you cease all rights and interests in the Bond; and
- this happens with full preservation of the Education Bond's tax-advantaged status, such as maintaining its existing Capital and Earnings Components and the original 10-year Commencement Date.

Additionally, Bond transfers usually entail no personal tax or CGT implications. Typically, no dollar consideration is involved because the transfer is made as a 'gift'. For example, to a spouse, a child, or by simply changing your Bond's ownership from single to joint names. If a Bond transfer involves dollar consideration, such as 'by way of sale', it may involve taxation consequences. We recommend that you obtain professional taxation advice beforehand.

If you are in receipt of a Government income support payment (such as the age pension), you may also wish to seek timely financial advice, including on the implications of the amount treated as a gift.

### 7. 'SET-AND-FORGET' INVESTING

For you as Bond Owner, an Education Bond can be a 'set-and-forget' investment for tax purposes. This is because you, during your Bond's accumulation phase, attract no personal taxation or CGT liabilities, or any personal tax reporting concerns.

Importantly, there are no taxation implications for you as Bond Owner due to Education Claims whenever made and paid. This translates to you as Bond Owner:

- not needing to keep personal taxation and CGT records; and
- not having to make annual tax declarations in your tax returns of any of the Bond's investment growth.

Also, you do not have to consider how any increase in your personal taxable income due to owning your Bond might affect your personal tax situation with other investments. This can assist your qualification for tax offsets

(such as the valuable Seniors and Pensioners Tax Offset or Private Health Insurance Tax Offset) and other qualifying income-tested benefits such as the Commonwealth Seniors Health Card.

#### No Tax File Number Required

Both you as the Bond Owner(s) and your Education Beneficiary(s) are not required to provide Futurity with Tax File Numbers (under current tax and privacy rules) when establishing your Bond or accessing it for Education Benefit Claims or Other Withdrawals (Any Purpose).

### 8. OTHER WITHDRAWALS (ANY PURPOSE) – CAPITAL COMPONENT

These type of withdrawals are at all times Tax-Free, as they are sourced from your Bond's Capital Component. It comprises your Contributions made from monies that you have already personally paid tax on or are capital sums.

Futurity maintains records of your Bond's Capital Component, which comprises all of your net Contributions, less that portion taken from it due to making Other Withdrawals (Any Purpose) as instructed by you.

### 9. OTHER WITHDRAWALS (ANY PURPOSE) – INVESTMENT BOND TAX RULES

The taxation framework governing Education Bonds recognises that you may need to access your Bond at some stage for 'non-education' purposes. Hence, Other Withdrawals (Any Purpose) are allowable, and importantly attract the tax-advantages of Investment Bond Tax Rules.

The extent of these tax benefits depends on whether your Other Withdrawal (Any Purpose) is made before or after 10 years of your Education Bond's Commencement Date.

#### Other Withdrawals (Any Purpose) – Before 10 years

If withdrawals (in full or part) are made at any time in your Bond's first 10 years, you might potentially pay some personal tax at your MTR, but only on any Earnings Component of your withdrawal. The rules work as follows:

- if you make an Other Withdrawal (Any Purpose) within your Bond's first eight years – you may only attract personal tax on the 'proportionate value'<sup>30</sup> of your Bond's Earnings Component; and
- that proportionate value is one-third exempt when a withdrawal is made in the Bond's ninth year and is two-thirds exempt when a withdrawal is made in the tenth year.

<sup>27</sup> The effective Tax-Free threshold is currently increased to \$21,884 after claiming the low and middle income tax offset.

<sup>28</sup> This must be non-excepted Division 6AA taxable income of the Income Tax Assessment Act 1936.

<sup>29</sup> Bond Owners also must be the Life Insured under their Bond for this Tax-Free treatment to apply.

<sup>30</sup> Other Withdrawals (Any Purpose) are subject to the Investment Bond Tax Rules and a long-standing Taxation Ruling (IT 2346) which determines the relevant assessable proportionate value in the total withdrawal.

## Investment Bond Tax Rules

### How withdrawals are normally treated

WITHIN 8 YEARS



You will pay tax on your Bond Earnings at your MTR less 30% Tax Offset

IN YEAR 9



You will pay tax on 2/3's of your Bond Earnings at your MTR less 30% Tax Offset

IN YEAR 10



You will pay tax on 1/3 of your Bond Earnings at your MTR less 30% Tax Offset

AFTER 10 YEARS



All Bond Earnings can be accessed Tax Free

### A 30% TAX OFFSET BENEFIT

Access to your Bond's Earnings Component within its first 10 years attracts a 30% Tax Offset.

This special 30% Tax Offset<sup>31</sup> reduces any personal tax you might incur on your Bond's Earnings Component when making Other Withdrawals (Any Purpose). The offset only applies in those financial years in which you make withdrawals, and you do not have to calculate the Tax Offset, as this will be done for you by the ATO.

This Tax Offset is provided to compensate you for the Fund Tax previously paid annually by Futurity.

### Other Withdrawals (Any Purpose) after 10 years – The Investment Bond 10-Year Advantage

After 10 years, if you make Other Withdrawals (Any Purpose) – whatever amount you receive as Bond Owner is a Tax-Free receipt. This is known as the Investment Bond 10-Year Advantage and includes you accessing its Earnings Component by making:

- Other Withdrawals (Any Purpose) made in any amount (whether full or ongoing periodical withdrawals) or made at any time after 10 years; or
- received at a Bond Maturity due to the Bond Term set by you ending.

In effect, the Bond's tax rate 'arbitrage' advantages become permanent with your Education Bond being taxable only in Futurity's hands at the 30% (or lower effective) Fund Tax rate – and never being taxable again in your hands as Bond Owner.

### THE INVESTMENT BOND 125% RULE

This tax rule requires you to keep your Education Bond's ongoing level of Savings or any Add-On Contributions to no more than 125% of the previous Bond year's total Contribution level. Adherence will preserve its qualification for the Investment Bond 10-Year Advantage.

For example, if your Initial Contribution in Bond year 1 is \$10,000, you can invest up to \$12,500 (\$10,000 x 125%) in Bond year 2 and so on. By contributing within the limits of 125% of the previous year's total Contributions you will not breach the 125% Rule.

Application of the 125% Rule means that if you miss making any Contributions in a Bond year, you can only recommence making Contributions by recommencing your Bond's 10 year tax period.

Under the Investment Bond Tax Rules, if the total Contributions (in any Bond year) exceeds 125% of your previous Bond year's total Contributions, the 10 year tax period will be deemed to recommence at the start of the Bond year in which any excess contribution is made.

It is up to you (or your Financial Adviser) to monitor how much you have contributed under the 125% Rule. To assist you, Futurity will provide in your Annual Statement details of the previous Bond year's contributions, and the allowable Contribution amount in the coming year so as to maintain the 125% Investment Bond Advantage.

## ADDITIONAL TAX INFORMATION

### TAXATION LAW

Education Bonds operate under Australian Taxation Laws and long-established taxation framework designed for life insurance-based investments.

The tax-effectiveness and availability of tax benefits for these Bonds depend on a variety of factors, including prevailing tax rates and the individual circumstances of you, as Bond Owner and your Education Beneficiaries. Importantly, different treatment arises depending on whether the Bonds are accessed for education or non-education purposes and the timing of such access.

The taxation information in this PDS and in this Section is current as at the date of this PDS. It is based upon our general understanding of relevant Taxation Law (which is subject to change over time) and is only a summary of it.

### TAXATION OF THE INVESTMENT OPTIONS

Futurity pays Fund Tax on each of the Investment Options at their respective effective Tax-Paid rates – which generally fall within the 20% to 30% range, as explained on p.67.

Investment earnings of the Investment Options are predominantly derived from unit trust distributions from the UMFs and realised capital gains (or losses) from holding and disposing of units in those UMFs. Unless cash liquidity is needed, Futurity receives these distributions as additional units in the relevant UMF.

The Investment Options are not subject to normal CGT:

- any realised gains on units in the UMFs are taxable to Futurity and realised losses are immediately deductible as ordinary income and outgoings; and
- net increases in unrealised capital value of UMF units are treated as earnings of the Fund.

The provisioning for tax on an accruing basis, whether on income or outgoings, is consistent with more accurate and fair Unit pricing by Futurity, as against the conventional unit pricing arrangements for standalone unit trusts.

The Investment Options can also receive UMF distributions with attached franking credits and foreign tax credits.

Futurity's policy on the treatment of any benefits from tax credits and offsets is explained on p.63.

### TAXATION OF FUTURITY

Futurity is a single tax paying entity and is taxed at 30%.

Whilst each Investment Option has its own effective Fund Tax rate, for income tax purposes, each Option's taxable

income is pooled as part of Futurity's income returned as a single tax paying entity.

This pooling gives rise to single taxpayer reporting efficiencies and enables more immediate tax loss recovery (if applicable) and optimises tax credit and offset claims.

### TAXATION OF PAYMENTS FROM A BOND

(Also refer to pages 31 to 33 under the section 'Accessing your Bond' and to pages 66 to 73 under the section headed 'How the Tax Framework Operates')

#### (a) Education Benefit Claims

Education Benefit Claim amounts (including the additional Education Tax Benefit) are assessable in the Education Beneficiary's hands and the tax payable amount will depend upon their taxable income and MTR. The amount of tax payable will also depend upon whether the Education Beneficiary is treated as:

- a minor (who is under 18 years at the end of the tax year), or
- an excepted minor – in which case they are favourably taxed as an adult, or
- a non-excepted minor, but who is in receipt of 'excepted income' – in which case they are also favourably taxed as an adult.

#### (b) Other Withdrawals – Capital Component

These types of withdrawals, which can be made by the Bond Owner for any purpose – if they are sourced from your Capital Component are Tax-Free at all times. (p. 71)

#### (c) Other Withdrawals – Earnings Component

These withdrawals when sourced from the Bond's Earnings Component and made for any purpose – if made by you as a Bond Owner before 10 years tax are assessable to you at your MTR with a 30% Tax Offset Benefit (p. 71) – or if made after 10 years are Tax-Free at all times (p. 72).

### SOCIAL SECURITY AND PENSION IMPACTS

Education Bond Ownership can impact qualification to Government means-tested pensions or other Centrelink or the Department of Veterans Affairs benefits.

Education Bond investments are treated as 'financial assets' under the Assets Test and deemed to earn income under the Income Test.

Rules governing Social Security and pensions are subject to change and are impacted by proposals and Government announcements. Anyone on a Government pension or other benefit intending to hold an Education Bond is recommended to consult with Centrelink or Department of Veterans Affairs Office or their Financial Adviser.

31 Under section 160AAB of the Income Tax Assessment Act 1936.

### ESTABLISHING YOUR EDUCATION BOND

#### What is the difference between EdInvestor and EdSaver?

EdInvestor and EdSaver are different avenues to establishing a Bond.

If you establish your Bond as an EdInvestor, you have the choice of the full range of product features up front.

EdSaver is set up as a Family Bond via a streamlined process and investment menu, with only the essential features activated. All features (including the full investment menu) are available to you after establishment.

### EDUCATION BOND OWNERSHIP

#### Who can own an Education Bond?

They can be owned by individuals, including as joint owners. A company or trust (including deceased estate) can also be a Bond Owner.

#### Can a child take out a Bond for him or herself?

Yes, this is possible to do in the name of a child provided he or she is over the age of 10. If the child is between age 10 and 16 consent of a parent or guardian is required.

#### How does joint ownership work?

If one joint Bond Owner dies during the Bond Term, the Bond will automatically pass ownership to the surviving joint owner(s).

### EDUCATION BENEFICIARIES

#### Is there an age limit for an Education Beneficiary?

No, the wide classes of Education Beneficiaries, including yourself, can be any age.

#### Can I change my Education Beneficiary?

Yes, with a **Family Education Bond** you have wide discretion to appoint and remove Education Beneficiaries.

For an **Individual Education Bond**, a Replacement Individual Education Beneficiary can be nominated at any time by you. Bond Representatives and Bond Guardians may also change Education Beneficiaries (if authorised by you).

#### Can my Bond continue without having an Education Beneficiary?

You might decide to continue your Bond without having any Education Beneficiaries in place – and access it by only making Other Withdrawals (Any Purpose) with the benefits of Investment Bond Tax Rules applying.

#### Can you establish an Education Bond for ‘yet-to-be-born’ children?

Yes, it is possible to establish an Education Bond without knowing the Education Beneficiary’s identity, including them not being born. The only requirement is that your Bond is created with the purpose and intention of making Education Beneficiary appointments.

### BOND TERMS

#### Can I change my Bond Term?

Yes, this can be done at any time. You can change its Term whether a set number (up to 99) years or set it to end on the death of the Bond Owner or a specified period after such death.

### EDUCATION BENEFIT CLAIMS

#### Who as Bond Owner can I authorise to make Education Benefit Claims?

These can be made by your Appointed Associates. Also, Education Beneficiaries can be authorised by special arrangement with us.

They have no rights or capacity to deal with the Bond unless you have put in place with us authorised arrangements for him/her to access and undertake Bond Transactions.

### EFFECTS OF DEATH

#### Who controls your Bond if you (as Education Bond Owner) die during the Bond Term?

If Life / Lives Insured remain and you have appointed Bond Guardian(s) – they will take control of your Bond, but subject to the specific level of authorised powers that you give.

If you have not appointed Bond Guardian(s) – your LPR will hold the Education Bond in trust for your Education Beneficiary(s) until the end of the Bond Term, or until Bond Death Maturity if this occurs beforehand.

#### What if the last remaining Education Beneficiary dies during the Bond Term?

If the last remaining Education Beneficiary dies and he or she is also the last surviving Life Insured under the Education Bond, this death will trigger a Bond Death Maturity.

Its full Bond Benefits will be a Tax-Free distribution to the Bond Estate Recipients.

If the deceased Education Beneficiary is not the last surviving Life Insured, the Bond will continue until such time that Bond Maturity occurs or the Bond is otherwise surrendered by the Bond Owner (or the Bond Guardian(s) where authorised to do so).

#### How can a Bond be closed following Death of a Bond owner?

If your Bond is held by Bond Guardian(s) or your LPR following the death of you as Bond Owner – and where no Education Beneficiary is left nominated or appointed, the Bond may be surrendered. If in the opinion of your Bond Guardian(s) or LPR there is unlikely to be any future appointments, your Guardian or LPR can make an application to Futurity to surrender the Bond and the remaining Bond Balance shall be paid to either the Bond Estate Nominees or LPR as the case requires.

A Bond cannot be surrendered while there is an existing Appointed Education Beneficiary and/or Individual Beneficiary or a reasonable expectation of a future appointment and/or nomination.

Your Bond Guardian(s) or LPR must act in the best interests of any Education Beneficiaries and/or Bond Estate Nominees.

### BOND REPRESENTATIVES AND GUARDIANS

#### What is the difference between them?

They both undertake essentially the same functions – the main difference being Bond Representative(s) act for you whilst alive with capacity and Bond Guardian(s) act for you if you are deceased or become incapable.

#### What are your Bond Guardian’s powers and obligations?

These are governed by the Product Rules and generally empower him or her to deal with the Education Bond as authorised by you, such as making Education Benefit Claims and Other Withdrawals (Any Purpose) (p.82-83).

All of the Guardian’s dealings must be for the maintenance or benefit of your Education Beneficiary.

#### What are your LPR’s powers and obligations?

These are governed by estate and succession laws and generally empower your LPR to undertake Bond Transactions subject to such dealings only being for the maintenance or benefit of Education Beneficiaries.

### INTERESTS AND RIGHTS IN EDUCATION BONDS

#### What are my interests and rights as Bond Owner?

Your Bond is your absolute property and you are free to deal fully with it, including completely accessing its full

Bond Benefits for your own purposes by making Education Benefit Claims or making Other Withdrawals (Any Purpose).

#### What rights and interests do my Appointed Education Beneficiaries have in the Bond?

Your Appointed Education Beneficiary(s) has a contingent interest in your Education Bond, which is dependent upon you (or the Bond Representative(s) or Bond Guardian(s), if authorised) making Education Benefit Claims in his or her favour.

He or she has no rights or capacity to deal with the Bond unless you have put in place with us special arrangements for him/her to access and undertake Bond Transactions.

#### What rights and interests do my Bond Estate Nominees have in the Bond?

They only have a future contingent interest in your Education Bond – which is dependent upon them and your Estate Nomination being in place in the event of a future Bond Death Maturity occurring.

### TRANSFERRING EDUCATION BONDS

#### Are there any tax, fee or state duty implications when transferring Education Bonds?

No, if the transfer is made for nil consideration. There are no personal tax or CGT implications for you as Bond Owner, or the transfer recipient.

If a Bond transfer is made for monetary consideration, we recommend you seek prior tax advice.

No additional fees apply, and the Education Bond’s transfer occurs without State duty implications, except in South Australia, where duty may be payable at ad valorem rates on the value of the Bond at the time of transfer.

### BORROWING AGAINST AN EDUCATION BOND

#### Can an Education Bond be used as loan security?

No, under current Taxation Laws an Education Bond cannot be used as security for raising money – such as for a loan or borrowing. The Bond’s qualification for advantageous taxation treatment prohibits its use for these purposes.

# IMPORTANT ADDITIONAL INFORMATION

## COMMUNICATING WITH YOU INVESTOR PORTAL

To keep you informed about your Bond, Futurity will provide you and your Appointed Associates (as applicable) and other persons authorised by you access to an online portal.

The portal allows you to view information, such as your Bond Balance, selected Investment Options and Bond Transactions. You can also access other resources, including forms to undertake various Bond Transactions and to manage your investment.

We can ask for proof of identity for anyone authorised to use the portal and may, in our sole discretion, cancel or suspend your access or that of any person authorised by you to use it. Futurity might do this without prior notice, including in circumstances, such as involving litigation between Bond Owners or family disputes.

## REPORTING TO BOND OWNERS

### Confirmation Certificate

Following acceptance by us of your Application to invest, Futurity will send you a Bond Confirmation Certificate.

This will confirm your Bond's type, its ownership and Life Insured(s) details, Bond Term and your Contribution plan and initial investment instructions.

Your Confirmation Certificate will also provide information on your Education Beneficiary(s), a Bond Estate Nomination (if made) and Bond Representative and Bond Guardian details (if appointed). It will also give fee information applicable to your Bond.

Whenever you make changes to your Bond that alters the important information provided on your Bond Confirmation Certificate, we will issue you with an updated or replacement Certificate.

### Annual Bond Owner Statement

Futurity will provide you and your Appointed Associates (as applicable) with an annual Bond Owner Statement, generally within three months of the end of the financial year.

This statement will show your Bond Balance and Unit Holding, the details of your Contributions, Education Benefit Claims and Other Withdrawals (Any Purpose) and Switching transactions.

### Annual Tax Statement

Futurity will also give you, your Education Beneficiary(s) and your Appointed Associates (as applicable) a tax statement, for the financial year in which assessable Bond Benefits are paid.

### Transaction Confirmations

After processing Bond Transactions we will send a confirmation to you and your Appointed Associates (as applicable). It will confirm transactions, such as Contributions, Education Benefit Claims and Other Withdrawals (Any Purpose) and Investment Option switches.

Irrespective of the instruction authority provided for joint Bond Guardians or joint Bond Representatives, correspondence sent to the first named Bond Guardian or Bond Representative will be deemed delivered to all joint Bond Guardians or Bond Representatives.

	CONFIRMATION CERTIFICATE	PORTAL ACCESS	ANNUAL STATEMENT	ANNUAL TAX STATEMENT	TRANSACTION CONFIRMATIONS
Bond Owner	✓	✓	✓	✓	✓
Education Beneficiary	✗	✗	✗	✓*	✗
Bond Representative(s) (if applicable)	✓	✓	✓	✓	✓
Financial Adviser (if applicable)	✓	✓	✓	✓	✓
Bond Guardian(s) (if activated)	✓	✓	✓	✓	✓

\*For Education Beneficiaries over the age of 18 only.

## PRODUCT INFORMATION

### BOND TRANSACTIONS

#### General Processing Timeframes

All Bond Transactions are processed using daily Unit Prices – we aim to do this generally within seven Business Days upon receipt of your request.

Your instruction on Bond Transactions received prior to 1.00pm on a Business Day will generally be processed using the Unit Prices calculated as at the close of business that day.

Requests received after this time will normally be processed using the Unit Prices calculated as at the close of business on the next Business Day.

#### Contributions - units and allocation

When we process your Contributions, we divide your net Contribution amount by the Buy Unit Price(s) of your chosen Investment Option(s) to determine the number of Units allocated to you in each Option.

The number of Units issued depends on the amount you invest and the Option's then current Buy Unit Price.

Contributions received from you (by whatever means) will not be treated as received by Futurity until these are cleared funds.

Unless notified otherwise by you, your Contributions will be allocated proportionately across your chosen Investment Options, based on the proportions you advised us in your Application. At any time, you can instruct us in writing of a change to these allocations.

#### Contribution Methods

	LUMP SUM PLAN		SAVINGS PLAN	
	Initial Contribution	Add-On Contributions	Initial Contribution	Regular Contributions
Direct Debit	✓	✓	✓	✓
BPAY	✓	✓	✓	✗
EFT	✓	✓	✓	✗
Cheque	✓	✓	✓	✗

BPAY or EFT payment instructions will be provided on request. For BPAY payments, this will include our biller code and your unique reference number. Cheques must be made payable to Futurity Investment Group Limited.

## PROCESSING YOUR APPLICATION

We hold your Application monies in a trust clearing account. Once cleared, we can process your completed Application and our aim is to do this generally within seven Business Days of its receipt by us.

Your Bond's Commencement Date is the day that we accept your Application by disbursing your initial net Contribution as cleared funds to the Investment Option selections that you make.

If we are unable to accept an Application for whatever reason, you will receive a refund from this clearing account before the end of the month in which the monies were received, or such other period as reasonable in the circumstances.

For administrative and taxation simplicity, we retain any interest on the clearing account to meet operational expenses and other related processing costs.

Pending your Application being accepted, processed and your funds being allocated to your selected Investment Options, Futurity is not accountable to you, nor responsible, for movements in Unit Prices in those Investment Options. It is very important that you fully and correctly complete the Application Form, and that we receive all documentation needed to verify the identity of Bond participants in order to avoid delays in processing your Application.

Under the Product Rules we can decline to accept (or defer accepting for a period) an Application without having to give reasons.

## PROCESSING INVESTMENT SWITCHES

You are able to switch between Investment Options on the menu at any time by completing a Switching Form, which can be obtained from us from [futurityinvest.com](http://futurityinvest.com)

Minimum switching amounts of \$100 per switch transaction apply, with the minimum balance remaining in an Investment Option after a switch has been completed to be \$500.

For the Investment Option that you are switching from, we apply the Sell Unit Price and for the Investment Option being switched into, we apply the Buy Unit Price calculated at the same time.

The number of Units issued in the Investment Option that you are switching into will be determined by dividing its Buy Unit Price into the amount received from the Investment Option that you are switching from.

**Important Note – Before using the Menu’s Investment Option switching facilities, Bond Owners should obtain a current PDS on request or by downloading one from [futuresinvest.com](http://futuresinvest.com) and consider obtaining advice from their Financial Adviser.**

Futurity has discretion under the Product Rules to restrict or limit switching rights, by limiting the number of switches in certain periods and by imposing minimum/maximum switching amounts and balances.

Based on current Taxation Law, the exercise of switching rights should not have any taxation consequences (p.70).

#### **BOND TRANSACTIONS – DELAY OR DEFERRAL BY US**

Circumstances and events beyond Futurity’s control can arise and may cause us to delay or defer processing Bond Transactions. These situations may impact Futurity’s operations and also those of UMFs into which our Investment Options invest.

Various types of circumstances and events are covered in the Product Rules, and include:

- emergencies (such as technology failures) or Government moratoriums rendering it not practicable or unfair as between Bond Owners for us to process Bond Transactions;
- unscheduled or unexpected closures, restrictions or suspensions applying to equity markets, exchanges and trading platforms;
- the investments made by our Investment Options in UMFs (or in other assets) become subject to suspension, delays or deferrals of their repayment obligations; and
- conditions or restrictions impacting Futurity in dealing with an UMF that cause changed repayment, access or information provision.

In these situations, under the Product Rules, we have an additional buffer period not exceeding 14 Business Days longer than the period it actually takes Futurity to effect the repayment or to obtain relevant financial information from the UMF so as we can process Bond Transactions.

We may during any period of suspension, delay or deferral still process Bond Transactions.

Also, if the Bond Transaction payment would be prejudicial to the financial interests of other Bond Owners, we can delay the payment or processing of the transaction for up to three months from the last Business Day that the payment and/or transaction would otherwise have been effected.

The Sell Unit Price applicable to such payments will be that prevailing immediately after close of business on a Business Day determined by Futurity after taking into account factors considered to achieve fairness as between all affected Bond Owners.

Neither Futurity, nor the managers of the UMFs on our investment menu have any liability to you or others involved with your Bond for any reduction in the value of your Bond Benefits during the period of any such delay or deferral in processing Bond Transactions.

#### **FUTURITY’S DISCRETIONS**

Under the Product Rules, Futurity has discretion to determine the person(s) whom we believe is/are entitled to payments and distributions from your Bond and who can give us valid receipts.

If we pay someone whom we believe in good faith is a person reasonably entitled to the Bond Benefits, under the Product Rules, we are discharged from our obligations and liabilities in respect of such payments.

#### **UNITS AND YOUR UNIT HOLDING**

Each Investment Option on the Bond’s Investment Menu is divided into Units.

Your Bond Balance is simply the addition of the value of all Units that you hold in your selected Investment Options as measured by Unit Prices that we strike on a daily basis. This is also at any time equal to your Bond Benefits and Bond Balance.

Bond Owners have an interest in the assets of the relevant Investment Option in which they have invested. This interest is to the extent of their Unit Holding, however, this holding does not confer any specific interest in any part of the assets or any authorised investment of the relevant Investment Option.

At any given time, all Units in an Investment Option are of equal value.

#### **UNIT PRICE PROCEDURES**

The procedures for establishing Unit Prices are set out in the Product Rules.

In summary, a current Unit Price for each Investment Option is determined by dividing the number of Units on issue into each Investment Option’s net asset value.

Unit Prices must be calculated at least weekly, however in practice we intend to calculate them on a daily basis.

Depending on the nature of the transaction that you are undertaking at the time, Unit Prices applied to your Investment Option transactions will either be a Buy Unit Price (an issue or acquisition price) or a Sell Unit Price (redemption or disposal price).

The difference between these Unit Prices arises due to transaction costs incurred by Futurity when we buy or sell units in the UMFs to give effect to your transaction. These Buy/Sell Costs are explained on page 60.

The Unit Price applicable to your Bond Transactions or other Bond dealings, will be that prevailing on the Business Day we process your Bond Transactions or other dealings with your Bond.

#### **VALUATION AND UNIT PRICES**

The Investment Options typically invest into one, but for some, multiple UMFs.

For valuation purposes, we input into the calculation of each Investment Option’s Unit Price, the UMF’s own unit price, after making allowances for expenses and Fund Tax (including tax provisions).

Futurity values the investment assets of each Investment Option in accordance with established accounting and actuarial valuation standards. A range of factors can impact Unit Prices, values and performance measurement including:

- the frequency and reliability of UMF unit price information provided to us, and timing of UMF distributions made to our Investment Options;
- actuarial and tax accounting treatment conventions for tax-provisioning and accruals and the timing of us receiving and processing tax credits and us paying Fund Tax; and
- application of Futurity’s Taxation Policy, together with relevant advice from our Appointed Actuary, so there is fair and consistent calculation of Unit Prices and valuation of Investment Options over time.

Daily Unit Prices and Unit Price history is available at [futuresinvest.com](http://futuresinvest.com)

#### **ROLE OF FUTURITY’S APPOINTED ACTUARY**

Under the Life Act, Futurity must have an ‘Appointed Actuary’ who plays a key role in advising Futurity on Unit pricing.

The Actuary’s advice may include assumptions and estimates that we use to establish Unit Prices, such as estimated long-term effective tax rates and the valuation of deferred tax assets and liabilities.

Our Appointed Actuary is:

**Colette Reid (Director, Actuarial Advisory Services)**  
**KPMG Financial Services Consulting Pty Ltd**  
International Towers 3 Sydney  
300 Barangaroo Ave  
Sydney NSW 2000



## HOW FUTURITY IS REGULATED

### APRA AND ASIC OVERSIGHT

Futurity is, amongst others, subject to both APRA and ASIC regulation and oversight.

Under the Life Act, APRA is Futurity's primary regulator and our prudential supervisor with responsibility to oversee our corporate governance, risk management framework, our capital adequacy and financial soundness. APRA also approves the Bond's Product Rules (p.81).

Futurity's other regulator is ASIC, which regulates us under the Corporations Act. This covers our disclosure practices, consumer protection measures and compliance with our AFSL.

### SECURITY AND PROTECTIONS

Futurity's Education Bonds are established and must be maintained under a secure framework with legal protections governed by the Life Act.

We must keep and invest each Option on the Bond's Investment Menu as a 'distinct and separate' fund. Our contractual liabilities to meet your Bond Benefits are supported by matched assets held in these legally separated (but contractually linked) Investment Options.

As legally separated funds, each Investment Option is protected from adverse financial events or circumstances that might impact other Investment Options or that Futurity as a company might experience.

### CORPORATE GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

As a prudentially supervised financial institution, Futurity operates under robust corporate governance standards and is subject to extensive risk management and compliance frameworks. These frameworks entail extensive monitoring and regular reporting to APRA.

#### Board of Directors

The ultimate responsibility for corporate governance and for sound and compliant prudent management of Futurity resides with our Board.

This Board comprises experienced and well-credentialed Directors, all of who are independent and in non-executive roles. Futurity's Board composition has Directors with a balanced spread of skills and backgrounds in financial services; funds management; friendly societies; marketing and distribution; accounting, risk management, audit, the

law and the education sector. Board and Committee performance is reviewed annually.

The Board of Futurity has authorised the issue of this PDS.

### BOARD COMMITTEES

Futurity's Board is assisted in its corporate governance, risk and compliance functions by an extensive Board Committee system.

**Audit Committee** – is responsible for financial oversight and for providing objective non-executive review of the effectiveness of Futurity's financial reporting framework and internal control processes.

**Risk and Compliance Committee** – undertakes risk oversight and provides objective review of the effectiveness of Futurity's Risk Management Framework, Internal Capital Adequacy Assessment Process and legislative and regulatory compliance.

**Investment Committee** – sets and monitors Futurity's investment objectives and policies and has responsibility to oversee investment strategy implementation. (See Part B PDS p.42).

**Nominations and Remuneration Committee** – advises the Board on remuneration matters and policy and recommends candidates for key senior management and non-executive director roles, as well as appointing, monitoring and removal of the CEO.

**Impact and Sustainability Committee** - is responsible for Futurity's sustainability strategy including oversight of systems, policies and processes to achieve Futurity's Impact, Sustainability and ESG objectives, as well as monitoring sustainability risks.

#### Policies and Procedures

We have comprehensive Policies and Procedures framed to meet APRA Prudential Standards covering our risk, capital and compliance frameworks, operational matters and the day-to-day management of the Investment Options.

#### Compliance Plans

We have in place measures and control systems for compliance with the Life Act, the Corporations Act and other relevant legislation, the Product Rules, APRA Prudential Standards and our internal Policies and Procedures.

### Insurances

As a component of our risk management framework and to comply with APRA Prudential Standards, Futurity has insurance coverage for risks associated with professional indemnity, directors' and officers' liability, fidelity, public liability, workers compensation and business continuity.

### LEGAL NATURE & HOW YOUR BOND IS GOVERNED

Education Bonds are investment-linked life insurance contracts with Futurity. These contracts (also generally known as Bonds) are issued and operated under, and subject to, the Life Act.

Your Bond's Terms and Conditions are principally governed by APRA approved Product Rules, which constitute the primary basis of your contract with Futurity.

Your completed Application also forms part of your Bond's Terms and Conditions and these may include various disclosures, representations and certain Acknowledgments, Declarations and Additional Terms and Conditions that you may accept as contained in this PDS (p.88-89) by signing the Application.

Also, there can be other Terms and Conditions accepted by you that will apply if you complete various forms used for Bond Transactions from time to time.

### ABOUT THE PRODUCT RULES

In summary, the Bond's APRA approved Product Rules cover:

- the class of business and types of bonds that Futurity can issue;
- procedures and conditions for making Applications, Contributions, how Savings Plans and Lump Sum Plans work;
- procedures and conditions for or making Education Benefit Claims and Other Withdrawals (Any Purpose);
- Education Bond specifics, such as Eligible Education Expenses and Eligible Education Courses and the functioning of Appointed Associates;
- how Investment Options are established, added or closed and how they are unitised and valued and the Authorised Investments and the Investment Policies that we set for each Investment Option (See Part B PDS);

- how a Life Insured(s) is selected and his/her/their role and function;
- setting and changing Bond Terms and how Bond Maturity occurs due to the Bond Term ending, or due to Bond Death Maturity and our Bond Estate Completion procedures;
- Futurity's procedures for processing Bond Transactions and making Bond Maturity Payments, including the circumstances or events for any suspension, delay or deferral;
- issuing Confirmation Certificates and Annual Statements and our reporting obligations to you;
- how Bonds can be transferred and Bond Estate Nomination procedures;
- fees and other costs that can be charged, including their maximums, how and when they can be paid or varied;
- the taxation arrangements for the Investment Options; and
- various other matters, including unclaimed monies, your cooling-off rights, and our general discretions and determination powers under the Product Rules.

Once you become a Bond Owner you can inspect a full version of the Product Rules upon request.

### PRODUCT RULES CHANGES

Product Rule changes must be approved by APRA.

Generally, Product Rule changes must be voted on by those Bond Owners, who hold Units in (and are members of) the particular impacted Investment Option.

However, in certain circumstances (if allowed by APRA), Futurity's Board can make Product Rule changes to rectify errors, to meet legal requirements or make changes accepted by APRA where the changes will not prejudice the rights of Bond Owners.

## IMPORTANT ADDITIONAL PDS INFORMATION

### UPDATING THE PDS AND OTHER IMPORTANT INFORMATION

Futurity will update this PDS by issuing a replacement PDS or a supplementary PDS if there are materially adverse changes to information in it or materially adverse omissions.

Provided the information to be updated is not 'materially adverse information', we can update in various ways, including:

- by sending notices by post or by Electronic Means to impacted Bond Owners and the updating information with Annual Statements or other Futurity communications; or
- Bond Owners obtaining the updated information by telephone.

You may request a paper copy of the updated information from us at any time without charge.

### Interested parties

Apart from professional fees paid to experts associated with the preparation of this PDS, no Director of Futurity or expert has any interest in the assets of the Investment Options or benefits referred to in this PDS, other than entitlements available through Bond ownership on the same Terms and Conditions applicable to you, and other Bond Owners.

### Auditor

Deloitte Touche Tohmatsu is the auditor for Futurity Investment Group Limited.

### Annual Report

In accordance with the Corporations Act, Futurity provides its financial statements as part of its Annual Report free of charge to members of Futurity if requested. You can elect to receive the Annual Report within the Application Form by Electronic Means or otherwise by contacting us by email, phone or by mail. You may update your preference at any time. A copy of the current Annual Report is also available on our website at [futurityinvest.com](http://futurityinvest.com)

## CONSENTS

Various consents from independent experts have been obtained in respect of the preparation of, and to being named in the form and context in which they have been presented in this PDS. None of these consents have been withdrawn prior to the date of this PDS. These consents are from:

### Independent tax consultant:

An expert consent has been received from the independent tax consultant on the tax information in this PDS. He is:

#### Tony C Jacob Chartered Accountant

B Com (Melb), FCA FGIA FCG Registered Tax Agent.

### Managers of UMFs

The UMF managers have consented to being named in the Part B PDS and have reviewed and approved the information about them and their respective Managed Funds invested into by Futurity's Investment Options.

The UMF managers are not responsible for the contents of and accept no liability in respect of this PDS, nor have they authorised or caused the issue of this PDS.

## BOND GUARDIAN TERMS AND CONDITIONS

You can appoint a person, or persons (up to three), to be your Bond Guardian(s) to exercise Authorised Functions.

This person, or persons, can act in your capacity as Bond Owner in the event of your death, legal, physical or mental incapacity. Bond Guardian(s) must act in the best interests of, firstly, the one or more Education Beneficiaries of your Bond and secondly, the one or more Bond Estate Nominees (if appointed).

If you appoint Bond Guardian(s), these Terms and Conditions will apply to you and to your Bond Guardian(s), subject to the Product Rules and applicable legal requirements and Law.

Bond Guardian(s) must be aged at least 18 years. We recommend you look to appoint someone who can be trusted and that he or she is a competent person.

## BASIC AUTHORISED FUNCTIONS

Bond Guardians have basic Authorised Functions that Futurity will act upon as being authorised by you in respect of your Bond. By appointing someone as a Bond Guardian, you are granting that person:

- access to your Investor Portal, your Bond's details and your personal details and the right to receive reports and statements; and
- any other basic Authorised Functions that Futurity may from time to time approve,

from the date upon which Futurity is reasonably satisfied of your death or that you no longer have capacity to act as Bond Owner.

## ADDITIONAL GUARDIAN FUNCTIONS

In the Application Form (or by later written instructions to Futurity) you can authorise your Bond Guardian(s) to do certain additional Authorised Functions on your behalf including:

- switching Investment Options;
- making Contributions and Education Benefit Claims or Other Withdrawals (Any Purpose);
- appointing and removing Appointed Education Beneficiaries and nominating Replacement Individual Beneficiaries; and
- changing any direct debit or direct credit bank arrangements solely to fulfil these additional functions.

In addition to the foregoing, you may wish to grant the Bond Guardian(s) the power to surrender the Bond and set/change the Bond Term, which under the Product Rules is otherwise only permitted with Futurity's consent.

## UNAUTHORISED GUARDIAN FUNCTIONS

Bond Guardian(s) are strictly limited to the above Authorised Functions, as such, they cannot:

- change or add a Life Insured to your Bond or Bond Estate Nominees; or
- transfer your Bond.

## General Guardian Matters

Futurity will treat your Bond Guardian(s) as having full legal capacity to carry out the Authorised Functions and we will not accept, or be on notice of, any restriction on such powers, except as required by Law.

A person that we reasonably believe is acting as a Bond Guardian exercising Authorised Functions will be treated by us as if you had personally exercised those powers.

AML verification of Bond Guardians is not necessary until their power to undertake Authorised Functions is effective. Investor Portal access and provision of Annual Statements, Confirmation Certificates, Tax Statements and Transaction Confirmations will also be granted at this time.

A Bond Guardian appointment can only be terminated by your written notification to us and we are not responsible for subsequent claims that a Bond Guardian was not acting on your behalf.

We may cancel your Bond Guardian arrangement or vary these Terms and Conditions after giving you 14 Business Days' notice.

You agree to release, discharge and indemnify Futurity from and against all actions, proceedings, accounts, claims, demands, charges and expenses, losses and liabilities however arising out of the use of your Bond Guardian facility, including its cancellation or the variation of its Terms and Conditions.

## BOND REPRESENTATIVE TERMS AND CONDITIONS

You can appoint a person, or persons (up to three), to be your Bond Representative(s) to exercise Authorised Functions and act for you whilst you are alive and to have capacity in respect of your Bond.

It is recommended that this person is a trusted and competent person, and for instance might be a spouse or partner, a son or daughter, your accountant, solicitor or Financial Adviser.

Bond Representatives must be aged at least 18 years.

Generally, your Bond Representative(s) can do everything that you as a Bond Owner can do in relation to your Bond with some restrictions set out below.

If you appoint a Bond Representative, these Terms and Conditions will apply to you and to your Bond Representative(s), subject to the Product Rules and applicable legal requirements and Law.

## BASIC AUTHORISED FUNCTIONS

Bond Representatives have basic Authorised Functions that Futurity will act upon as being authorised by you in respect of your Bond. By appointing someone as a Bond Representative, you are granting that person:

- access to your Investor Portal, your Bond's details and your personal details and the right to receive reports and statements; and
- any other basic Authorised Functions that Futurity may from time to time approve.

## ADDITIONAL REPRESENTATIVE FUNCTIONS

In the Application Form, or by later written instructions to Futurity, you can authorise your Bond Representative(s) to do certain additional Authorised Functions on your behalf including:

- switching Investment Options;
- making Contributions and Education Benefit Claims or Other Withdrawals (Any Purpose);
- appointing and removing Appointed Education Beneficiaries and nominating Replacement Individual Beneficiaries; and
- changing any direct debit or direct credit bank arrangements solely to fulfil these additional functions.

## UNAUTHORISED REPRESENTATIVE FUNCTIONS

Your Bond Representative(s) are strictly limited to the above Authorised Functions and they cannot:

- change or add a Life Insured to your Bond or Bond Estate Nominees;
- transfer your Bond;
- surrender the Bond and set/change the Bond Term; or
- appoint a replacement Bond Representative.

## General Representative Matters

Futurity will treat your Bond Representative(s) as having full legal capacity to carry out the Authorised Functions and we will not accept, or be on notice of, any restriction on such powers except as required by Law.

A person that we reasonably believe is acting as a Bond Representative exercising Authorised Functions will be treated by us as if you had personally exercised those powers.

Your Bond Representative(s) will be granted access to the Investor Portal and will be copied on all correspondence you receive as Bond Owner. Bond Representatives are subject to AML verification at the time of Application or appointment.

A Bond Representative appointment can only be terminated by your written notification to us and we are not responsible for subsequent claims that a Bond Representative was not acting on your behalf.

We may cancel your Bond Representative arrangement or vary these Terms and Conditions after giving you 14 Business Days' notice.

You agree to release, discharge and indemnify Futurity from and against all actions, proceedings, accounts, claims, demands, charges and expenses, losses and liabilities however arising out of the use of your Bond Representative facility including its cancellation or the variation of its Terms and Conditions.

## ACKNOWLEDGMENTS IF YOU HAVE A FINANCIAL ADVISER

If you have a Financial Adviser acting on your behalf, then you acknowledge and agree that Futurity will automatically grant him/her or their Dealer Group these basic authorised functions:

- access via our Adviser Portal to your Bond's details and your personal details; and
- via the Adviser Portal, or him/her directly receiving communication, reports and statements from us about your Bond.

**(Note –** You may, by written instructions to Futurity, authorise your Financial Adviser to undertake Investment Option switching in respect of your Bond. You might also appoint your Financial Adviser as a Bond Representative, Bond Guardian or otherwise as an Attorney, to convey broader powers to administer your Education Bond, such as making Contributions and Education Benefit Claims or Other Withdrawals (Any Purpose) or the appointment and removal of Education Beneficiaries.)

## YOUR MEMBERSHIP RIGHTS

Futurity is constituted as a friendly society-based life insurance company.

Being mutually structured means Futurity has members, not shareholders – and your membership (and rights) is reflected in two capacities – as a General Member and a Benefit Fund Member.

### GENERAL MEMBER

You automatically become a General Member of Futurity upon becoming a Bond Owner.

Members are the only persons entitled to vote at Futurity's Annual General Meeting on such matters as election of Futurity's Directors and approving changes to our Constitution.

Additionally, each of your joint Bond Owner(s) are also considered a joint General Member of Futurity.

The person whose name appears first in Futurity's member register (generally the first mentioned person on the Application Form) is deemed under Futurity's Constitution to be the Primary Member.

The Primary Joint Member is entitled to receipt of notices and other documents and to vote on behalf of a joint General Member.

### BENEFIT FUND MEMBER

You also become a Benefit Fund Member of each Investment Option (also being a Benefit Fund under the Life Act) that is selected by you from time to time under your Bond.

In this capacity, whilst you hold Units in an Investment Option, you can vote at Benefit Fund Meetings on various matters relating to Investment Options, such as:

- approving Product Rules changes; and
- approving the restructure, transfer or termination of Investment Options.

The Primary Joint Member is entitled to:

- vote on behalf of a joint Benefit Fund Member;
- delivery of all correspondence, such as Confirmation Certificates, Annual Member Statements and Transaction Confirmations; and
- receipt of payments on behalf of the joint Bond Owners.

## PRIVACY POLICY

This statement is a summary of Futurity's Privacy Policy which can be accessed in full at [futurityinvest.com](http://futurityinvest.com) More information and detail on Futurity's privacy processes can be found in the Privacy Policy.

Personal information is collected from you in your Application and any other forms that we use to process your Bond Transactions; to administer your investment; to establish and verify your identity; to manage our risks and to help identify and investigate illegal activity such as fraud; develop products and services and market products (subject to opt-out); and comply with relevant Laws.

If necessary, there are circumstances when we may disclose your personal information to Futurity's related entities or our service providers that perform a range of services, some of which may be located overseas e.g. technology platforms or hosting services or otherwise to third parties as required by Law.

You may access personal information that we hold about you and seek correction of such information. You should notify us immediately if any details are inaccurate or incomplete.

If personal information is provided about third parties, such as Bond Guardians, Bond Representatives or Education Beneficiaries (and/or their parents or guardians where applicable), it is your obligation to ensure that they consent to the disclosure and understand the terms of our Privacy Policy.

If you have a Financial Adviser acting for you, you acknowledge that he or she is acting as your agent and consent to disclosure of your personal information by us.

Information may also be shared with your joint Bond Owners, Education Beneficiaries (and/or their parents or guardians where applicable), Bond Guardian(s) and Bond Representative(s) as required for administration of your Bond.

We will collect, use and disclose your personal information in accordance with our Privacy Policy and applicable privacy laws. Our Privacy Policy may be updated from time to time. It is publicly available at our website or you can obtain a copy free of charge by contacting us.

If you don't want to receive direct marketing from us or wish to amend your details, please contact our privacy officer.

## PRIVACY QUERIES

Direct in first instance to our privacy officer:  
Post: Privacy Officer, Futurity,  
Level 15, 333 Collins Street  
Melbourne VIC, 3000.  
Telephone: 1300 345 456  
Email: [privacyofficer@futurity.com](mailto:privacyofficer@futurity.com)

## MAKING COMPLAINTS

We will endeavour to make every effort to respond to, and resolve Bond Owners' concerns and complaints as speedily and efficiently as possible. If your query remains unresolved, please contact us.

Post: Investor Care, Futurity,  
Level 15, 333 Collins Street  
Melbourne VIC, 3000.  
Telephone: 1300 345 456  
Email: [investorcare@futurityinvest.com](mailto:investorcare@futurityinvest.com)

We will acknowledge your concern within five Business Days and will aim to resolve the matter within 30 days if not earlier. If the matter is not resolved to your satisfaction, you may contact the Australian Financial Complaints Authority (AFCA). It is a free and independent service.

Post: Australian Financial Complaints Authority,  
GPO Box 3, Melbourne VIC 3001  
Telephone: 1800 931 678 (free call)  
Email: [info@afca.org.au](mailto:info@afca.org.au)  
Website: [afca.org.au](http://afca.org.au)

## YOUR COOLING-OFF RIGHTS

You have 14 days in which to change your mind about investing in a Futurity Education Bond. You can cancel your Application within 14 days of the earlier of:

- you receiving your Confirmation Certificate from us; or
- five days after the Commencement Date.

Your written request to cancel must be received by Futurity within the 14-day period.

Your cooling-off rights will lapse if you undertake any Bond Transactions within the 14-day period. These rights are not available to 'sophisticated' and 'professional' investors and 'wholesale clients' (within the meaning of the Corporations Act).

The amount refunded will be adjusted for Unit Price changes of your selected Investment Options and deductions for reasonable transaction costs or taxes or duties that are not recoverable by us.

As such, the amount refunded may be less than your Initial Contribution.

The refund will be calculated using the Sell Unit Price calculated as at the close of business on the Business Day we receive and process your refund request.

## YOUR LIABILITY

Bond Owners are not under any personal obligation to indemnify Futurity (or its creditors) in respect of our liabilities in relation to Education Bonds, the Investment Options or the UMFs.

## ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING LAWS

We are required to comply with AML/CTF Laws, including the need to establish your identity and, if relevant, the identity of Appointed Associates, Bond Estate Nominees, and Education Beneficiaries and the other persons referred to in the paragraph below.

To complete our identification verification process we require details of a current Driver's Licence or Passport. If you are unable to provide details of a Driver's Licence or Passport, please contact us for a list of other identification documents. This requirement applies to all individual applicants, Company Directors, Beneficial Owners, Trust Beneficiaries, Trustees (including Directors/Beneficial Owners if a Company Trustee), Beneficial Owners of a Trust and Appointed Associates (where required).

We utilise a third-party service provider to undertake identity verification on our behalf. Additional information may be required to assist with this process from time to time. While we will make every effort to complete the identification process as quickly as possible, in certain circumstances it may take longer to verify an identity.

We may not be able to transact with you or other persons should we be unable to establish your or their identity. This may result in delaying, blocking, freezing or refusing to process a transaction or ceasing to provide you with a product or service. This may impact on your investment and could result in a loss of Contributions and investment earnings. Futurity is not responsible for any of these events or their consequences.

We may require you to identify the source of your investable assets/wealth.

## POLITICALLY EXPOSED PERSON

To comply with AML/CTF Laws, we require you to disclose whether you are or have an association with a Politically Exposed Person.

Where you identify as a Politically Exposed Person, or you have an association with a Politically Exposed Person, we may request additional information from you and this may cause a delay in processing your Application.

A Politically Exposed Person is an individual who:

- holds a prominent public position or function in a Government body or an international organisation (such as a Government minister or senior Government official, a high ranking member of the armed forces, or a Chairman, CEO or CFO of an international organisation); or
- is an immediate family member of a person referred to above or is a close associate of that person.



## **YOUR ACKNOWLEDGMENTS, DECLARATIONS & ADDITIONAL TERMS AND CONDITIONS**

By completing and signing the Application Form, you give us various acknowledgments and confirmations. You also make certain declarations and agree to these additional Terms and Conditions relating to your Education Bonds. These are:

### **General Matters**

You acknowledge and agree:

- importantly, that you have read and understood this PDS and the Futurity Financial Services Guide (p.92);
- to be bound by the Product Rules which primarily govern the Terms and Conditions of your Bond and prevail over this PDS in the event of any inconsistency or conflict (p.81);
- to be bound by the PDS and agree that its Terms and Conditions are subject to changes in accordance with the Law;
- to our Privacy Policy (p.85-86);
- to release, discharge and agree to indemnify Futurity from and against all actions, proceedings, accounts, claims, costs, demands, charges and expenses, losses and liabilities however arising that may be suffered by you or brought against us in respect of carrying out any of your instructions we receive from you or via your Appointed Associates;
- to confirm any transactions that Futurity may in good faith enter with any party, on the instruction of any person they believe to be validly appointed as your Appointed Associate;
- to the Terms and Conditions of the Direct Debit Request Service Agreement set out on (p.90-91) if you are investing using this facility; and
- to us recovering against your Unit Holding any dishonour or other fees that your financial institution may charge if there are insufficient cleared funds when we process a Bond Transaction for you.

## **DECLARATIONS AND CONFIRMATIONS FOR SPECIFIC TYPES OF INVESTORS AND BOND TRANSACTIONS**

You also agree that if you have applied for a Futurity Education Bond and are undertaking Bond Transactions, in the capacity of:

### **Trustee, Deceased Estate or Superannuation Fund Investors**

- you confirm your relevant capacity and that you have the power and authority under the relevant trust, estate or fund in respect of any Bond Transactions undertaken on its behalf;

### **Partnership Investors**

- you confirm that you are a partner in the partnership and have the power and authority in respect of any Bond Transactions undertaken on its behalf;

### **Companies and Incorporated Association Investors**

- you confirm that you are a director or officer of the company or other type of legal entity or body with the power and authority to bind the company, legal entity or body in respect of any Bond Transactions undertaken on its behalf; and

If you are a sole signatory signing on behalf of the company, legal entity or body, you confirm that you are signing as a sole officer/director/secretary or other authorised person of the company, legal entity or body.

### **Attorneys**

You as the Attorney confirm and agree that:

- you at the relevant time will only act under the Power of Attorney provided it is then current and valid and that you will not act if you have received a notice of revocation;
- you will provide a certified copy of the Power of Attorney if requested by us;
- instructions given to Futurity will not be inconsistent with the powers granted under the Power of Attorney;
- you will not use the Power of Attorney directly or indirectly to negate or be used in a manner contrary to the interests of the donor, or the Education Beneficiary(s) or any Bond Estate Nominees; and
- unless specifically authorised in the Power of Attorney, you will not seek to issue instructions to Futurity to revoke a Bond nomination.

## **Instructing Us by Electronic Means**

If you give us instructions to undertake Bond Transactions by Electronic Means, you acknowledge and agree that:

- we have discretion to accept instructions by Electronic Means and can request them in another form;
- Futurity may cancel its Electronic Means arrangements or vary these conditions after giving you 14 Business Days' notice;
- you bear the risk that someone who knows about your Bond and your personal details may send us an instruction by Electronic Means. Any action by that person will be deemed to be taken by you;
- you release, discharge and agree to indemnify Futurity from and against all actions, proceedings, accounts, claims, costs, demands, charges and expenses, losses and liabilities however arising that may be suffered by you or brought against us in respect of carrying out any of your instructions (including deemed instructions) we receive via Electronic Means; and
- you agree that your telephone conversations with us can be recorded and listened to for training and quality control purposes.

## **Bond Representative and Bond Guardian Confirmations**

Upon appointment of Bond Representatives or Bond Guardians, you will ensure that they understand, agree and accept:

- our AML/CTF requirements, including that identification verification may apply to them;
- their role as a Bond Representative or Bond Guardian and particularly their responsibility to act in the best interests of firstly, Education Beneficiaries and secondly any Bond Estate Nominees (where relevant); and
- that they are bound by the Products Rules, the PDS and any related instructions provided by you as Bond Owner.

## **Instruction Authorities – Bond Owners, Bond Representatives and Bond Guardians**

In the Application Form (or subsequently in writing) you can instruct us as to who has authority to give binding instructions (and sign) when your Bond is jointly owned and/or joint Bond Representatives or joint Bond Guardians have been appointed.

The options are:

- all joint incumbents must instruct us and sign (Default Position), which is Futurity's preferred standard requirement; or
- a specific incumbent, or combination of joint incumbents, can instruct us and sign; or
- any one joint incumbent can instruct us and sign.

Given that future circumstances as between joint incumbents can unpredictably and unexpectedly change, such as involving litigation between them, divorce, separation or family disputes, you acknowledge and agree that Futurity in its sole discretion can determine which of the joint incumbents instructions it will rely upon, including requiring the Default Position to apply with or without us giving prior notice to all affected appointed incumbents.

## **Education Benefit Claims and Declarations**

When you make Education Benefit Claims you give us an Education Benefit Declaration that:

- to the best of your knowledge and belief at the time of making the Declaration it will be true and correct;
- you acknowledge that whilst Futurity will generally rely on your Education Benefit Declarations, you are aware and accept that under the Product Rules, Futurity can at a later date request proof from you, such as by giving us receipts, invoices or by you making a further declaration to validate Education Benefit Claims; and
- you further agree that you will comply with such requests as are reasonably practicable.

# DIRECT DEBIT REQUEST SERVICE AGREEMENT

This is your Direct Debit Request Service Agreement with Futurity Investment Group Limited, user ID 609767 & ABN 21 087 648 879 (the Debit User). It explains what your obligations are when undertaking a Direct Debit arrangement with us. It also details what our obligations are to you as your Direct Debit provider.

Please keep this agreement for future reference. It forms part of the Terms and Conditions of your Direct Debit Request.

## DEFINITIONS

**account** means the account held at your financial institution from which we are authorised to arrange for funds to be debited.

**agreement** means this Direct Debit Request Service Agreement between you and us.

**banking day** means a day (other than a Saturday, Sunday or Public Holiday) when banks are open for business in Melbourne.

**debit day** means the day that payment by you to us is due.

**debit payment** means a particular transaction where a debit is made.

**Direct Debit Request** means the written, verbal or online request between you and us to debit funds from your account, including any regular increases agreed between you and us.

**us** or **we** means Futurity Investment Group Limited, (the Debit User) you have authorised by requesting a Direct Debit Request.

**you** means the customer who has authorised the Direct Debit Request.

**your financial institution** means the financial institution at which you hold the account you have authorised us to debit.

## DEBITING YOUR ACCOUNT

By submitting a Direct Debit Request, you have authorised us to arrange for funds to be debited from your account. The Direct Debit Request and this agreement set out the arrangement between us and you.

We will only arrange for funds to be debited from your account as authorised in the Direct Debit Request.

If the debit day falls on a day that is not a banking day, we may direct your financial institution to debit your account on the following banking day. If you are unsure about which day your account has or will be debited, you should ask your financial institution.

## AMENDMENTS BY US

We may vary any details of this agreement or a Direct Debit Request at any time by giving you at least **14 days** written notice sent to the preferred email or address you have given us in the Direct Debit Request.

## How to cancel or change direct debits

You can:

- a) cancel or suspend the Direct Debit Request; or
- b) change\*, stop or defer an individual payment at any time, by giving us at least **five banking days'** notice.

To do so, contact us at [investorcare@futuraityinvest.com](mailto:investorcare@futuraityinvest.com) or by telephoning us on **1300 345 456** during business hours; or

You can also contact your own financial institution, which is required to act promptly on your instructions.

\*Note: in relation to the above reference to 'change', a change to your debit payment may only be processed by your financial institution to the extent of advising us, Futurity Investment Group Limited, of your new account details.

## YOUR OBLIGATIONS

It is your responsibility to ensure that there are sufficient clear funds available in your account to allow a debit payment to be made in accordance with the Direct Debit Request.

If there are insufficient clear funds in your account to meet a debit payment:

- a) you may be charged a fee and/or interest by your financial institution;
- b) we may charge you reasonable costs incurred by us on account of there being insufficient funds; and
- c) you must arrange for the debit payment to be made by another method or arrange for sufficient clear funds to be in your account by an agreed time so that we can process the debit payment.

You should check your account statement to verify that the amounts debited from your account are correct.

## DISPUTE

If you believe there has been an error in debiting your account, you should notify us directly on 1300 345 456 or at [investorcare@futuraityinvest.com](mailto:investorcare@futuraityinvest.com) and confirm that notice in writing with us as soon as possible so that we can resolve your query more quickly. Alternatively, you can contact your financial institution for assistance.

If we conclude as a result of our investigations that your account has been incorrectly debited, we will respond to your query by arranging within a reasonable period for your financial institution to adjust your account (including interest and charges) accordingly. We will also notify you in writing of the amount by which your account has been adjusted.

If we conclude as a result of our investigations that your account has not been incorrectly debited, we will respond to your query by providing you with reasons and any evidence for this finding in writing.

## ACCOUNTS

You should check:

- a) with your financial institution whether direct debiting is available from your account, as direct debiting is not available through the Bulk Electronic Payment

System (BECS) on all accounts offered by financial institutions;

- b) your account details which you have provided to us are correct by checking them against a recent account statement;
- c) with your financial institution before completing the Direct Debit Request if you have any queries about how to complete the Direct Debit Request; and
- d) if your account is held in both names, that the Direct Debit Request is signed by both account holders or otherwise as held by your financial institution for your account.

## CONFIDENTIALITY

We will keep any information (including your account details) in your Direct Debit Request confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorised use, modification, reproduction or disclosure of that information.

We will collect, retain and use your personal information in accordance with our privacy policy. We will only disclose information to the extent specifically required by Law or for the purposes of this agreement (including disclosing information in connection with any query or claim).

## CONTACTING EACH OTHER

If you wish to notify us in writing about anything relating to this agreement, you should write to:

Futuraity Investment Group Limited  
Level 15,  
333 Collins Street  
Melbourne VIC 3000

Email: [investorcare@futuraityinvest.com](mailto:investorcare@futuraityinvest.com)

We will notify you by sending a notice to the preferred email or address you have given us in the Direct Debit Request. Any notice will be deemed to have been received on the second banking day after sending.

This Financial Services Guide (FSG) dated 31 August 2022 is issued by Futurity Investment Group Limited (Futurity), the provider of the financial services referred to in this FSG. This FSG is combined with and forms part of the PDS.

## WHAT IS THE PURPOSE OF THIS FINANCIAL SERVICES GUIDE?

This FSG is to assist you in making an informed decision about whether to acquire financial services from us. If you are considering acquiring one of Futurity's education investment products, you will be provided a PDS for the relevant product(s). This PDS will provide you with details of the Futurity Education Bonds, a financial product issued by Futurity, including features, benefits and risks – and is intended to assist you in making an informed decision about the product.

## WHAT ARE THE FINANCIAL SERVICES ON OFFER?

Futurity is licensed by ASIC to deal in and provide general financial product advice on the following:

- Investment Life Insurance Products; and
- Life Risk Insurance Products.

As Futurity is only licensed to provide general financial product advice, any information provided by us cannot and will not take into account your personal objectives, financial situation or needs. Because of this, you should consider your own relevant circumstances (personal objectives, financial circumstances and particular needs) when making a decision about our products or you should seek advice from a licensed Financial Adviser. Futurity also holds an Australian Credit Licence under which we provide credit-related products and services which are outlined in our Credit Guide.

## COMMUNICATING WITH US

You can communicate with us and give us instructions by various methods including in person or by Electronic Means. Depending on what you need, different methods are available to you. Details are provided in the PDS. Our main contact details are provided below.

## YOUR PRIVACY

Futurity's Privacy Policy is summarised at p.85-86 of this PDS. The full version of the Futurity Privacy Policy is available to you at [futurityinvest.com](http://futurityinvest.com)

## FUTURITY'S COMPLAINTS HANDLING

Futurity's processes for responding to and resolving members' and Bond Owners' concerns and complaints is summarised at p.86 of this PDS.

## ASSOCIATIONS AND RELATIONSHIPS

Our general financial product advice is provided only through our authorised employees and they operate under our AFSL.

## REMUNERATION

Futurity receives fees as detailed in the Fees and Other Costs section of the PDS.

Futurity employees do not receive specific payments or remuneration for the provision of general financial product advice. These employees receive salaries and may receive bonuses from us based on their satisfying, throughout the year, different performance-based criteria set from time to time by Futurity. All employee remuneration is borne by and paid from Futurity's Management Fund.

No benefits are paid to third parties for referrals or introductions in relation to products or services issued under Futurity's AFSL. Benefits are paid to certain third parties for referrals for Futurity's credit-related products. Further disclosures are provided to credit applicants.

## ENQUIRIES AND CONTACT

You can contact us about your Bond and Futurity membership:

## FUTURITY INVESTMENT GROUP LIMITED

### Address:

Level 15, 333 Collins Street,  
Melbourne VIC, 3000.

Phone: 1300 345 456

Email: [investorcare@futurityinvest.com](mailto:investorcare@futurityinvest.com)

Website: [futurityinvest.com](http://futurityinvest.com)

**Business hours:** 9am – 5:30pm (AEST) Monday to Friday (National and Victorian public holidays excepted)

**ACN** 087 648 879

**AFSL** 236665

**ACL** 236665

These words or expressions when used in this PDS have these defined meanings:

**'Add-On Contribution(s)'** means ad hoc Lump Sum Contributions made to your Bond from time to time.

**'AFSL'** means an Australian Financial Services Licence issued by ASIC.

**'AML/CTF Laws'** means Australia's Anti-Money Laundering and Counter Terrorism Financing Laws that Futurity must follow to establish your identity and, if relevant, the identity of Appointed Associates, your Education Beneficiaries and Bond Estate Nominees.

**'Application Form'** or **'Application'** means the application form booklet accompanying this PDS. Application may also mean electronic application – refer to 'Electronic Means'. Futurity may, from time to time, offer variant ways to enable the establishment and operation of a Bond with a simplified set of features and Investment Menu.

**'Appointed Associate(s)'** means your Bond Guardian(s), your Bond Representative(s), your Financial Adviser or your Attorney as applicable as the context requires when used.

**'Appointed Education Beneficiary(s)'** means in respect of a Family Education Bond, the person(s) appointed from time to time from the Family Class and/or the Friend's Class.

**'Approved Facility'** means a pre-school, primary, secondary or tertiary educational institution or any other educational institution that conducts Eligible Education Courses or facilities that may be approved by Futurity from time to time.

**'APRA'** means the Australian Prudential Regulation Authority.

**'ASIC'** means the Australian Securities and Investments Commission.

**'ATO'** means the Australian Taxation Office.

**'Attorney'** means your legally appointed person acting under a valid and non-revoked Power of Attorney;

**'Authorised Functions'** means the functions that Futurity will act upon as being authorised by you and exercised by Bond Representatives or Bond Guardians in respect of your Bond.

**'Bond Balance'** means your Bond Benefits at any time and is equal to your Bond's Capital Component, plus its Earnings Component.

**'Bond Benefits'** means at any time the total value of your Unit Holding in each of your selected Investment Options.

**'Bond Capital Component'** or **'Capital Component'** means an account that Futurity maintains for your Education Bond that records all of your net Contributions less that portion of all Other Withdrawals (Any Purpose).

**'Bond Death Maturity'** is when your Bond matures and becomes due for distribution and payment to you and/or your Bond Estate Nominee(s) due to the death of the last surviving Life Insured and following Bond Estate Completion.

**'Bond Earnings Component'** or **'Earnings Component'** means an account that Futurity maintains for your Education Bond that records all net earnings attributed to the investment performance of your selected Investment Options less Education Benefit Claims and Other Withdrawals (Any Purpose).

**'Bond Estate Completion'** means the completion by Futurity of applicable legal procedures and our internal processes to finalise a Bond Death Maturity claim to pay Bond Benefits;

**'Bond Estate Nominee(s)'** is the one (or more) person(s) (including legal entities) nominated as a future beneficiary(s) entitled to your Bond Benefits if it matures due to a Bond Death Maturity (p.34).

**'Bond Estate Recipient'** means upon the occurrence of a Bond Death Maturity:

- you – when your Education Bond has been set up with other person(s) as its Life/Lives Insured(s);
- your Bond Estate Nominees – when you have made a Bond Estate Nomination; and/or
- the persons entitled under your Will and/or other legal estate arrangements – when no or a partial Bond Estate Nomination is made and in place.

**‘Bond Guardian(s)’ or ‘Guardian(s)’** means the one (or more) person(s) that you appoint to act in your capacity as Bond Owner in the event of your death, legal, physical or mental incapacity.

**‘Bond Maturity’** is when your Bond matures and becomes due for payment because a Bond Term Maturity or a prior Bond Death Maturity occurs.

**‘Bond Owner’** means you and can also include other persons as joint owners. A company, a trust or deceased estate or other legal entity(s) can also be a Bond Owner.

**‘Bond Representative(s)’** means the one (or more) person(s) appointed to act for you whilst you are alive and have capacity in respect of your Bond and have access to and receive information about your Bond.

**‘Bond Term’** means the duration of your Bond as set by you between 1 and 99 years, or alternatively it means a term that ends upon your death as Bond Owner (or joint Bond Owners) or a set period (e.g. 10 years) after such death. (Your set Bond Term may end earlier if a Bond Death Maturity occurs.)

**‘Bond Term Maturity’** is the date when your Bond matures and becomes due for payment to you because your Bond Term ends.

**‘Bond Transactions’** mean transactions undertaken by Futurity in respect of the receipt of Contributions, us distributing or paying monies as Education Benefit Claims, Other Withdrawals (Any Purpose) or us making Bond Maturity Payments and us implementing your Investment Option switching instructions.

**‘Business Day’** means a day (other than a Saturday, Sunday or Public Holiday) when banks are open for business in Melbourne.

**‘CGT’** means capital gains tax imposed in Australia.

**‘Commencement Date’** means the date upon which Futurity accepts your Application by disbursing your Initial Contribution into an Investment Option(s) as selected by you.

**‘Corporations Act’** means the *Corporations Act 2001*.

**‘EdInvestor’** is a way to establish your Bond as either a Family Education Bond or Individual Education Bond in such a way that your bond is established with full access to some or all of the product features and full investment menu.

**‘EdSaver’** is a streamlined application process used to establish a Family Education Bond with limited features set up initially. The full range of bond features are available after establishment.

**‘Education Beneficiary(s)’** means as the context requires when used in this PDS, either or both of:

- (a) an Individual Education Beneficiary nominated in respect of an Individual Bond; and/or
- (b) the one or more Appointed Education Beneficiary(s) appointed in respect of a Family Bond.

**‘Education Benefit’** means a benefit paid to or on behalf of Education Beneficiary(s) to meet Eligible Education Expenses.

**‘Education Benefit Claim’** means a claim against your Bond to meet Education Benefits for Education Beneficiaries.

**‘Education Benefit Declaration’** is a declaration in the Claim Form or other form given to Futurity by a Bond Owner or your Appointed Associates that an Education Benefit Claim relates to an Eligible Education Course and/or is for an Eligible Education Expense that has been paid or is due and payable.

**‘Education Bond’ or ‘Bond’** means an investment-linked life insurance contract (sometimes also called a policy or bond) between you and Futurity to provide Education Benefits.

**‘Education Tax Benefit’** is an amount that Futurity adds to your Education Benefit Claim due to us passing on the full dollar benefit of a concessional tax deduction Futurity receives when paying Education Benefits.

**‘Electronic Means’** means the various ways for you to communicate with us (including giving instructions) and us making information available to you and others associated with your Bond, including by online means over the internet, via digital, facsimile, text, or by email.

**‘Eligible Education Course(s)’** means those education courses covered by the Product Rules as explained on p.18 of this PDS.

**‘Eligible Education Expense(s)’** means those education expenses covered by the Product Rules as explained on p.18-19 of this PDS.

**‘Family Class’** means a class of related persons of the Bond Owner as defined in the Product Rules as detailed on p.22 of this PDS.

**‘Family Education Bond’ or ‘Family Bond’** means an Education Bond that provides Education Benefits to one or multiple Appointed Education Beneficiary(s) with discretion to appoint and remove them from time to time from the Family Class and/or the Friends Class as specified to apply to your Bond.

**‘Financial Adviser’** means your financial adviser, accountant, and/or other professional adviser holding an AFSL or other authorisation to conduct a financial services business.

**‘Friends Class’** means a class of unrelated persons to the Bond Owner as defined in the Product Rules as detailed on p.22 of this PDS.

**‘Fund Tax’** is the tax paid by Futurity, rather than by you on the investment income and realised investment earnings of each of the Bond’s Investment Options.

**‘Futurity’s Education Foundation’** means a registered charity established by Futurity to raise funds and make donations, bequests and to convey benefits for charitable and philanthropic purposes aligned to advancing the access, affordability, choice and quality of education.

**‘GST’** means Goods and Services Tax imposed in Australia.

**‘Individual Education Beneficiary’ or ‘Individual Beneficiary’** means the sole Education Beneficiary nominated in the Application, or his or her Replacement Individual Beneficiary subsequently nominated.

**‘Individual Education Bond’ or ‘Individual Bond’** means an Education Bond that provides Education Benefits to a sole Individual Education Beneficiary.

**‘Initial Contribution’** means the total amount that you invest to establish your Bond, which amount may be reduced by any fees, duties or Initial Advice Fees (if agreed by you with a Financial Adviser).

**‘Investment Bond 10-Year Advantage’** means the benefits of Tax-Free access to your Bond after 10 years from its Commencement Date as explained on p.72 of this PDS.

**‘Investment Bond 125% Rule’** means a Taxation Law rule imposing limits on your ongoing Contributions that you need to follow for your Bond to qualify for Tax-Free status under the Investment Bond 10-Year Advantage as explained on p.72 of this PDS.

**‘Investment Bond Tax Rules’** means the tax benefit as explained on p.71-72 of this PDS.

**‘Investment Options’ or ‘Options’** means the options as outlined in the Bond’s investment menu that are distinct and separate funds of investment assets maintained by Futurity that comprise and support your Bond Benefits. (They are also called Benefit Funds under the Life Act.)

**‘Law’** means any law governing the conduct and operations of Futurity, the Education Bonds and the Investment Options, including the Life Act, the Corporations Act and Taxation Law.

**‘Life Act’** means the *Life Insurance Act 1995*.

**‘Life Insured’** means the person(s) - being you and/or some other persons(s) (including your Education Beneficiary(s)), whose death will trigger us paying your Bond Benefits as a Bond Death Maturity.

**‘LPR’** means your Legal Personal Representative being your executor, trustee or administrator of your estate or such other person duly acting for a deceased Bond Owner (other than a Bond Guardian). Typically, if your Will becomes operative, your executor and sometimes your estate’s trustee(s) will look after your estate’s affairs – and when you do not have a valid Will, someone is appointed as your estate’s administrator.

**‘Managed Fund’ or ‘Managed Funds’** means a common type of investment vehicle registered with ASIC that pools the assets of many investors, usually under a unit trust structure managed by a professional investment manager.

**‘Management Fund’** means the fund that comprises all of Futurity’s assets and liabilities, other than the Investment Options and other benefit funds relating to our other financial products.



**'MTR'** is the Bond Owner's or relevant Education Beneficiary's personal marginal tax rate as explained on p.68 of this PDS.

**'Other Withdrawals (Any Purpose)'** means withdrawals from your Bond which can be made at any time for unspecified personal use, including 'non-education' uses. These withdrawals can be sourced from your Capital Component or otherwise Investment Bond Tax Rules will apply as explained on p.32-33 of this PDS.

**'Product Rules'** means **'Master Product Rules – Futurity Multi-Bonds'** approved by APRA on 16 December 2019 and such further approved amendments from time to time and which are the primary documentation governing the Terms and Conditions of the Bonds.

**'Replacement Individual Beneficiary'** means the person nominated by the Bond Owner (or by the Bond Guardian(s), if authorised) to replace an Individual Education Beneficiary.

**'Tax-Free'** means your Bond's Tax-Free elements when making Education Benefit Claims or Other Withdrawals (Any Purpose) from its Capital Component or as applies under Investment Bond Tax Treatment as explained on p.70 of this PDS.

**'Tax-Paid'** means that throughout the entire Bond Term of your investment, Futurity (rather than you) will pay Fund Tax on your Bond's ongoing investment earnings as explained on p.67 of this PDS.

**'Taxation Law'** means the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997* and any other related income tax legislation in Australia.

**'UMF'** means the underlying Managed Fund(s) into which Futurity invests when implementing each Investment Option's investment strategy.

**'Unit'** means a notional undivided part or share of an Investment Option, each of which is of equal value at any given time, as explained on p.79 of this PDS.

**'Unit Holding'** means in respect of your Bond's selected Investment Option(s) from time to time, the total value of all Units that you hold in the Investment Option as measured by their respective current Unit Price.

**'Unit Price'** means the price that we strike (usually on a daily basis) in respect of each Investment Option, and as applied to your Bond, which will be either a Buy Unit Price (an issue or acquisition price) or a Sell Unit Price (a redemption or disposal price) current at close of business on the Business Day when we process your Bond Transactions or other dealings with your Bond.





**FUTURITY**  
INVESTMENT GROUP

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Website: [futuraityinvest.com](http://futuraityinvest.com)

AFSL 236665

# FUTURITY

EDUCATION BONDS

EdInvestor | EdSaver

## INVESTMENT MENU BOOKLET

PART B – PRODUCT DISCLOSURE STATEMENT



## CONTENTS: PDS PART B

### PART A PDS

(See separate accompanying Product Features Booklet)

### PART B PDS

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#### ABOUT USING THIS PDS

This Part B PDS is part of a combined Product Disclosure Statement (PDS) comprising a Part A PDS – Product Features Booklet, a Part B PDS – Investment Menu Booklet and also Futurity’s Financial Services Guide (FSG). An Application Form also accompanies this PDS.

If you have not received both Parts A and B together, please contact us or your Financial Adviser. We recommend that you read this entire PDS carefully, and if necessary, seek independent, professional advice.

There is a Glossary on p.93 of the Part A PDS to assist you with some of the terms used in this PDS.

Information about the Menu, the Investment Options, the Underlying Managed Funds (UMFs) and their managers is current as stated as at the date of this PDS. We update information at our website and managers of the UMFs usually update information on their own website as detailed in each Investment Option Overview (p.21-41).

Logos and trademarks are used in this PDS with the consent of their owners.

The date of this PDS is 31 August 2022.



## INTRODUCTION TO THE MENU

Futurity Education Bonds' Investment Menu is structured with three categories and offers you access to 32 Investment Options. Within these categories, you have further choice of actively managed and indexed (or passively managed) investment styles. These categories are:

### 1) Futurity Managed and Blended

### 2) Diversified Options

### 3) Sector-Specific Options

This expansive Investment Menu provides you wide choice and flexibility to tailor an investment strategy to suit the objectives and timeframe for your Family or Individual Education Bond.

Your Bond's investment mix can be flexibly managed and modified at any time to adapt to changing market conditions, your individual circumstances and attitude to risk.

Importantly, you have tax-freedom to switch across the entire Menu's Investment Options without personal tax or Capital Gains Tax (CGT) consequences. (see Part A PDS p.70-71).

With this Investment Menu you can:

- **Tax-effectively select across 32 Investment Options** – we invest into underlying managed funds (UMFs) of leading Australian and international investment managers;
- **Take a 'set-and-forget' approach by using ready-made and diversified Investment Options** – you can choose from the Managed and Blended or Diversified range;
- **Construct your Education Bond's own investment composition across different asset classes** – you do this by selecting a mix of sector-specific Investment Options; or
- **Access market leading Responsible Investment (RI) Options** – you can choose from a range of options with UMFs that are managed in accordance with Environmental, Social and Governance (ESG) factors and follow sustainable investment principles.





### THREE INVESTMENT CATEGORIES

#### 1) FUTURITY MANAGED AND BLENDED

Three Investment Options are constructed and managed by Futurity as a blended mix of multiple UMFs that we select from an extensive Approved Manager List (p.24). This approved list comprises sector-specific UMFs spanning major asset classes such as Australian and international equities, property and fixed income.

We manage each of these Investment Options as a 'blend'. This is done to achieve balanced and growth orientated diversification across multiple sectors to create long-term investment portfolios.

These are 'ready-made' diversified Investment Options for those who want the convenience of long-term 'set-and-forget' investing and not to be overly involved with the ongoing management of their Bond's investment mix. They may also suit those who choose not to engage a Financial Adviser.

#### 2) DIVERSIFIED OPTIONS

This category has 14 Investment Options.

These are also multi-sector, diversified Investment Options, but differ from the Managed and Blended category as we generally invest into a single UMF of a leading professional investment manager.

These are 'ready-made' options with each of the UMF's managers investing to create a diversified portfolio of assets.

The diversified options cover different investment management styles via indexed and active management styles.

#### 3) SECTOR-SPECIFIC OPTIONS

Under this Menu category you can choose from 15 Investment Options that we invest into sector-specific asset class UMFs. You (or your Financial Adviser) might take a sector-specific approach if you want to construct and manage your own Bond's individual investment mix.

This category has UMFs with specialist investment managers who concentrate on a single asset class, such as Australian or international equities, emerging markets, Australian or international fixed income and Australian property investments.

#### RESPONSIBLE INVESTING



Six Investment Options are invested into UMFs managed by RI specialist managers that focus upon Environmental, Social and Governance (ESG) factors and follow sustainable investment principles. They aim to achieve ESG outcomes by:

- using a lens to assess companies, assets and securities against ESG factors;
- developing exclusion screens to remove certain stocks, such as those involved with fossil fuel reserves, alcohol, tobacco, gambling, weapons, nuclear power and adult entertainment; and
- actively determining to either invest or not invest in companies, assets or securities that do or do not support their ESG positioning, ethics and values.

(For more information on Futurity's approach to Responsible Investing see page 47.)

## CHOOSING INVESTMENT MANAGER STYLES

### ACTIVELY MANAGED STYLE

There are 21 actively managed Investment Options in total. Specialist active style investment managers 'actively' try to out-perform their fund's underlying **Performance Benchmark** by selecting assets and securities that:

- they believe will combine to produce excess returns over their benchmark; and
- through their research, analysis and judgement are expected to combine to provide a risk-adjusted return outcome above the Performance Benchmark.

For the sector-specific Investment Options, we use its most appropriate specific Performance Benchmark. For the Futurity Managed & Blended and Diversified Options, we use composite weighted Performance Benchmarks matched to the multisector asset class mix.

### INDEXED (PASSIVELY MANAGED) STYLE

You can select from 11 Investment Options that invest into UMFs with a specialist index styled investment manager. These options:

- are simply managed to track (or to passively replicate) the performance of a specific market index, such as the S&P/ASX 300 Accumulation Index for Australian equities; and
- their passive investment management style means they tend to be more cost-effective in terms of lower ongoing investment management fees.

**Performance Benchmarks** are widely adopted industry measurements or standards, such as a recognised market index like the S&P/ ASX 300 Accumulation Index or the Bloomberg AusBond Bank Bill Index.

## HOW FUTURITY SELECTS MANAGERS & UMFs

Futurity generally invests the Menu's 32 Investment Options into UMFs that are **Wholesale Managed Funds** of leading Australian and international investment managers.

Futurity is independent from these UMFs, so we are objective in our evaluation when selecting or replacing UMFs and are not locked into a particular investment manager or fund.

The UMFs that we invest into are selected in accordance with Futurity's core investment principles, governance structure and ten Selection Factors (p.42).

**For the active manager style**, our UMF appointments rely on these factors with the aim of selecting UMFs that will:

- outperform the Performance Benchmark (p.8) that we set for each UMF; and
- outperform to a level that we assess is consistent with the risk, expected performance characteristics and fees charged by the UMF.

**For the index styled manager**, the UMF appointments rely on these factors with the aim of selecting UMFs that will:

- track the Performance Benchmark (p.8) that we set for each UMF; and
- perform to a level that we assess is consistent with the risk, expected performance characteristics and fees charged by the UMF.

The Selection Factors that we use to evaluate UMFs often rely on quantifiable performance metrics of producing excess returns over Performance Benchmarks.

Each UMF will generally have a stated Performance Benchmark, and Futurity also separately sets our own Performance Benchmark for each Investment Option.

The Investment Option Overviews (p.24-41) set out the current Performance Benchmarks.

**Wholesale Managed Funds** are commonly used as investment vehicles by large institutional and professional investors, such as banks, life offices and superannuation funds. They generally have lower fees than retail funds, and higher minimum investment requirements beyond the reach of most individual investors.



## MENU AT A GLANCE

### GUIDE TO THE INVESTMENT OPTIONS

The Menu is organised into three Investment Option categories. This is designed to suit different investor types, risk profiles, timeframes and their preferred level of involvement in managing their Bond's investment mix.

Across the three categories, you have a choice of actively managed and indexed (passively managed) investment styles.

The Menu has a range of Responsible Investment Options that are managed in accordance with ESG factors and that follow sustainable investment principles. (The full RI range is summarised on page 13 for ease of reference).

## SET-AND-FORGET INVESTING

### CATEGORY 1 – FUTURITY MANAGED & BLENDED

#### ACTIVELY MANAGED STYLE

Access multi-asset portfolios that seek to outperform a Performance Benchmark. These diversified portfolios are constructed to invest across different asset classes, industries and countries, as well as several investment managers with different styles and objectives.

### CATEGORY 2 – DIVERSIFIED

#### INDEXED STYLE

Access a range of low-cost diversified (Conservative, Balanced, Growth or High Growth) index funds invested across multiple asset classes that aim to track a Performance Benchmark.

#### ACTIVELY MANAGED STYLE

Access a range of diversified (Conservative, Balanced, Growth or High Growth) multi-asset portfolios that take a multi-manager approach that aims to outperform a Performance Benchmark.

### OPTION

#### CODE INVESTMENT OPTION

#### UNDERLYING MANAGED FUND (UMF)

### FUTURITY MANAGED AND BLENDED RANGE

OPTION CODE	INVESTMENT OPTION	UNDERLYING MANAGED FUND (UMF)
FM1	Managed & Blended - Balanced Portfolio	Futurity Investment Group
FM2	Managed & Blended - Growth Portfolio	Futurity Investment Group
FM3	Managed & Blended - Responsible Investment Portfolio	Futurity Investment Group

### VANGUARD INDEXED RANGE

OPTION CODE	INVESTMENT OPTION	UNDERLYING MANAGED FUND (UMF)
DP1	Diversified Indexed - Conservative	Vanguard Conservative Index Fund
DP2	Diversified Indexed - Balanced	Vanguard Balanced Index Fund
DP3	Diversified Indexed - Growth	Vanguard Growth Index Fund
DP4	Diversified Indexed - High Growth	Vanguard High Growth Index Fund

### MLC ACTIVE RANGE

OPTION CODE	INVESTMENT OPTION	UNDERLYING MANAGED FUND (UMF)
DA1	Diversified Active - Conservative	MLC Wholesale Horizon 2 Income Portfolio
DA2	Diversified Active - Balanced	MLC Wholesale Horizon 3 Conservative Growth Portfolio
DA3	Diversified Active - Growth	MLC Wholesale Horizon 4 Balanced Portfolio
DA4	Diversified Active - High Growth	MLC Wholesale Horizon 5 Growth Portfolio

### DIMENSIONAL ACTIVE RANGE

OPTION CODE	INVESTMENT OPTION	UNDERLYING MANAGED FUND (UMF)
DA5	Diversified Active - Balanced - 2	Dimensional World Allocation 50/50 Trust
DA6	Diversified Active - Growth - 2	Dimensional World Allocation 70/30 Trust
DA9	Diversified Active - Responsible Investment	Dimensional Sustainability World Allocation 70/30 Trust

### OTHER DIVERSIFIED ACTIVE RANGE

OPTION CODE	INVESTMENT OPTION	UNDERLYING MANAGED FUND (UMF)
DA7	Diversified Active - Growth - 3	Perpetual Wholesale Diversified Growth Fund
DA8	Diversified Active - High Growth - 2	Pendal Active High Growth Fund
DA10	Diversified Active - Responsible Investment - 2	Pendal Sustainable Balanced Fund



## SECTORAL MENU – CONSTRUCTING YOUR BOND'S OWN INVESTMENT MIX (using the sectoral menu of different asset classes)

### CATEGORY 3 – SECTOR-SPECIFIC

#### INDEXED STYLE

Access a range of low-cost sector-specific index funds (Australian Fixed Income, Australian Equities, International Equities, Emerging Market Equities, Property, and Responsible Investment) for long-term growth that aim to track the Performance Benchmark of specific asset classes such as Australian and international equities, property and fixed income.

#### ACTIVELY MANAGED STYLE

Access a range of actively managed sector-specific (Cash, Australian Fixed Income, Australian Equities, International Equities, Emerging Market Equities), high quality portfolios that aim to outperform the Performance Benchmark of specific asset classes such as cash, equities and fixed income.

### RESPONSIBLE INVESTMENT RANGE

#### ESG FACTORS AND SUSTAINABLE INVESTING RANGE



The Menu includes a number of Responsible Investment Options to provide exposure to portfolios invested with an ESG / sustainability lens. There are RI options across the diversified and sector-specific categories designed to track or outperform a Performance Benchmark, and have been collated together here for ease of access for investors focused on RI investing.

OPTION CODE	INVESTMENT OPTION	UNDERLYING MANAGED FUND (UMF)
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#### VANGUARD INDEXED RANGE

SP1	Sectoral Indexed - Australian Fixed Income	Vanguard Australian Fixed Interest Index Fund
SP2	Sectoral Indexed - Australian Equities	Vanguard Australian Shares Index Fund
SP3	Sectoral Indexed - International Equities	Vanguard International Shares Index Fund – Hedged
SP4	Sectoral Indexed - Emerging Market Equities	Vanguard Emerging Markets Shares Index Fund
SP5	Sectoral Indexed - Property	Vanguard Australian Property Securities Index Fund
SP6	Sectoral Indexed - Responsible Investment	Vanguard Ethically Conscious International Shares Index Fund – Global Equities
SP7	Sectoral Indexed - International Fixed Income	Vanguard Global Aggregate Bond Index Fund (Hedged)

#### SPECIALIST MANAGERS RANGE

SA1	Sectoral Active - Cash	First Sentier Wholesale Institutional Cash Fund
SA2	Sectoral Active - Australian Fixed Income	PIMCO Australian Bond Fund
SA3	Sectoral Active - Australian Equities	AllianceBernstein Managed Volatility Equities Fund (Managed Fund) – MVE Class
SA4	Sectoral Active - International Equities	MFS Hedged Global Equity Trust
SA5	Sectoral Active - Emerging Market Equities	MFS Emerging Markets Equity Trust
SA6	Sectoral Active - International Fixed Income	PIMCO Global Bond Fund (Hedged)
SA7	Sectoral Active - Responsible Investment	Perpetual Wholesale Ethical SRI Fund
SA8	Sectoral Active - Responsible Investment - 2	Australian Ethical Australian Shares Fund (Wholesale)

FM3	Futurity Managed & Blended - Responsible Investment Portfolio	Futurity Investment Group
DA9	Diversified Active - Responsible Investment	Dimensional Sustainability World Allocation 70/30 Trust
DA10	Diversified Active - Responsible Investment - 2	Pendal Sustainable Balanced Fund
SP6	Sectoral Indexed - Responsible Investment	Vanguard Ethically Conscious International Shares Index Fund – Global Equities
SA7	Sectoral Active - Responsible Investment	Perpetual Wholesale Ethical SRI Fund
SA8	Sectoral Active - Responsible Investment - 2	Australian Ethical Australian Shares Fund (Wholesale)

# INVESTMENT STRATEGY FACTORS

## SETTING YOUR INVESTMENT STRATEGY

**Futurity's Education Bonds are designed for you to tax-effectively save and invest to accumulate the funding needed for your education-purposed objectives.**

These objectives might be very broad covering your whole family (including you, your children and perhaps grandchildren) and others dear to you - or narrowly focussed on a single child's education.

Importantly, the investment strategies you choose to achieve your objectives will vary according to a myriad of circumstances and factors. These include personal, family, life-stage, financial position and your attitude to risk and ESG / sustainability outcomes.

While your strategy should be sound in terms of your selected investments and your tolerance to risk, it should not be overlooked that by investing tax-effectively, you can significantly improve overall investment returns. Tax-effective, internally compounding investment platforms, like modern Education Bonds can assist you on both counts.

### WHAT LEVEL OF INVESTMENT RETURN IS REQUIRED TO FINANCE YOUR OBJECTIVES?

You should consider the level of investment returns you need to aim for to meet your education objectives.

The primary factors driving your Bond's investment returns are the type and mix of Investment Options that you select - and how over its set timeframe these options are managed by you, or your Financial Adviser (if you have one acting for you).

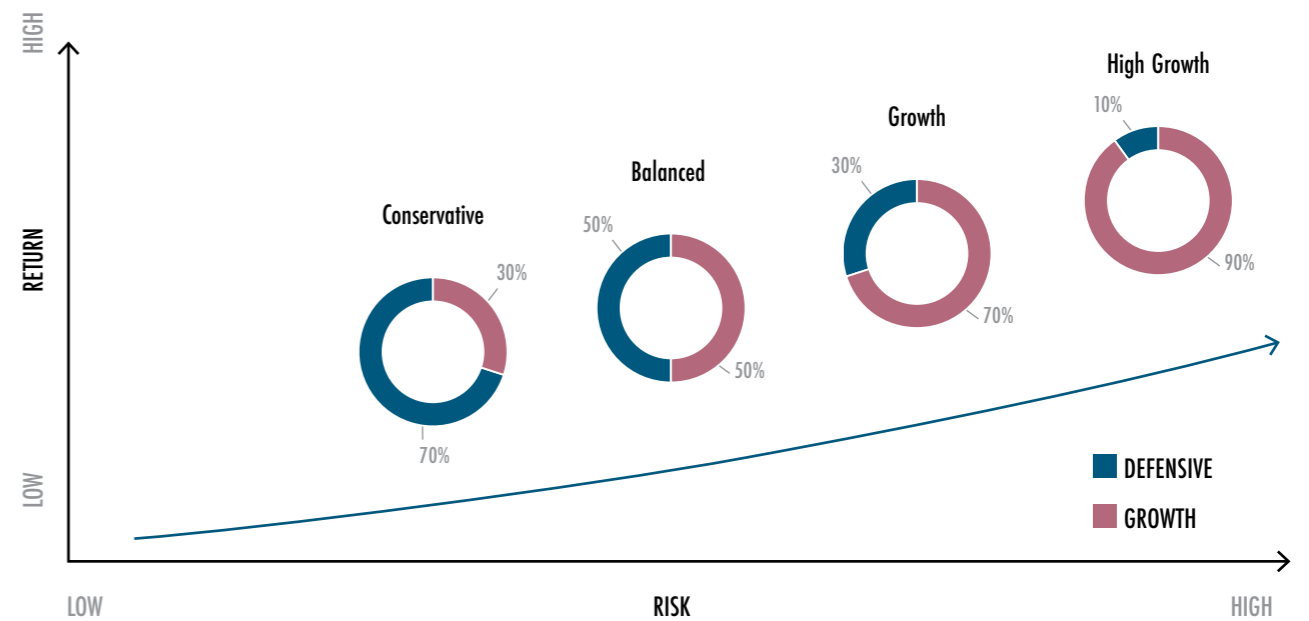
Generally, **growth investments**, such as Australian and international equities and property have produced higher returns over the long-term, than **defensive investments**, such as fixed income, cash and term deposits.

## WHAT IS YOUR RISK TOLERANCE TO ACHIEVE YOUR RETURN OBJECTIVES?

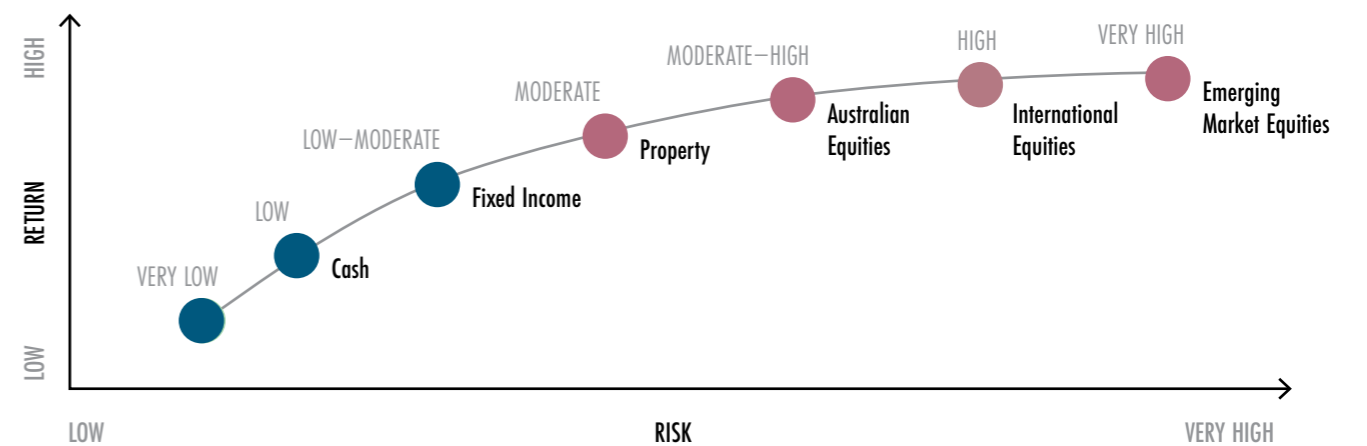
You need to consider your risk tolerance, or the level of risk you feel comfortable with to achieve your investment target (and education funding objectives). If you underestimate risk you may end up with unexpected losses, or if you overestimate risk (and are too cautious) you may experience lower returns. In both cases, you may not attain your investment goals.

Investing involves a trade-off between risk and return.

### RISK VS RETURN – DIVERSIFIED OPTIONS



### RISK VS RETURN – SECTOR-SPECIFIC OPTIONS



Whilst **growth investments** generally produce higher returns over the longer term – they require a greater tolerance to risk. Your tolerance to risk must also take into account an investment’s **volatility**, which is a prime measure of risk. Growth investments have higher volatility as their value tends to fluctuate more in the short-term, and in some years may even be negative.

**Volatility** is a measure of the tendency and degree of fluctuation of an investment’s value (or price) especially over short periods. The higher an investment’s volatility, the less certain are expected returns.

Returns from **defensive assets** have historically been lower than those from growth investments over the long-term. Generally, they have lower risk and lower volatility.

### STANDARD RISK MEASURE

Each Investment Option on the Menu is allocated a risk level represented by its Standard Risk Measure (**SRM**). Its SRM enables you to compare investments that are expected to deliver a similar number of negative annual returns over any 20-year period.<sup>1</sup>

You should ensure you are comfortable with the risks and potential losses associated with your chosen Investment Option(s).

RISK BAND	SRM RISK LABEL	ESTIMATED NUMBER OF NEGATIVE ANNUAL RETURNS OVER ANY 20 YEAR PERIOD
1	Very Low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very High	6 or greater

<sup>1</sup> The SRM is not a complete assessment of all types of investment risk and does not take into account the impact of fees on the likelihood of a negative return.

### OVER WHAT TIMEFRAME WILL YOU NEED TO INVEST?

Your investment timeframe commences when you set up your Education Bond and extends over the period that you plan to access your Bond to finance your education objectives.

In setting your timeframe - Bond Owners whose education funding plans do not require accessing their Bond for a longer period (say for secondary schooling or tertiary courses) may be willing to ride market ‘ups-and-downs’. In aiming to achieve higher investment growth, you might choose growth-orientated investment strategies.

As the timeframe becomes shorter, you may wish to adopt a more conservative strategy. For instance, you might use your Bond’s growth style Investment Options over the medium term to accumulate, but then move to more defensive investments later to give more security during the Education Benefits drawdown phase.

In younger life, buying a home, paying off the mortgage and starting a family are common goals and education funding may not be so front of mind. Given the magnitude of paying school fees over timeframes of up to 13 years for each child – the earlier you start planning and saving, the better placed you will be to achieve your objectives and meet this major financial challenge.

### WHAT ROLE DOES INVESTMENT COMPOUNDING PLAY?

Longer investment timeframes maximise the benefits of **investment compounding**, especially for medium and higher taxed investors doing this under an Education Bond’s Tax-Paid investment structure.

When the power of investment compounding is combined with even small improvements in investment performance, there can be significantly better investment outcomes over the longer term.

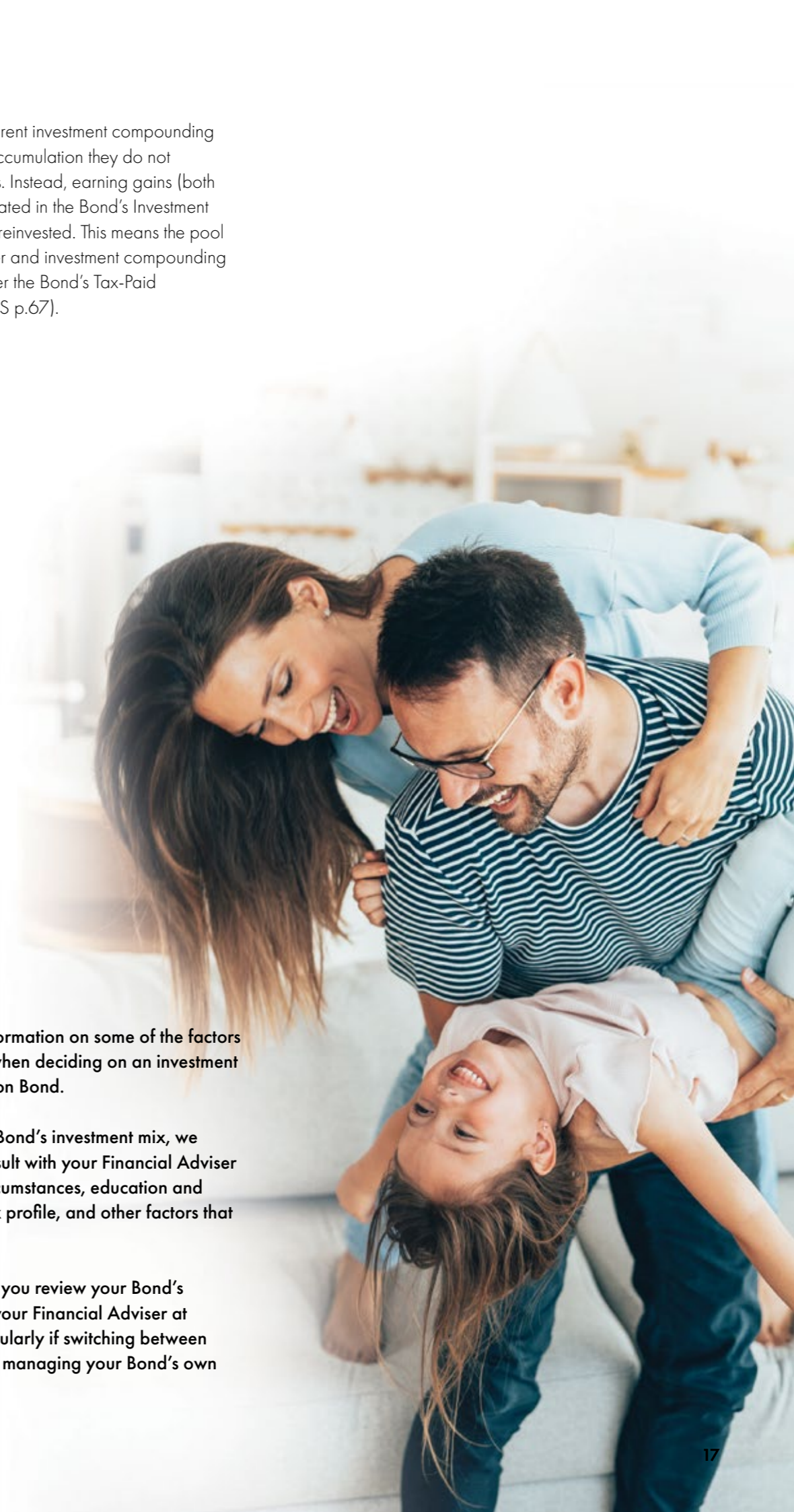
**Investment Compounding** is generating investment returns, not only on your initial and ongoing capital Contributions, but also generating investment returns on the ongoing accumulation of investment earnings produced over time.

Education Bonds have inherent investment compounding qualities because during accumulation they do not annually distribute earnings. Instead, earning gains (both income and capital) generated in the Bond’s Investment Options are automatically reinvested. This means the pool of investable funds is bigger and investment compounding benefits are amplified under the Bond’s Tax-Paid environment (see Part A PDS p.67).

**This section is general information on some of the factors that you might consider when deciding on an investment strategy for your Education Bond.**

**Before deciding on your Bond’s investment mix, we recommend that you consult with your Financial Adviser about your individual circumstances, education and investment objectives, risk profile, and other factors that are important to you.**

**We also recommend that you review your Bond’s investment strategy with your Financial Adviser at least annually, and particularly if switching between Investment Options when managing your Bond’s own investment mix.**



## ABOUT THE INVESTMENT MANAGERS



### Futurity Investment Group

Futurity is an independent and mutually structured financial institution and Australia's leading issuer of tax-effective, life-event Education Bonds.

As at 30 June 2022, Futurity had total assets of A\$1.02 billion. Futurity currently has over 56,000 members and for over almost 50 years we have been managing and investing their education savings and investments. Since inception in 1974, we have supported the education journeys of over 565,000 children and returned over A\$3.6 billion in education benefits.

Our experience and expertise in managing our members' funds has focussed on multi-asset investment portfolios. Our constant aim is to ensure they are prudently managed to meet the investment outcomes, in a risk adjusted manner, of our members and to protect capital in down markets.

Futurity is an APRA supervised financial institution. We have considerable financial strength and capital reserves that underpin our resilience to meet product, administration and service commitments to our members over the long-term and across changing investment and economic cycles.



**ALLIANCEBERNSTEIN®**

### AllianceBernstein L.P

AllianceBernstein (AB) is a leading global investment management firm that offers high-quality research and diversified investment services to leading institutions, retail investors and private wealth clients in major world markets.

As of 31 May 2022, AB managed A\$956 billion in assets. AB maintain research, portfolio management, wealth management and client service offices around the world, reflecting its global capabilities and the needs of its clients.



### Australian Ethical

Australian Ethical is one of Australia's leading ethical fund managers. By investing responsibly, Australian Ethical delivers competitive financial performance to their clients and positive change to society and the environment.

Since inception in 1986, the Ethical Charter has guided all investment decisions and underpinned their business practices. Every year 10 per cent of Australian Ethical profits (after tax and before bonuses) are distributed to charitable organisations and social impact initiatives through The Australian Ethical Foundation



### Australian Unity

At Australian Unity, we focus on improving the financial wellbeing of our investors. Following this basic principle, we have created a number of successful funds with a focus on the core area of cash, fixed interest, mortgages, property, equities and diversified products; including one of Australia's first and largest unlisted Healthcare property trusts.

These funds are managed either directly by Australian Unity or by one of our joint venture partners.



### Charter Hall Group

With over 31 years' experience in property investment and funds management, Charter Hall is one of Australia's leading fully integrated property groups. They use their property expertise to access, deploy, manage and invest equity across their core sectors – office, industrial & logistics, retail and social infrastructure.

Operating with prudence, they've carefully curated a \$61.3 billion diverse portfolio of over 1,516 high quality, long leased properties. Partnership and financial discipline are at the heart of their approach. Acting in the best interest of customers and communities, they combine insight and inventiveness to unlock hidden value. Taking a long term view, their \$13.2 billion development pipeline delivers sustainable, technologically enabled projects for their customers.



### Dimensional

Dimensional Fund Advisors is a leading global investment firm that has been translating academic research into practical investment solutions since 1981. Guided by a strong belief in markets, we work to implement compelling ideas in finance for the benefit of clients. Dimensional seeks to deliver investment solutions that add value through careful design, implementation and execution. An enduring philosophy, strong client commitment, and a strong connection with the academic community underpin our approach. Dimensional has fourteen offices in ten countries and established its first Australian office in 1994.



### First Sentier Investors

First Sentier Investors is a global asset management group focused on providing high quality, long-term investment capabilities to clients. It brings together teams of specialist investment managers who share its common commitment to responsible investment principles.

First Sentier Investors is a stand-alone asset management business and also home to a number of individually branded investment teams, such as Stewart Investors, FSSA Investment Managers, and Realindex Investments. All investment teams operate with discrete investment autonomy, according to their investment philosophies. Together, the group offers a comprehensive suite of investment capabilities across global and regional equities, cash and fixed income, infrastructure and multi-asset solutions, all with a shared purpose to deliver sustainable investment success.

First Sentier Investors has been managing money with a long-term outlook for more than 30 years and today manages approximately A\$231.9 billion of assets as at 31 March 2022 on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients.

First Sentier Investors is ultimately owned by MUFG, one of the world's largest financial services companies.



### Investors Mutual Limited

Investors Mutual Ltd (IML) is a specialist Australian equity manager based in Sydney. IML has a conservative investment style with a long-term focus and aims to deliver consistent returns. IML achieves this through the disciplined application of a conservative, fundamental and value-based approach to investing. IML was established in 1998 and has approximately A\$5.0 billion in funds under management as at 30 June 2022.



### JANA Investment Advisors

JANA was founded in 1987 and is one of Australia's leading asset consulting firms. JANA achieves its success through a combination of innovation, high quality research and a commitment to relationships. By undertaking detailed research, JANA believes successful investment managers can be identified ahead of time and blended together in a portfolio solution for investors.

With the aim of achieving this outcome, JANA looks for investment managers that have complementary investment performance objectives but may adopt different strategies and approaches. JANA's approach to identifying successful investment managers requires it to fully understand the investment manager process, the capability of the personnel, the discipline employed and, most importantly, the areas of outstanding qualities.



### Lazard Asset Management

Lazard Asset Management Pacific Co. ("LAMP") is a subsidiary of Lazard Asset Management LLC ("LAM") which managed approximately A\$294 billion in assets worldwide as at 31 March 2022. LAM has research analysts in the major regions across the world including North America, Europe, Middle East and Asia Pacific. LAMP is responsible for the management of assets for clients across domestic equities, global equities, fixed income, and alternative assets. As at 31 March 2022 LAMP had approximately A\$14 billion in assets under management for clients.



## MFS

MFS International Australia Pty Ltd (MFSIA) is a member of the MFS Investment Management group of companies ('MFS'). Established in 1924, MFS is an active, global asset manager with investment offices in Boston, Hong Kong, London, Mexico City, São Paulo, Singapore, Sydney, Tokyo and Toronto. MFSIA has delegated the investment management of the Trust to another member of MFS, MFS Institutional Advisors, Inc., a US SEC registered investment adviser. MFS is a member of the Sun Life Financial group of companies.



## ASSET MANAGEMENT

## MLC

MLC has been looking after the investment needs for generations of Australians. MLC believes the best way to manage portfolios is to employ the skills of multiple specialist investment managers.

MLC's investment experts research hundreds of investment managers from around the world and select the managers they believe are the best for their portfolios.

MLC's investment experts have extensive knowledge and experience at designing and managing portfolios using a multi-manager investment approach.

MLC's investment experts do this by:

- Adjusting the allocations to the asset classes away from the benchmark asset allocation, while aiming to remain within the defined ranges.
- Researching and selecting a broad range of mainstream asset classes, and including some exposure to alternative assets and strategies.
- Researching hundreds of investment managers from around the world and selecting the managers they believe are the best for the Portfolio. These investment managers, who are mainly active managers, choose many companies and securities in Australia and overseas for investment.

MLC makes sophisticated investing straightforward.

## PENDAL

### Pendal Institutional Limited

Pendal Institutional Limited (Pendal) is an independent, global investment manager focused on delivering superior investment returns for its clients through active management.

Pendal offers investors a range of Australian and international investment choices including shares, property securities, fixed income and cash strategies, as well as multi-asset and responsible investments. To complement its in-house expertise, Pendal also partners with leading global investment managers.

Pendal operates a multi-boutique style business across a global marketplace through a meritocratic investment-led culture. Its experienced, long-tenured fund managers have the autonomy to offer a broad range of investment strategies with high conviction based on an investment philosophy that fosters success from a diversity of insights and investment approaches.

Pendal's investment teams are supported by a strong operational platform across risk and compliance, sales, and marketing and operations, allowing fund managers to focus on generating returns for Pendal's clients.

Pendal is a wholly owned subsidiary of Pendal Group Limited. Listed on the Australian Securities Exchange since 2007 (ASX: PDL), Pendal Group Limited is one of Australia's largest and most enduring pure investment managers with offices in Sydney, Melbourne, London, Dublin, Prague, Singapore, New York, Boston, Richmond and Berwyn.



### Perpetual Investments

Perpetual Investment Management Limited (Perpetual Asset Management Australia) is a dynamic, active manager, offering an extensive range of specialist investment capabilities including Australian and global equities, credit, fixed income, multi-asset as well as environmental, social and governance (ESG), designed to help meet the needs of clients across Australia and New Zealand. Perpetual Asset Management Australia is part of the Perpetual Group, which has been in operation for over 130 years. As one of Australia's longest serving and most trusted investment managers, with \$25.3 billion in funds under management (as at 30 June 2022) our longstanding commitment is to deliver superior outcomes over the long-term for our clients.

Perpetual has a long-standing commitment to responsible investment. In 2009, we became a signatory to the United Nations supported Principles for Responsible Investment. This commits us to incorporate environmental, social and governance factors into our core investment processes.

## PIMCO

### PIMCO

PIMCO is a member of the PIMCO Group, one of the largest investment managers in the world. As the Investment Manager, PIMCO will make investment decisions in relation to the Fund. PIMCO Group's history dates back to 1971 when it was established as a specialist fixed interest manager. The PIMCO Group has its head office in Newport Beach, California, USA with offices located in Hong Kong, New York, Austin, Toronto, Munich, Sydney, Singapore, Tokyo, London, Milan, Rio de Janeiro, Taipei and Zurich.

For Australian clients, the PIMCO Group has been managing fixed interest assets since 1997 and alternative assets since 2006. Through various holding company structures, the PIMCO Group is majority owned by Allianz SE. Allianz SE is a European based multinational insurance and financial services holding company and a publicly traded German company. The PIMCO Group, as at 30 June 2021, managed over US\$2.20 trillion (including non-third party assets) for investors around the world and employs over 740 investment professionals across all its offices.



### Realindex Investments

Realindex Investments (Realindex) was established in 2008 and is a wholly owned investment management subsidiary of First Sentier Investors. Realindex is focused on partnering with clients to provide systematic equity solutions utilising its intelligent implementation and active quantitative equity capabilities.

As at 31 March 2022 Realindex managed approximately A\$284 billion across Australian, global and emerging market shares. It has a dedicated team of portfolio managers, quantitative analysts, and product and client specialists responsible for the research, construction, portfolio management, trading and institutional sales and service of its underlying strategies. As a part of First Sentier Investors, Realindex benefits from the IT systems, back office and administration, legal, dealing, compliance and distribution support from a strong parent company.



### Resolution Capital

Resolution Capital Limited is a specialist global real assets securities manager with a successful long-term investment track record and culture of fiduciary responsibility. The Firm was established in 2004 and is headquartered in Sydney, Australia and maintains an office in New York. Resolution Capital believes that listed real estate is an excellent means of gaining exposure to the underlying returns of some of the world's highest quality real estate assets in a simple, transparent, liquid and tax efficient form.

Resolution Capital is a value orientated investment manager with the objective of delivering superior risk adjusted long term returns, compared with recognised industry benchmarks. This is achieved through investment in a concentrated portfolio of carefully selected listed real estate securities with an emphasis on avoiding fundamental flaws which could reasonably result in permanent impairment of the underlying investments. This aligns Resolution Capital's investment process and security selection with clients' objectives of long-term real wealth creation and avoids the culture of index hugging.



### State Street Global Advisors

State Street Global Advisors (SSGA) is the asset management arm of State Street Corporation and one of the largest investment managers in the world. As at 31 March 2022, SSGA had funds under management of A\$5.4 trillion across a range of investment strategies and markets. SSGA opened our Sydney office in 1991, and today partners with many of Australia's most sophisticated investors and financial intermediaries.



### Vanguard

Vanguard Investments Australia Ltd ("Vanguard") is a wholly owned subsidiary of The Vanguard Group, Inc. With AUD \$10.3 trillion in assets under management globally as of 30 June 2022, including AUD \$2.8 trillion in ETFs, Vanguard is one of the world's largest global investment management companies. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for over 25 years.

# THE MENU OF INVESTMENT OPTIONS

## TEMPLATE GUIDE TO INVESTMENT OPTION OVERVIEWS

This is a guide to help you navigate the information contained in each of the Investment Option overviews.

Information about each Investment Option and the UMFs is current as at the date of this PDS. Please refer to our website for current information.



### LEGEND:

- 1 OPTION NAME AND CODE:**  
Each Investment Option has its own name and specific code. The name is generally descriptive of the type of UMF (or investment) that is held in the Investment Option.
- 2 FUTURITY'S INVESTMENT OPTION OBJECTIVE, STRATEGY AND BENCHMARK**  
This is the Futurity's Investment Option level objective, strategy and Performance Benchmark. These have been determined to reflect the underlying characteristics of the Investment Option and its overall investment strategy and objectives.
- 3 UNDERLYING MANAGED FUND (UMF)**  
The name of the UMF into which the Investment Option is invested. Normally we will only use one UMF per Investment Option, however the Futurity Managed & Blended category is made up of multiple UMFs.
- 4 INVESTMENT STRATEGY**  
This is the Investment Strategy of the appointed UMF. It describes the broad investment strategy of the UMF.
- 5 ASSET ALLOCATION**  
This section sets out the types of investments (by asset class) comprising the UMF. It displays the targeted allocation of each asset class. At any given time, the actual asset allocation within a UMF may differ to the targeted allocation. All funds have an asset class range for which they must always operate within.
- 6 PERFORMANCE OBJECTIVE**  
This sets the broad objectives for the UMF, which for actively managed is to outperform its Performance Benchmark and for indexed is to track its Performance Benchmark.
- 7 PERFORMANCE BENCHMARK**  
This is the Performance Benchmark of the appointed UMF (p.8).
- 8 INVESTMENT RISK PROFILE**  
The Investment Risk Profile of the UMF is based upon the Standard Risk Measure. A breakdown of the risks of investing can be found on pages 44-45.
- 9 SUGGESTED MINIMUM INVESTMENT TIME**  
This is the minimum suggested timeframe recommended by the manager of the UMF as being appropriately aligned to meeting the UMF's investment objectives.
- 10 UMF PDS AVAILABLE AT**  
Additional information on the UMF is available at this website.

### EXAMPLE:

- 1 Futurity Diversified Indexed – Growth INVESTMENT OPTION DP3**
  - 2 Investment Objective, Strategy and Benchmark**  
To track (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an indexed growth portfolio.
- INVESTS INTO**
- 3 Vanguard Underlying Managed Fund (UMF) Vanguard Growth Index Fund**
  - 4 Investment Strategy**  
The Fund provides low-cost access to a range of sector funds, offering broad diversification across multiple asset classes. The Growth Fund targets a 30% allocation to income asset classes and a 70% allocation to growth asset classes, and is for investors seeking capital growth.
  - 5 Asset Allocation**

Asset Class	Allocation
Global Equities	38.0%
Australian Equities	28.0%
Global Fixed Interest	21.0%
Australian Fixed Interest	9.0%
Emerging Markets Equities	4.0%
  - 6 Performance Objective**  
This UMF seeks to track the weighted average return of the various indices of the underlying funds in which it invests, in proportion to the Strategic Asset Allocation.
  - 7 Performance Benchmark**  
Growth composite index based upon the long-term strategic asset allocation of the Fund.
  - 8 Investment Risk Profile** Medium to High
  - 9 Suggested Minimum Investment Time** Seven years
  - 10 UMF PDS available at**  
vanguard.com.au

FUTURITY INVESTMENT PORTFOLIO INFORMATION

UNDERLYING MANAGED FUND (UMF) INFORMATION

## 32 INVESTMENT OPTION OVERVIEWS

### FUTURITY'S MANAGED & BLENDED INVESTMENT OPTIONS

- **Balanced Portfolio**
- **Growth Portfolio**
- **Responsible Investment Portfolio**

Futurity constructs each portfolio by investing into multiple UMFs that we select from our Approved Manager List (below).

Our primary aim is to create a distinctive Futurity blend as a diversified portfolio of assets, with a particular focus on long-term strategic asset allocation.

It is important that the diversification created between asset classes, investment managers, risk types and individual securities assists to improve investment outcomes and protect capital in down markets.

We believe that this is the best way to deliver on long-term investment objectives in a prudent risk adjusted manner, and to achieve consistent and reliable investment returns without taking excessive risk.

#### FUTURITY'S APPROVED MANAGER LIST

The Futurity Managed & Blended Investment Options select UMFs from an Approved Manager List, which currently comprises:

- |                            |                                |
|----------------------------|--------------------------------|
| - AllianceBernstein        | - MFS                          |
| - Australian Ethical       | - MLC                          |
| - Australian Unity         | - Pandal                       |
| - Charter Hall             | - Perpetual                    |
| - Dimensional              | - PIMCO                        |
| - First Sentier            | - Realindex                    |
| - Investors Mutual Limited | - Resolution Capital           |
| - JANA Investment Advisors | - State Street Global Advisors |
| - Lazard Asset Management  | - Vanguard                     |

Our Investment Committee oversees this Approved Manager List (p.42).

#### CATEGORY 1 – FUTURITY MANAGED AND BLENDED RANGE

##### Futurity Managed & Blended – Balanced Portfolio INVESTMENT OPTION FM1

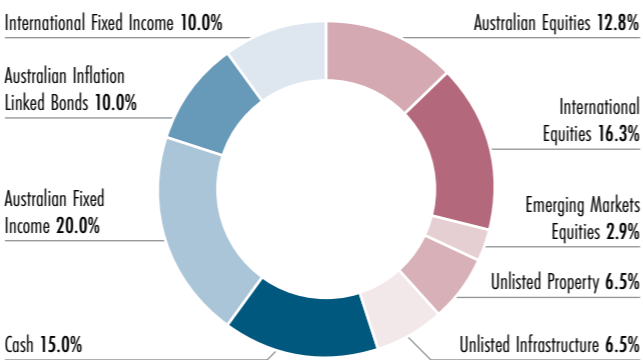
**Investment Objective, Strategy and Benchmark**  
 To outperform (before fees and tax) the Investment Option's Performance Benchmark - an absolute return benchmark based on expected returns of a mix of market indices relevant to the Option's long-term strategic asset allocation. It invests into multiple UMFs and/or directly in Authorised Investments to have a balanced portfolio.

#### INVESTS INTO

Selected UMFs from Futurity's Approved Manager List.

**Investment Strategy**  
 To construct investment portfolios aimed for stable and reliable returns, without taking excessive risk, over the long-term. A key focus is the Fund's diversified long-term strategic asset allocation amongst asset classes, investment managers, risk types and individual securities.

**Blended Asset Allocation**



**Performance Objective**  
 To outperform (before fees and tax) the balanced portfolio asset class mix based upon the long-term strategic asset allocation of the Fund.

**Performance Benchmark**  
 Balanced portfolio composite index based upon the long-term strategic asset allocation of the Fund.

**Investment Risk Profile** Medium

**Suggested Minimum Investment Time** Five to seven years

#### CATEGORY 1 – FUTURITY MANAGED AND BLENDED RANGE

##### Futurity Managed & Blended – Growth Portfolio INVESTMENT OPTION FM2

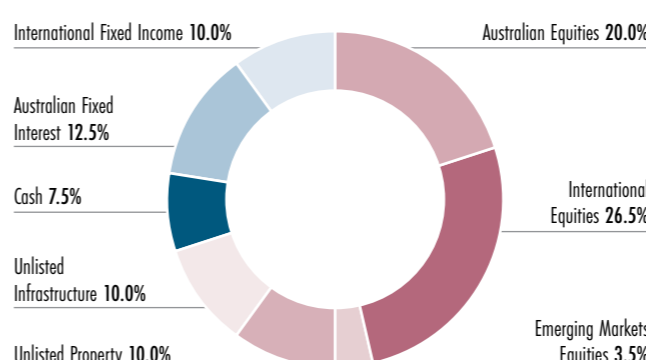
**Investment Objective, Strategy and Benchmark**  
 To outperform (before fees and tax) the Investment Option's Performance Benchmark – an absolute return benchmark based on expected returns of a mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly in Authorised Investments to have a growth portfolio.

#### INVESTS INTO

Selected UMFs from Futurity's Approved Manager List.

**Investment Strategy**  
 To construct investment portfolios aimed for stable and reliable returns, without taking excessive risk, over the long-term. A key focus is the Fund's diversified long-term strategic asset allocation amongst asset classes, investment managers risk types and individual securities.

**Blended Asset Allocation**




**Performance Objective**  
 To outperform (before fees and tax) the growth portfolio asset class mix based upon the long-term strategic asset allocation of the Fund.

**Performance Benchmark**  
 Growth portfolio composite index based upon the long-term strategic asset allocation of the Fund.

**Investment Risk Profile** Medium to High

**Suggested Minimum Investment Time** Five to seven years

##### Futurity Managed & Blended – Responsible Investment Portfolio – INVESTMENT OPTION FM3

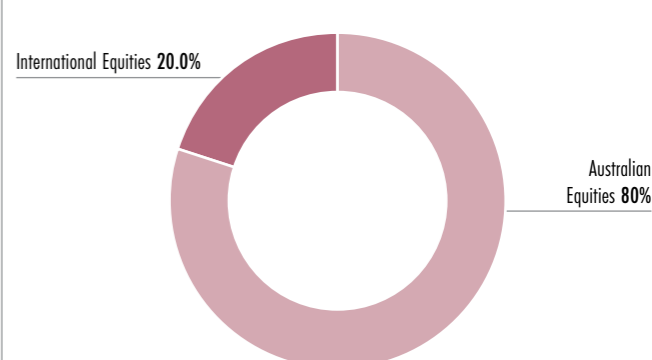
**Investment Objective, Strategy and Benchmark**  
 To outperform (before fees and tax) the Investment Option's Performance Benchmark – S&P / ASX 300 Accumulation Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse portfolio of predominately Equity Investments selected based on social, environmental, ethical, responsible investing and financial credentials.

#### INVESTS INTO

Selected UMFs from Futurity's Approved Manager List.

**Investment Strategy**  
 To construct a multi-manager blend of underlying managed funds that invest using RI principles. The Fund invests about 80% of its assets in Australian Equities and about 20% in International Equities.

**Blended Asset Allocation**



**Performance Objective**  
 To outperform (before fees and tax) the S&P/ASX 300 Accumulation Index over the medium to long-term.

**Performance Benchmark**  
 S&P/ASX 300 Accumulation Index

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five to seven years



**Futurity Diversified Indexed – Conservative**

INVESTMENT OPTION DP1

**Investment Objective, Strategy and Benchmark**

To track (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an indexed conservative portfolio.

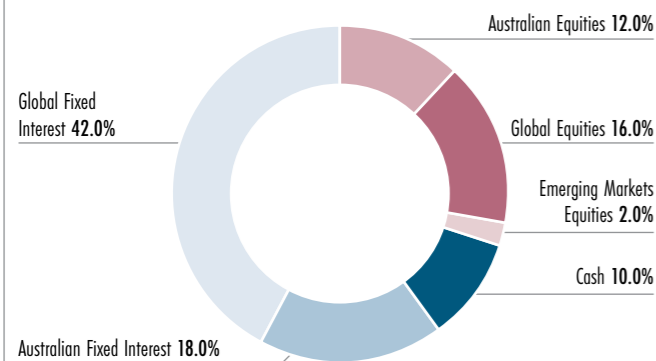
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Conservative Index Fund

**Investment Strategy**

The Fund provides low-cost access to a range of sector funds, offering broad diversification across multiple asset classes. The Conservative Fund targets a 70% allocation to income asset classes and a 30% allocation to growth asset classes, and is for investors with a low tolerance for risk.

**Asset Allocation**



**Performance Objective**

This UMF seeks to track the weighted average return of the various indices of the underlying funds in which it invests, in proportion to the Strategic Asset Allocation.

**Performance Benchmark**

Conservative composite index based upon the long-term strategic asset allocation of the Fund.

**Investment Risk Profile** Low to Medium

**Suggested Minimum Investment Time** Three years

**UMF PDS available at**  
vanguard.com.au

**Futurity Diversified Indexed – Balanced**

INVESTMENT OPTION DP2

**Investment Objective, Strategy and Benchmark**

To track (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an indexed balanced portfolio.

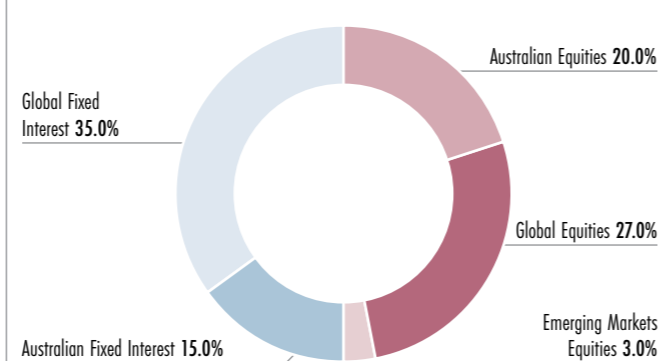
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Balanced Index Fund

**Investment Strategy**

The Fund provides low-cost access to a range of sector funds, offering broad diversification across multiple asset classes. The Balanced Fund targets a 50% allocation to income asset classes and a 50% allocation to growth asset classes, and is for investors with a balanced tolerance for risk.

**Asset Allocation**



**Performance Objective**

This UMF seeks to track the weighted average return of the various indices of the underlying funds in which it invests, in proportion to the Strategic Asset Allocation.

**Performance Benchmark**

Balanced composite index based upon the long-term strategic asset allocation of the Fund.

**Investment Risk Profile** Medium

**Suggested Minimum Investment Time** Five years

**UMF PDS available at**  
vanguard.com.au

**Futurity Diversified Indexed – Growth**

INVESTMENT OPTION DP3

**Investment Objective, Strategy and Benchmark**

To track (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an indexed growth portfolio.

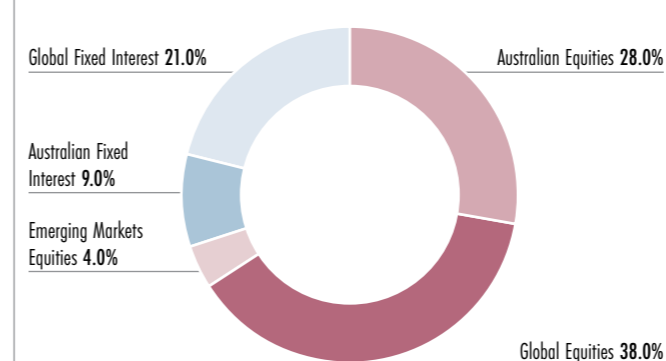
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Growth Index Fund

**Investment Strategy**

The Fund provides low-cost access to a range of sector funds, offering broad diversification across multiple asset classes. The Growth Fund targets a 30% allocation to income asset classes and a 70% allocation to growth asset classes, and is for investors seeking capital growth.

**Asset Allocation**



**Performance Objective**

This UMF seeks to track the weighted average return of the various indices of the underlying funds in which it invests, in proportion to the Strategic Asset Allocation.

**Performance Benchmark**

Growth composite index based upon the long-term strategic asset allocation of the Fund.

**Investment Risk Profile** Medium to High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at**  
vanguard.com.au

**Futurity Diversified Indexed – High Growth**

INVESTMENT OPTION DP4

**Investment Objective, Strategy and Benchmark**

To track (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an indexed high growth portfolio.

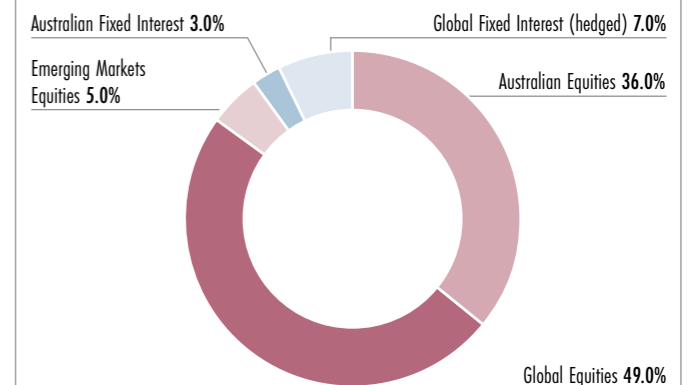
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard High Growth Index Fund

**Investment Strategy**

The Fund provides low-cost access to a range of sector funds, offering broad diversification across multiple asset classes. The High Growth Fund targets a 10% allocation to income asset classes and a 90% allocation to growth asset classes, and is for investors with a high tolerance for risk.

**Asset Allocation**



**Performance Objective**

This UMF seeks to track the weighted average return of the various indices of the underlying funds in which it invests, in proportion to the Strategic Asset Allocation.

**Performance Benchmark**

High Growth composite index based upon the long-term strategic asset allocation of the Fund.

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at**  
vanguard.com.au

**Futurity Diversified Active – Conservative**

INVESTMENT OPTION DA1

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed conservative portfolio.

**INVESTS INTO**



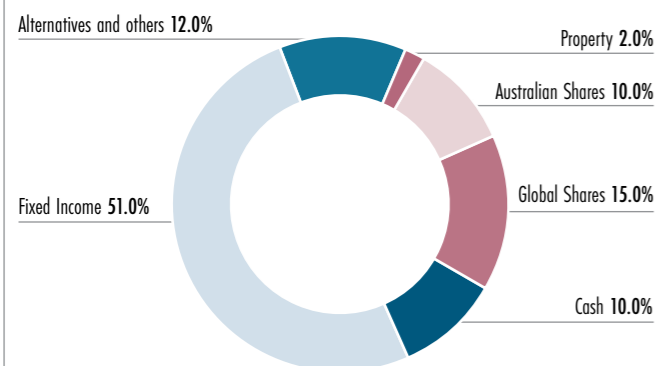
**Underlying Managed Fund (UMF)**

MLC Wholesale Horizon 2 Income Portfolio

**Investment Strategy**

Investment markets are the main driver of the Portfolio's investment returns. Its benchmark asset allocation (see below) has a strong bias to defensive assets and some exposure to growth assets. MLC's investment experts actively look for opportunities for better returns with less risk, than the Portfolio's benchmark.

**Asset Allocation**



**Performance Objective**

To outperform the Portfolio's benchmark, before fees, over 3 year periods, by actively managing the Trust. This includes changing the Trust's asset allocation to capitalise on investment opportunities or reduce risk if market risk is high.

**Performance Benchmark**

A combination of market indices, weighted according to the benchmark asset allocation. For more information, see [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Investment Risk Profile** Medium

**Suggested Minimum Investment Time** Three years

**UMF PDS available at** [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Futurity Diversified Active – Balanced**

INVESTMENT OPTION DA2

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed balanced portfolio.

**INVESTS INTO**



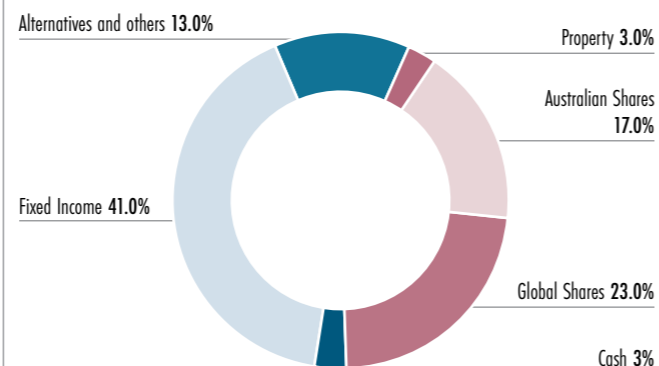
**Underlying Managed Fund (UMF)**

MLC Wholesale Horizon 3 Conservative Growth Portfolio

**Investment Strategy**

Investment markets are the main driver of the Portfolio's investment returns. Its benchmark asset allocation (see below) has an approximately equal exposure to growth and defensive assets. MLC's investment experts actively look for opportunities for better returns with less risk, than the Portfolio's benchmark.

**Asset Allocation**



**Performance Objective**

To outperform the Portfolio's benchmark, before fees, over 3 year periods, by actively managing the Trust. This includes changing the Trust's asset allocation to capitalise on investment opportunities or reduce risk if market risk is high.

**Performance Benchmark**

A combination of market indices, weighted according to the benchmark asset allocation. For more information, see [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Investment Risk Profile** Medium to High

**Suggested Minimum Investment Time** Four years

**UMF PDS available at** [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Futurity Diversified Active – Growth**

INVESTMENT OPTION DA3

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed growth portfolio.

**INVESTS INTO**



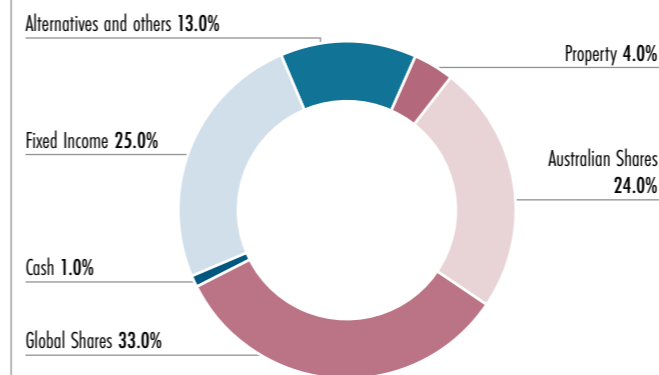
**Underlying Managed Fund (UMF)**

MLC Wholesale Horizon 4 Balanced Portfolio

**Investment Strategy**

Investment markets are the main driver of the Portfolio's investment returns. Its benchmark asset allocation (see below) has a strong bias to growth assets and some exposure to defensive assets. MLC's investment experts actively look for opportunities for better returns with less risk, than the Portfolio's benchmark.

**Asset Allocation**



**Performance Objective**

To outperform the Portfolio's benchmark, before fees, over 4 year periods, by actively managing the Trust. This includes changing the Trust's asset allocation to capitalise on investment opportunities or reduce risk if market risk is high.

**Performance Benchmark**

A combination of market indices, weighted according to the benchmark asset allocation. For more information, see [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five years

**UMF PDS available at** [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Futurity Diversified Active – High Growth**

INVESTMENT OPTION DA4

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark - a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest into one or multiple UMFs and/or directly invest in Authorised Investments to create and maintain an actively managed high growth portfolio.

**INVESTS INTO**



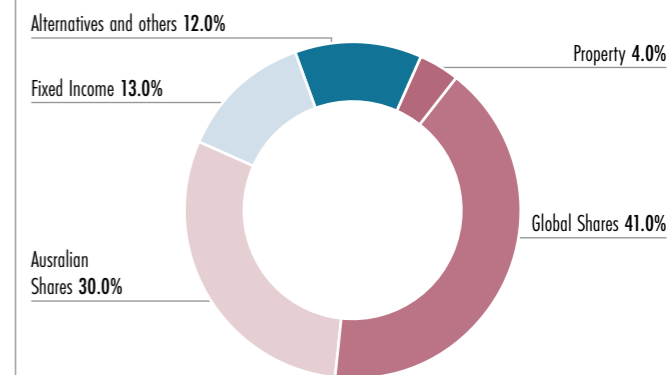
**Underlying Managed Fund (UMF)**

MLC Wholesale Horizon 5 Growth Portfolio

**Investment Strategy**

Investment markets are the main driver of the Portfolio's investment returns. Its benchmark asset allocation (see below) invests predominantly in growth assets with a small exposure to defensive assets. MLC's investment experts actively look for opportunities for better returns with less risk, than the Portfolio's benchmark.

**Asset Allocation**



**Performance Objective**

To outperform the Portfolio's benchmark, before fees, over 5 year periods, by actively managing the Trust. This includes changing the Trust's asset allocation to capitalise on investment opportunities or reduce risk if market risk is high.

**Performance Benchmark**

A combination of market indices, weighted according to the benchmark asset allocation. For more information, see [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Six years

**UMF PDS available at** [mlcam.com.au/MLCWholesale/pds](http://mlcam.com.au/MLCWholesale/pds)

**Futurity Diversified Active – Balanced - 2**

INVESTMENT OPTION DA5

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed balanced portfolio.

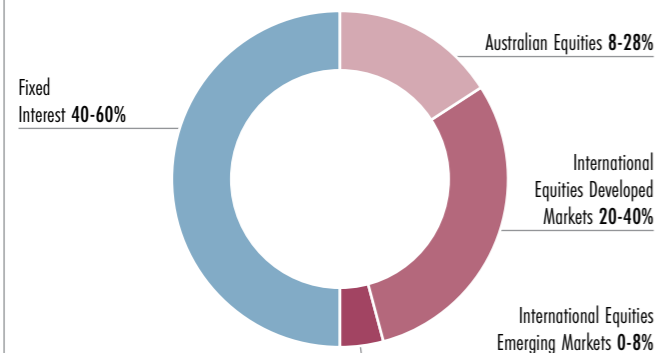
**INVESTS INTO**

**Dimensional Underlying Managed Fund (UMF)**  
Dimensional World Allocation 50/50 Trust

**Investment Strategy**

The Fund aims to provide a total return, consisting of capital appreciation and income, by gaining exposure to a diversified portfolio of companies and real estate securities listed on developed and emerging markets, and domestic and international fixed interest securities. The Fund will seek to target approximately 50% exposure to equities and 50% exposure to fixed interest assets.

**Asset Allocation**



**Performance Objective**

The Fund is not managed with the objective of achieving a particular return relative to a benchmark index. However, to compare the performance of the Fund with a broad measure of market performance, reference may be made to a combination of market indices based on the strategic asset allocation of the Fund.

**Performance Benchmark**

A combination of market indices based on the strategic asset allocation of the Fund.

**Investment Risk Profile** Medium to High

**Suggested Minimum Investment Time** Four years plus

**UMF PDS available at** [au.dimensional.com](http://au.dimensional.com)

**Futurity Diversified Active – Growth - 2**

INVESTMENT OPTION DA6

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed growth portfolio.

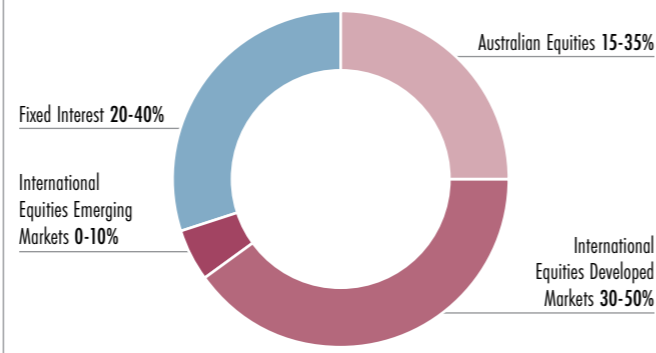
**INVESTS INTO**

**Dimensional Underlying Managed Fund (UMF)**  
Dimensional World Allocation 70/30 Trust

**Investment Strategy**

The Fund aims to provide a total return, consisting of capital appreciation and income, by gaining exposure to a diversified portfolio of companies and real estate securities listed on developed and emerging markets, and domestic and international fixed interest securities. The Fund will seek to target approximately 70% exposure to equities and 30% exposure to fixed interest assets.

**Asset Allocation**



**Performance Objective**

The Fund is not managed with the objective of achieving a particular return relative to a benchmark index. However, to compare the performance of the Fund with a broad measure of market performance, reference may be made to a combination of market indices based on the strategic asset allocation of the Fund.

**Performance Benchmark**

A combination of market indices based on the strategic asset allocation of the Fund.

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five years plus

**UMF PDS available at** [au.dimensional.com](http://au.dimensional.com)

**Futurity Diversified Active – Responsible Investment**

INVESTMENT OPTION DA9



**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed growth portfolio whilst adopting a lens based on social, environmental, ethical, responsible investing and financial credentials.

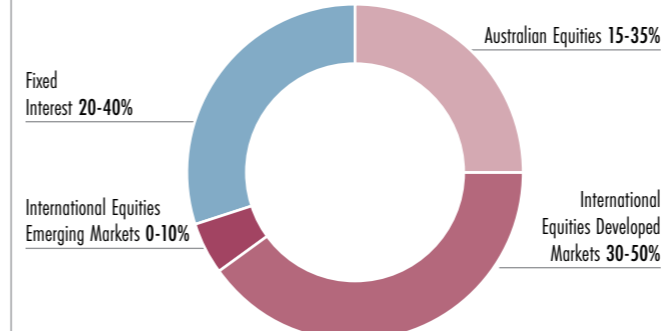
**INVESTS INTO**

**Dimensional Underlying Managed Fund (UMF)**  
Dimensional Sustainability World Allocation 70/30 Trust

**Investment Strategy**

The Fund aims to provide a total return, consisting of capital appreciation and income, by gaining exposure to a diversified portfolio of securities listed on developed and emerging markets, and domestic and international fixed interest securities. Exposure is adjusted to take into account certain environmental and sustainability impact and social considerations. The Fund will seek to target approximately 70% exposure to equities and 30% exposure to fixed interest assets.

**Asset Allocation**



**Performance Objective**

The Fund is not managed with the objective of achieving a particular return relative to a benchmark index. However, to compare the performance of the Fund with a broad measure of market performance, reference may be made to a combination of market indices based on the strategic asset allocation of the Fund.

**Performance Benchmark**

A combination of market indices based on the strategic asset allocation of the Fund.

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five years plus

**UMF PDS available at** [au.dimensional.com](http://au.dimensional.com)

CATEGORY 2 DIVERSIFIED – OTHER DIVERSIFIED ACTIVE RANGE

**Futurity Diversified Active – Growth - 3**

INVESTMENT OPTION DA7

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed growth portfolio.

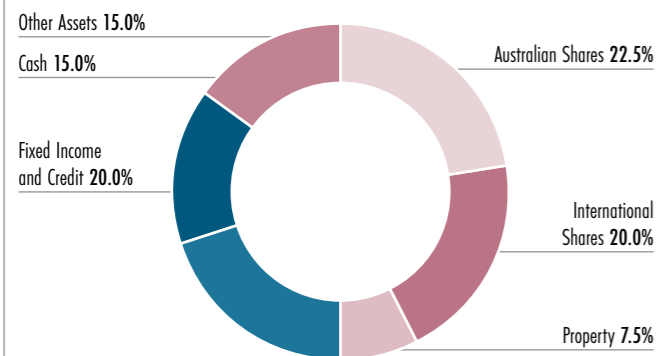
INVESTS INTO

**Perpetual** Underlying Managed Fund (UMF)  
Perpetual Wholesale Diversified Growth Fund

**Investment Strategy**

The Fund aims to provide long-term capital growth and income through investment in a diversified portfolio of growth and income assets.

**Asset Allocation**



**Performance Objective**

To outperform the All-Groups CPI + 4.5% pa and a composite benchmark reflecting its allocation to the various asset types, both before fees and taxes over rolling three-year periods.

**Performance Benchmark**

A composite benchmark reflecting the allocation to the various asset types.

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Three Years or longer

**UMF PDS available at** [perpetual.com.au](http://perpetual.com.au)

**Futurity Diversified Active – High Growth - 2**

INVESTMENT OPTION DA8

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed high growth portfolio.

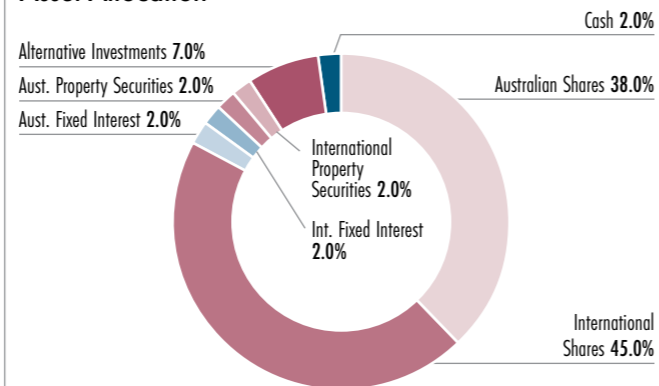
INVESTS INTO

**PENDAL** Underlying Managed Fund (UMF)  
Pendal Active High Growth Fund

**Investment Strategy**

The Fund is designed for long term capital growth and income, diversification across a broad range of asset classes and may exhibit a higher variability of returns. The Fund has a significant weighting towards growth assets.

**Asset Allocation**



**Performance Objective**

To outperform the benchmark (before fees, costs and taxes) over the medium to long term.

**Performance Benchmark**

A combination of published indices based on the asset allocation neutral position and the index returns for each asset class.

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five years

**UMF PDS available at** [pendalgroup.com](http://pendalgroup.com)

CATEGORY 2 DIVERSIFIED – OTHER DIVERSIFIED ACTIVE RANGE

**Futurity Diversified Active – Responsible Investment - 2 – INVESTMENT OPTION DA10**



**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – a weighted average mix of market indices relevant to the Option's long-term strategic asset allocation. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have an actively managed growth portfolio whilst adopting a lens based on social, environmental, ethical, responsible investing and financial credentials.

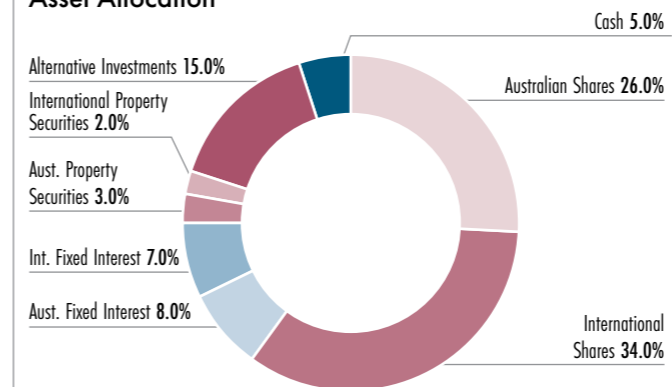
INVESTS INTO

**PENDAL** Underlying Managed Fund (UMF)  
Pendal Sustainable Balanced Fund

**Investment Strategy**

The Fund is designed for long term capital growth and income, diversification across a broad range of asset classes and exposure to companies and issuers (within the Australian and international shares, Australian and international fixed interest and part of the Alternative investments components of the Fund) that demonstrate leading environmental, social and corporate governance (ESG) and ethical practices while avoiding exposure to companies and issuers with material involvement in activities considered to negatively impact the environment or society.

**Asset Allocation**



**Performance Objective**

To outperform the benchmark (before fees, costs and taxes) over the medium to long term.

**Performance Benchmark**

A combination of published indices based on the asset allocation neutral position and the index returns for each asset class.

**Investment Risk Profile** Medium to High

**Suggested Minimum Investment Time** Five years

**UMF PDS available at** [pendalgroup.com](http://pendalgroup.com)

**Futurity Sectoral Indexed – Australian Fixed Income – INVESTMENT OPTION SP1**

**Investment Objective, Strategy and Benchmark**  
To track (before fees and tax) the Investment Option's Performance Benchmark -Bloomberg AusBond Composite O+ Yr Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse indexed portfolio of predominantly Australian Fixed Interest Investments.

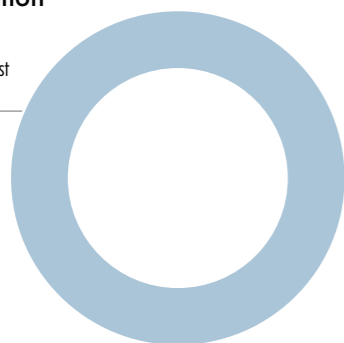
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Australian Fixed Interest Index Fund

**Investment Strategy**  
The Fund invests in high-quality, income-generating securities issued by the Commonwealth Government of Australia, Australian State Government authorities and treasury corporations, as well as investment-grade corporate issuers.

**Asset Allocation**

Australian Fixed Interest  
100.0%



**Performance Objective**  
To track the return of the Bloomberg AusBond Composite O+Yr Index before taking into account fees, expenses and tax.

**Performance Benchmark**  
Bloomberg AusBond Composite O+ Yr Index

**Investment Risk Profile** Low

**Suggested Minimum Investment Time** Three years

**UMF PDS available at**  
vanguard.com.au

**Futurity Sectoral Indexed – Australian Equities INVESTMENT OPTION SP2**

**Investment Objective, Strategy and Benchmark**  
To track (before fees and tax) the Investment Option's Performance Benchmark - S&P/ASX 300 Accumulation Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse indexed portfolio of predominantly Australian Equity Investments.

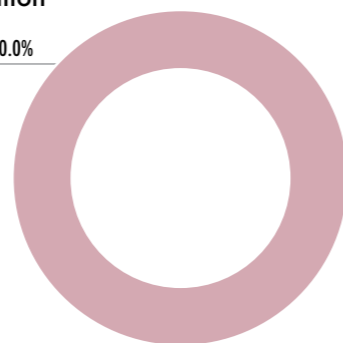
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Australian Shares Index Fund

**Investment Strategy**  
The Fund provides low cost, broadly diversified exposure to Australian companies and property trusts listed on the Australian Securities Exchange. It also offers potential long-term capital growth along with dividend income and franking credits.

**Asset Allocation**

Australian Equities 100.0%



**Performance Objective**  
To track the return of the S&P/ASX 300 Accumulation Index before taking into account fees, expenses and tax.

**Performance Benchmark**  
S&P/ASX 300 Accumulation Index

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at**  
vanguard.com.au

**Futurity Sectoral Indexed – International Equities – INVESTMENT OPTION SP3**

**Investment Objective, Strategy and Benchmark**  
To track (before fees and tax) the Investment Option's Performance Benchmark - MSCI World Index fully hedged in Australian Dollars (AUD). It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse indexed portfolio of predominantly International Equity Investments hedged back to AUD.

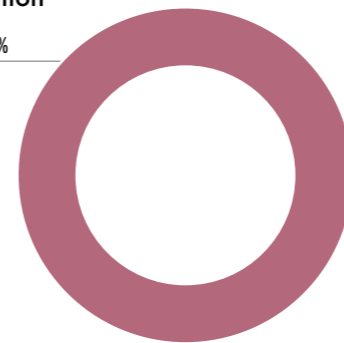
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard International Shares Index Fund – Hedged

**Investment Strategy**  
The Fund provides exposure to many of the world's largest companies listed in major developed countries. It offers low-cost access to a broadly diversified range of securities that allows investors to participate in the long-term growth potential of international economies outside Australia. The Fund is hedged to Australian dollars so the value of the Fund is relatively unaffected by currency fluctuations.

**Asset Allocation**

Global Equities 100.0%



**Performance Objective**  
To track (before fees, expenses and tax) the return of the MSCI World ex-Australia (with net dividends reinvested) hedged into Australian dollars Index.

**Performance Benchmark**  
MSCI World ex-Australia (with net dividends reinvested) hedged into Australian dollars Index.

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at**  
vanguard.com.au

**Futurity Sectoral Indexed – Emerging Market Equities – INVESTMENT OPTION SP4**

**Investment Objective, Strategy and Benchmark**  
To track (before fees and tax) the Investment Option's Performance Benchmark - MSCI Emerging Market Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse indexed portfolio of predominantly International Equity Investments and emerging market Equity Securities with the fund denominated in AUD.

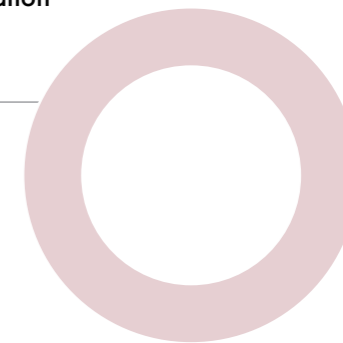
**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Emerging Markets Shares Index Fund

**Investment Strategy**  
The Fund provides low-cost exposure to companies listed in emerging markets, allowing investors to participate in the long-term growth potential. It is exposed to the fluctuating values of foreign currencies, as there is no hedging to the Australian dollar.

**Asset Allocation**

Emerging Markets  
Equities 100.0%



**Performance Objective**  
To track (before fees, expenses and tax) the return of the MSCI Emerging Markets Index (with net dividends reinvested) in Australian dollars.

**Performance Benchmark**  
MSCI Emerging Markets Index (with net dividends reinvested) in AUD

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at**  
vanguard.com.au

**Futurity Sectoral Indexed – Property**  
INVESTMENT OPTION SP5

**Investment Objective, Strategy and Benchmark**

To track (before fees and tax) the Investment Option's Performance Benchmark - S&P/ASX 300 A-REIT Index. It may invest into one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse indexed portfolio of predominately Australian Property Investments.

**INVESTS INTO**

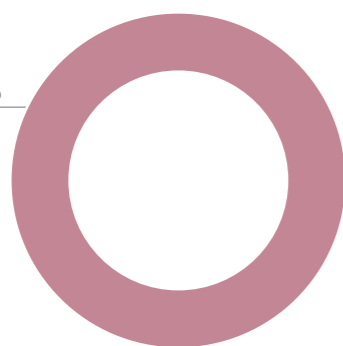
**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Australian Property Securities Index Fund

**Investment Strategy**

The Fund provides a low-cost way to invest in property securities listed on the Australian Securities Exchange. The property sectors in which the Fund invests include retail, office, industrial and diversified.

**Asset Allocation**

Listed Property 100.0%



**Performance Objective**

To track the return of the S&P/ASX 300 A-REIT Index before taking into account fees, expenses and tax.

**Performance Benchmark**

S&P/ASX 300 A-REIT Index

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at** [vanguard.com.au](http://vanguard.com.au)

**Futurity Sectoral Indexed – Responsible Investment** – INVESTMENT OPTION SP6



**Investment Objective, Strategy and Benchmark**

To track (before fees and tax) the Investment Option's Performance Benchmark - FTSE Developed ex Australia ex Non-Renewable Energy/Vice Products/Weapons in AUD. It may invest into one or multiple UMFs and/or directly in Authorised Investments to have a diverse indexed portfolio of predominately Equity Investments selected with socially responsible exclusion screens.

**INVESTS INTO**

**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Ethically Conscious International Shares Index Fund – Global Equities

**Investment Strategy**

The Fund provides exposure to many of the world's largest companies listed in major developed countries. It offers low-cost access to a broadly diversified range of securities that excludes companies with significant business activities involving fossil fuels, alcohol, tobacco, gambling, military weapons and civilian firearms, nuclear power and adult entertainment. The Fund is exposed to the fluctuating values of foreign currencies, as there will not be any hedging of foreign currencies to the Australian dollar.

**Asset Allocation**

Global Equities 100.0%



**Performance Objective**

To track (before fees, expenses and tax) the return of the FTSE Developed ex Australia ex Non-renewable Energy, Vice Products and Weapons Index in Australian dollars.

**Performance Benchmark**

FTSE Developed ex Australia Choice Index (with net dividends reinvested)

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at** [vanguard.com.au](http://vanguard.com.au)

**Futurity Sectoral Indexed - International Fixed Income** – INVESTMENT OPTION SP7

**Investment Objective, Strategy and Benchmark**

To track (before fees and tax) the Investment Option's Performance Benchmark - Bloomberg Barclays Global Aggregate Index (AUD Hedged). It may invest into one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse indexed portfolio of predominately International Fixed Interest Investments.

**INVESTS INTO**

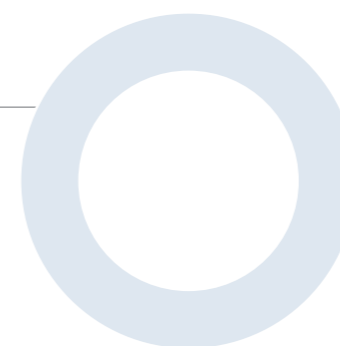
**Vanguard** Underlying Managed Fund (UMF)  
Vanguard Global Aggregate Bond Index Fund (Hedged)

**Investment Strategy**

The Fund invests in high-quality, income-generating securities issued by governments, government-owned entities, government-guaranteed entities, investment-grade corporate issues and securitised assets from around the world. The Fund is hedged to Australian dollars.

**Asset Allocation**

International Fixed Income 100.0%



**Performance Objective**

To track the return of the Bloomberg Barclays Global Aggregate Index (AUD Hedged) before taking into account fees, expenses and tax.

**Performance Benchmark**

Bloomberg Global Aggregate Float-Adjusted and Scaled Index hedged into Australian dollars.

**Investment Risk Profile** Medium

**Suggested Minimum Investment Time** Three years


**UMF PDS available at** [vanguard.com.au](http://vanguard.com.au)

**Futurity Sectoral Active – Cash**  
INVESTMENT OPTION SA1

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark - Bloomberg AusBond Bank Bill Index. It may invest into one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately Australian Cash Investments and short to medium term Fixed Interest Investments.

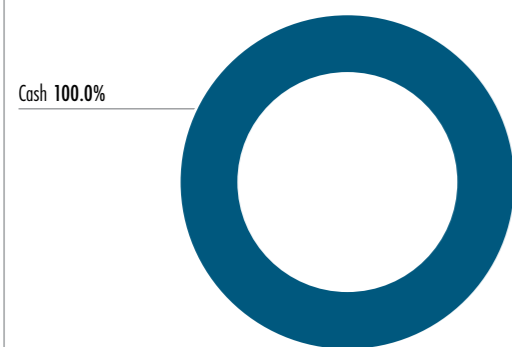
**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
First Sentier Institutional Cash Fund

**Investment Strategy**

The Fund invests in high quality money market securities, with short-term maturities, to achieve a stable income stream. The fund invests in assets that offer value-for-risk by taking into account economic analysis and market trends. Derivatives may be used for risk management.

**Asset Allocation**



**Performance Objective**

To outperform (before tax and fees) the returns of Australian money markets over rolling two year periods as measured by the Reserve Bank of Australia cash rate.

**Performance Benchmark**

Reserve Bank of Australia cash rate

**Investment Risk Profile** Very low

**Suggested Minimum Investment Time** No minimum

**UMF PDS available at**


firstsentierinvestors.com.au

**Futurity Sectoral Active – Australian Fixed Income** – INVESTMENT OPTION SA2

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark - Bloomberg AusBond Composite 0+ Yr Index. It may invest into one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately Australian Fixed Interest Investments.

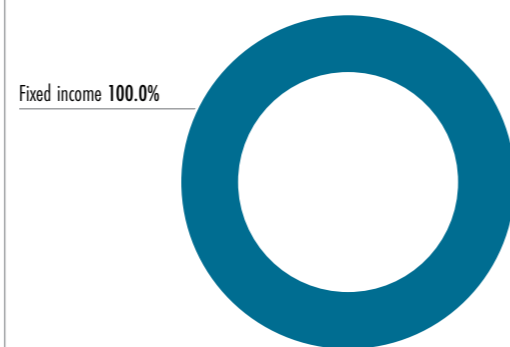
**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
PIMCO Australian Bond Fund

**Investment Strategy**

The Fund emphasises active decision making with a long-term focus and seeks to avoid extreme swings in duration or maturity with a view to creating a steady stream of returns.

**Asset Allocation**



**Performance Objective**

To achieve maximum total return by investing in fixed interest securities predominantly denominated in Australian or New Zealand currencies.

**Performance Benchmark**

Bloomberg AusBond Composite 0+ Yr Index

**Investment Risk Profile** Low

**Suggested Minimum Investment Time** Five to seven years

**UMF PDS available at**


pimco.com.au

**Futurity Sectoral Active – Australian Equities**  
INVESTMENT OPTION SA3

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – S&P/ASX 300 Accumulation Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately Australian Equity Investments.

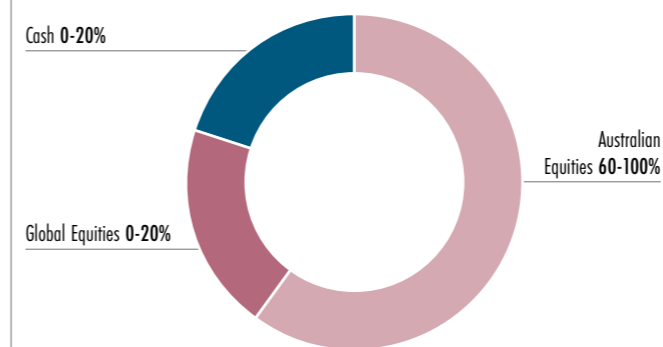
**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
AllianceBernstein Managed Volatility Equities Fund (Managed Fund) – MVE Class

**Investment Strategy**

The Fund implements a managed volatility equities strategy that aims to reduce volatility by identifying, and investing in, high quality listed equity securities that have reasonable valuations, high quality cash flows and relatively stable share prices.

**Asset Allocation**



**Performance Objective**

To achieve returns that exceed the S&P/ASX 300 Accumulation Index after fees over the medium to long term.

**Performance Benchmark**

S&P/ASX 300 Accumulation Index

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five to seven years

**UMF PDS available at**


alliancebernstein.com.au

**Futurity Sectoral Active – International Equities**  
INVESTMENT OPTION SA4

**Investment Objective, Strategy and Benchmark**

To outperform (before fees and tax) the Investment Option's Performance Benchmark – MSCI World Index fully hedged in AUD. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately International Equity Investments on a hedged back to AUD basis.

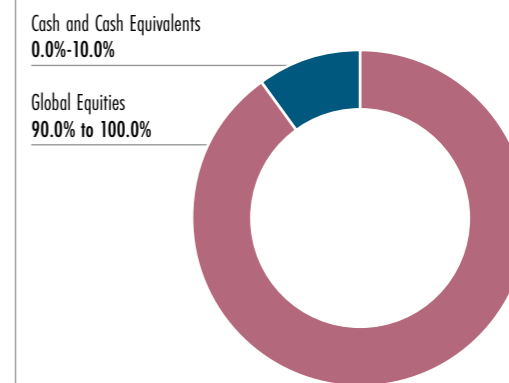
**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
MFS Hedged Global Equity Trust

**Investment Strategy**

The Trust, through fundamental analysis, seeks to invest in companies with sustainable above-average growth prospects at reasonable valuations.

**Asset Allocation**



**Performance Objective**

To seek capital appreciation over the longer term by investing in the MFS Global Equity Trust. The Trust is hedged to the Australian dollar and aims to outperform its Benchmark over full market cycle, before fees, taxes and expenses.

**Performance Benchmark**

MSCI World Index hedged in AUD

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five years

**UMF PDS available at**

mfs.com

**Futurity Sectoral Active – Emerging Market Equities**  
– INVESTMENT OPTION SA5

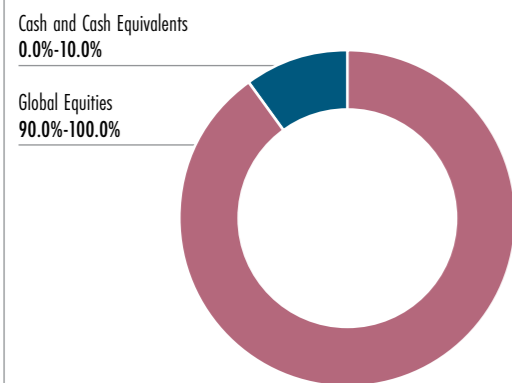
**Investment Objective, Strategy and Benchmark**  
To outperform (before fees and tax) the Investment Option's Performance Benchmark – MSCI Emerging Market Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately International Equity Investments and emerging market Equity Securities with the Fund denominated in AUD.

**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
MFS Emerging Markets Equity Trust

**Investment Strategy**  
The Trust invests in companies in, or significantly exposed to, Emerging Markets economies that are believed to have sustainable revenue, earnings and cash flow growth, as well as strong management teams.

**Asset Allocation**



**Performance Objective**  
To outperform (before fees and expenses) its Benchmark over a full market cycle by investing in a diversified portfolio of global shares.

**Performance Benchmark**  
MSCI Emerging Market Index

**Investment Risk Profile** High


**Suggested Minimum Investment Time** Five years

**UMF PDS available at**  
mfs.com

**Futurity Sectoral Active - International Fixed Income** – INVESTMENT OPTION SA6

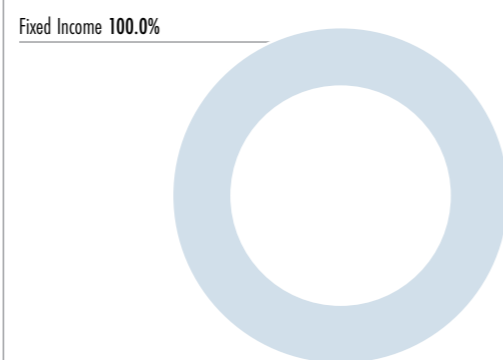
**Investment Objective, Strategy and Benchmark**  
To outperform (before fees and tax) the Investment Option's Performance Benchmark - Bloomberg Barclays Global Aggregate Index (AUD Hedged). It may invest into one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately International Fixed Interest Investments.

**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
PIMCO Global Bond Fund (Hedged)

**Investment Strategy**  
The Fund emphasises active decision making with a long-term focus and seeks to avoid extreme swings in duration or maturity with a view to creating a steady stream of returns.

**Asset Allocation**



**Performance Objective**  
To achieve maximum total return by investing in fixed interest securities predominantly denominated in Global currencies and hedged in Australian dollars.

**Performance Benchmark**  
Bloomberg Barclays Global Aggregate Index (AUD Hedged)

**Investment Risk Profile** Medium

**Suggested Minimum Investment Time** Five to Seven Years


**UMF PDS available at**  
pimco.com.au

**Futurity Sectoral Active – Responsible Investment** – INVESTMENT OPTION SA7



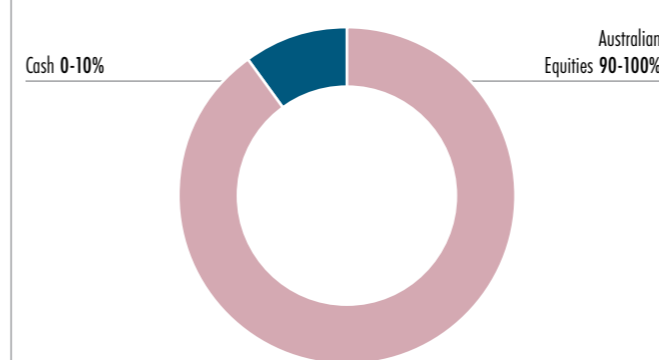
**Investment Objective, Strategy and Benchmark**  
To outperform (before fees and tax) the Investment Option's Performance Benchmark – S&P/ASX 300 Accumulation Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately Australian Equity Investments whilst adopting a lens based on social, environmental, ethical, responsible investing and financial credentials.

**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
Perpetual Wholesale Ethical SRI Fund

**Investment Strategy**  
The Fund aims to provide long-term capital growth and regular income through investment in quality shares of Australian ethical and socially responsible companies.

**Asset Allocation**



**Performance Objective**  
To outperform the benchmark (before fees and taxes) over rolling three-year periods.

**Performance Benchmark**  
S&P/ASX 300 Accumulation Index

**Investment Risk Profile** High

**Suggested Minimum Investment Time** Five years or longer


**UMF PDS available at**  
perpetual.com.au

**Futurity Sectoral Active – Responsible Investment - 2** – INVESTMENT OPTION SA8



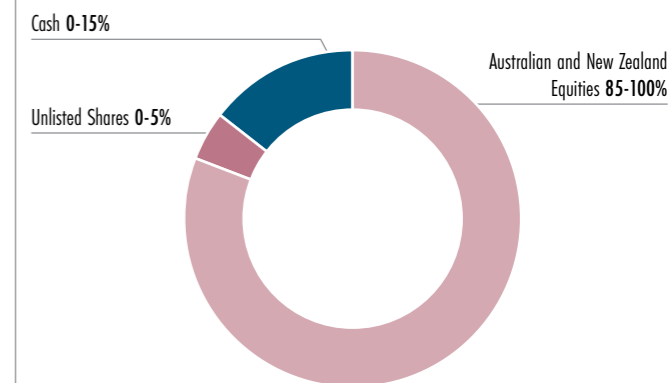
**Investment Objective, Strategy and Benchmark**  
To outperform (before fees and tax) the Investment Option's Performance Benchmark – S&P/ASX 300 Accumulation Index. It may invest in one or multiple UMFs and/or directly invest in Authorised Investments to have a diverse actively managed portfolio of predominately Australian Equity Investments whilst adopting a lens based on social, environmental, ethical, responsible investing and financial credentials.

**INVESTS INTO**

 **Underlying Managed Fund (UMF)**  
Australian Ethical Australian Shares Fund (Wholesale)

**Investment Strategy**  
The Fund provides the opportunity to invest in a diversified share portfolio of companies selected on the basis of their social, environmental and financial credentials. The Fund has a bias towards smaller capitalisation stocks listed on the ASX.

**Asset Allocation**



**Performance Objective**  
To provide long-term growth focusing on Australian companies that meet the Australian Ethical Charter.

**Performance Benchmark**  
S&P/ASX 300 Accumulation Index

**Investment Risk Profile** Very High

**Suggested Minimum Investment Time** Seven years

**UMF PDS available at**  
australianethical.com.au



# OUR INVESTMENT PROCESS

## SELECTION AND MANAGEMENT OF UMFs

**Futurity's investment process principally relies on 10 Selection Factors used when we appoint (and review) UMFs on the Investment Menu.**

Our Investment Committee (a Futurity Board Committee) regularly meets to oversee this process with assistance from our internal Investment Manager, who has day-to-day investment management monitoring and reporting functions. The Futurity Investment Committee also undertakes regular consultation with external asset consulting specialists and oversees the Approved Manager List.

## 10 UMF SELECTION FACTORS

We undertake research, due diligence and extensive screening when appointing and reviewing UMFs. Central to our comprehensive process are 10 Selection Factors that we use to qualitatively and quantitatively evaluate UMFs. We decide on those UMFs that we believe can achieve both performance and expected long-term risk adjusted outcomes.

**1. Performance Metrics** – UMF performance is measured and monitored against its Performance Benchmark (p.8), stated investment and risk objectives.

This is reported to our Investment Committee. Underperformance, either absolute or relative to benchmark, over any period is not the sole criteria for us to consider replacing a UMF.

**2. Investment Team** – The UMF manager's key person and leadership exposure, the ownership structure, team stability and capacity are important considerations to ensure that managers are experienced professionals with the skills and capacity to add value and outperform Performance Benchmarks.

**3. Investment Strategy** – We like UMFs that have clearly stated investment strategies and objectives. Other factors that we consider relevant to understanding investment strategy include; style, scale, approach, investment beliefs and process, and the UMF's risk management framework.

**4. Investment Organisation** – The credentials of the organisation that the UMF's manager is part of is considered. We place an emphasis on a history of adding value, complaints handling operations, high levels of corporate governance and financial standing.

**5. Past Performance** – Of primary interest is a demonstrated history of sustained and consistent performance over various timeframes. This incorporates relative performance against the UMF's Performance Benchmark, longevity of the fund, volatility of returns and peer group comparisons.

**6. Responsible Investment** – This selection criteria assesses how the UMF is true to its RI label by adopting ESG factors and following sustainable practices in its process. We focus on how they actively demonstrate this – and ESG organisations and charters that managers are aligned with and are signatories to e.g. UNPRI (p.47).

**7. Fees** – What the UMF manager charges is assessed against our expected performance from the UMFs. It includes the type of fees, quality of disclosures and peer review. (We do not favour fee structures that have performance fees).

**8. Fund Reporting** – We look at the UMF's governance from the perspectives of legal documentation, custodian appointments, reporting frameworks and timeframes, portfolio holdings disclosures and quality of service delivery.

**9. Derivatives & Gearing** – We consider the UMF's policy and practices with using derivatives, such as for risk management and currency hedging. We also look at hedging expenses and the type of exposures involved.

Futurity's Investment Policy is not to use UMFs that can engage in gearing strategies, but borrowing is acceptable, provided it is short term to assist with liquidity and redemption activities.

**10. Research Rating** – The UMF's ranking in industry and investment ratings are also factors, but we are mindful that last year's outstanding performance or a research house five-star rating may not necessarily be sustained into the future.

## WE CAN CHANGE INVESTMENT STRATEGIES, UMFS AND CLOSE OPTIONS

In the day-to-day management of each Investment Option and executing its investment strategy, Futurity may:

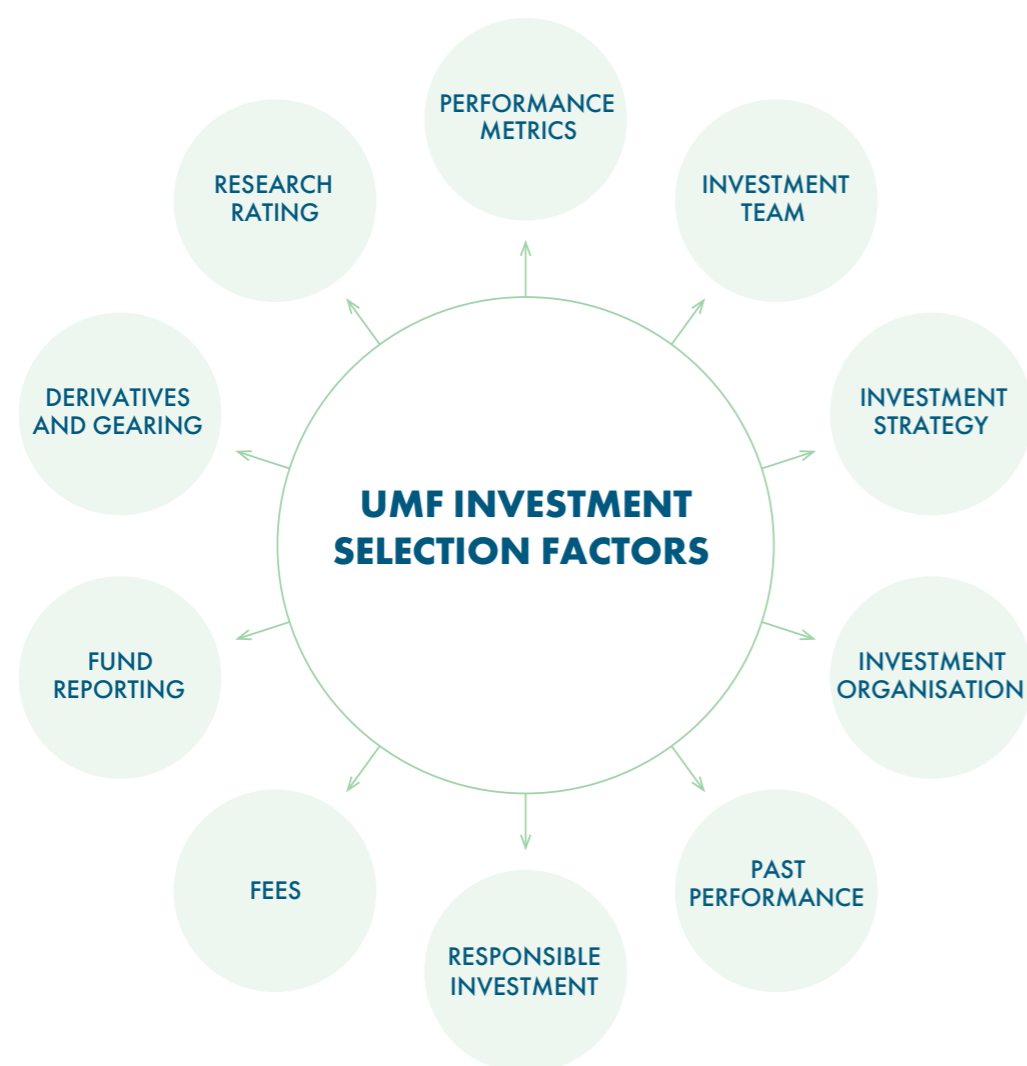
- change an Investment Option's investment strategy within the bounds of its Investment Policy;
- add, delete or replace UMFs or change the level of an Investment Option's exposure to a UMF; and
- close or cease accepting Contributions or processing switching transactions in relation to certain Investment Options.

When changes that impact Bond Owners are made, we will advise you under Updating the PDS (see Part A PDS p.82) or as part of our normal Reporting to Bond Owners (see Part A PDS p.76).

**It is important for Bond Owners to understand that investment decisions and processes often need to be quickly implemented, hence we may need to make such changes to the Investment Menu and the UMFs without giving you advance notice.**

If we are closing an Investment Option, we will give impacted Bond Owners at least three months advance notice. This notice will include alternative arrangements, such as switching to other Investment Option(s) on the Menu or interim switching arrangements, whilst a replacement option is established by us.

**We recommend that you visit our website at [futurityinvest.com](http://futurityinvest.com) for updated information on the Investment Menu and the UMFs that we currently have appointed. You should also speak to your Financial Adviser, or you can simply call us on 1300 345 456.**



# UNDERSTANDING RISK

## ABOUT DIFFERENT TYPES OF RISK

All investments involve a level of risk, with some much riskier than others. Different types and degrees of risk apply to each Investment Option on the Investment Menu.

Your particular risk profile is dependent on your own Investment Menu selections and the resulting exposure to the Menu's different types of Investment Options.

### INVESTMENT RISK

The risk of your Bond's overall value rising or falling will depend on the investment performance as measured over time by the value of Units in your selected Investment Options.

Simply stated, this means investment risks are carried by you. You have a role to play in managing your Bond's investment risks. This is because its particular investment strategy, its exposure to different asset classes and markets and the extent of its diversification, can significantly impact upon the level of investment risk accepted by you.

You have considerable scope to manage your investment risks by diversifying across the sector-specific Investment Options and/or using the set of pre-set blended or diversified Investment Options.

### MARKET RISK

The Bond's Investment Options (and the UMFs into which they are invested) are exposed to the risk of declining values (or prices) of investment assets due to a myriad of factors that impact the different markets for different assets.

The Share Market (for equities), the Bond Market (for fixed income securities), Money Market (for cash and deposits) and the Property Market (for real estate) can react differently and often unpredictably to events and conditions affecting the particular market.

Market risk factors are usually linked to economic conditions (such as interest rate changes); government policy; taxation, legal and accounting changes; and technological changes. ESG factors can also come into play, as does simple investor sentiment.

Market risk extends beyond Australia to international markets and is heightened in less developed economies and political systems.

### CURRENCY RISK

This is the risk of adverse movements in exchange rates and foreign currencies potentially reducing the value of the Australian dollar and the value of investments made in overseas markets and countries.

Some of the UMFs will invest in overseas markets. Some of them will seek to manage this risk by 'hedging' their currency exposure by using derivatives (p.46).

### CREDIT RISK

Credit risk is the risk that issuers or others involved with debt-type investments default on obligations to repay capital, fail to make interest payments or meet other financial obligations in full and/or on time.

### LIQUIDITY RISK AND REDEMPTION RISK

Liquidity risk is the risk that an investment cannot be easily redeemed and readily converted into cash.

In normal operating circumstances, the UMFs in which our Investment Options invest, will be liquid with assets that are readily realisable. There are circumstances or events beyond our control where a particular UMF's redemption facilities could become subject to suspension, delays or deferrals due to illiquidity.

This could have flow on impacts for us meeting Education Claims and Other Withdrawal (Any Purpose) requests, switching requests or making Bond Maturity Payments from the Investment Options (see Part A PDS p.78).

### ESG RISK

Inadequate consideration of matters or issues relating to environmental, social, governance and ethical factors may mean that investment values could be negatively impacted.

### DERIVATIVES RISK

Futurity's general investment policy on the use of derivatives is on p.46.

Derivatives, such as futures, options, swaps and forward contracts, may be used in the Investment Options and UMFs as a risk management tool.

Where derivatives are used, there is a risk that the counterparty in the derivative transaction might default. This may call for a corresponding new derivative transaction at a time and cost that is less favourable than the original transaction.

### BORROWING AND GEARING RISK

Futurity's general investment policy on Borrowing and Gearing is on p.46.

Whilst returns can be significantly increased from favourable borrowing and gearing strategies, correspondingly, these practices not only increase the risk of losses, but will amplify risks and potential losses with unfavourable investments and conditions.

### TAXATION RISKS

Although Tax Law and tax rulings governing education bonds are well settled, it is impossible to foresee changes that may impact upon the legal and taxation arrangements applying to education bonds. Futurity manages the risk of adverse taxation changes by monitoring government policy and by engaging in lobbying activities.

### LEGISLATIVE AND COMPLIANCE RISKS

There is also the risk that Futurity does not properly discharge our obligations to comply with the Life Act, the Corporations Act and Taxation Laws. Our compliance obligations also extend to the Product Rules, APRA Prudential Standards, ASIC Regulatory Guides and our internal Policies and Procedures. As explained in the Part A PDS (p.80) we have measures in place to address these risks.

### ASSET CONCENTRATION RISKS

The Investment Options on the menu are investment-linked funds and from time to time the asset concentration of particular investment assets held in the UMFs that they invest into may rise above 5% of their total assets. This can occur when implementing investment strategies and in order to meet Performance Benchmarks. However the UMFs that Futurity invests into generally have exposure limits to individual securities, as expected from prudently Managed Funds.

### OTHER SPECIFIC UMF RISKS AND MISCELLANEOUS RISKS

- If UMFs do not achieve their investment objectives or underperform for periods, or we may not act, or act too slowly (or too fast) in replacing or reducing an Investment Option's exposure to UMFs;
- The UMFs may experience defections, changes or instability in their investment management teams;
- Fees and costs applicable to your Bond may increase over time. There are set procedures under the Product Rules we must follow to provide you notice before Futurity can increase fees (see Part A PDS p.60);

- We might close a particular Investment Option. Before we can do this, we must give you at least three month's advance notice (p.43); and
- We might limit, restrict or discontinue switching rights to and from certain Investment Options on the Bond's Investment Menu.

## ABOUT DIFFERENT ASSET CLASSES AND RISK

The various asset class categories within the Investment Menu carry different levels of potential risk.

### EQUITIES

Equities investments are exposed to the risk of falling value, of not achieving dividend yields or not delivering expected franking or imputation credits.

Factors such as economic conditions and growth, interest rates, inflation and employment levels can influence equity markets (or specific market segments.)

At a more micro level, there is the risk of individual companies not performing or failing due to competition, poor management, operational failures or adverse market sentiment.

International equity investments can also be subject to currency risk.

### PROPERTY

Property investments can experience falling property values and declining rent, defaults and tenancy risk.

Economic factors, especially interest rates, impact property risks. Property investments sometimes carry construction and financing risk.

### FIXED INCOME

Fixed income investments are exposed to:

- **credit risk** – that issuers of debt or fixed income securities default on the repayment of principal and/or interest;
- **interest rate risk** – fixed income investments lose value when market interest rates rise; and
- **currency risk** – where there are international exposures.

### CASH AND TERM DEPOSITS

Cash and term deposit investments generally carry the least risk, with high certainty for repayment of capital and meeting interest.

## AUTHORISED INVESTMENTS AND INVESTMENT POLICIES

### AUTHORISED INVESTMENTS

The Investment Options on the Menu must be invested by us in Authorised Investments and in accordance with our Investment Policy. These details are contained in the Product Rules governing the Bonds and are also subject to overriding authorised investment provisions in the Life Act.

To find out more about the Product Rules – See p.81 of Part A PDS.

Under the Product Rules, the Authorised Investment categories are:

- Cash Investments
- Infrastructure Investments
- Deposit Investments
- Equity Investments
- Fixed Income Investments
- Investments in UMFs<sup>2</sup>
- Property Investments

When we invest into a UMF, its constitution's own underlying authorised investments and its own investment asset holdings from time to time must, on a 'look-through' basis, be consistent with the Futurity Investment Option's own Authorised Investments and Investment Policy.

### INVESTMENT POLICIES

The Product Rules contain for each Investment Option an Investment Policy, and within this we set:

- allowable investment ranges for each Authorised Investment category;
- investment strategy and objectives aligned to the option's Performance Benchmark;
- policy on use of derivatives and international currency exposure; and
- specific policies, where UMFs are used, such as on liquidity, borrowings and derivatives.

The Investment Option Overviews (p.24-41) summarise the investment strategy and objectives of each Option.

### USE OF DERIVATIVES

It is common for professionally managed UMFs to use derivatives, such as futures, swaps, options and forward contracts.

Futurity's Investment Policy is to only invest in UMFs where its investment manager has a current 'stated position'<sup>3</sup> to

use derivatives in accordance with generally accepted market practices. These are using derivatives:

- as a risk management tool for hedging and protecting against changes in the market asset values and against currency risk;
- gaining a position without buying or selling the underlying physical investments; and
- managing interest rate and credit risk for cash, deposit and fixed income investments.

Also see Derivatives Risk p.44.

### BORROWING AND GEARING

Whilst Futurity can borrow against the assets of the Investment Options, there are certain restrictions under the Life Act and the Product Rules.

Generally stated, we can only do this for the advantage of an Investment Option, such as for improving investment performance, improving liquidity or for diversifying investments.<sup>4</sup>

The constitutions of the UMFs typically allow the funds to borrow and some can 'gear' their portfolios. All of the UMFs on the Investment Menu follow our general investment policy of investing in UMFs that do not allow gearing, but may allow borrowing to assist in meeting redemptions or for short-term needs.

Futurity has no present intention to borrow, mortgage or charge against assets or gear any of our Investment Options. Also, our Investment Policy is to:

- avoid UMFs that undertake any level of portfolio gearing; and
- only invest in UMFs that have a current 'stated position' to not use borrowings except to assist in meeting redemptions or for short-term needs. (Also see Borrowing and Gearing Risk, p.45).

<sup>2</sup> The UMFs must be Managed Investment Trusts that are (a) Managed Investment Schemes; and/or (b) Managed Investment Schemes and/or Managed Investment Products that are a Responsible Entity and the holder of an AFSL.

<sup>3</sup> Under the Product Rules 'stated position' means as current from time to time the UMF's position statement and/or policy on investment strategy, objectives and use of borrowings and derivatives as stated in its constitution (or trust deed) and/or in its PDS or its risk management statement.

<sup>4</sup> Generally, up to 10% of an Investment Option can be mortgaged or charged to improve liquidity for short-term needs or meeting redemption requirements.

## RESPONSIBLE INVESTING AT FUTURITY

Futurity's stance on **Responsible Investment (RI)** and our approach to our organisation embracing sustainability and ESG factors needs to be viewed from two perspectives:

### PERSPECTIVE ONE – FUTURITY AS AN ORGANISATION

Futurity believes it imperative that RI and corporate sustainability must be prominent and play a key role in the governance of all forms of business enterprises.

For Futurity, our emphasis is not just about having good environmental and socially acceptable practices, but we seek to deliver long-term value to our Members and stakeholders without compromising people, the planet, our community and the economy. In doing this, we take a whole of organisation approach to RI by embracing its full ESG and sustainability dimensions. Whilst education purposed savings and investment products are Futurity's core business, it is also fundamental to our purpose that we exist to have a positive impact in these areas.

A cornerstone piece is Futurity being a signatory to the United Nations Global Compact (**UNGC**). This means that we operate in a manner that, at a minimum, meets fundamental responsibilities in the areas of Human Rights, Labour, Environment and Anti-Corruption. Additionally, Futurity has sought to incorporate the Ten Principles of the UNGC Global Compact into its business and organisational ethos.<sup>5</sup>

To these ends, Futurity's Board operates an Impact and Sustainability Committee to lead the organisation in identifying and examining the relevant topics and by mapping out and monitoring Futurity's organisational RI and sustainability performance. These are measured and reported on in Futurity's Annual Report.

### PERSPECTIVE TWO – THE EDUCATION BOND'S INVESTMENT MENU

Futurity operates an investment model for the Education Bonds whereby we invest our Investment Options into UMFs that we select, appoint and can remove. With this approach, Futurity largely outsources the day-to-day investment management function for its Investment Options to leading professional external investment managers.

### (a) Generally, Across the Entire Menu

Importantly, across the entire Investment Menu Futurity aims to invest in excess of 90% of its total funds under management with investment managers which are signatories to either of the United Nations Principles for Responsible Investment (**UNPRI**)<sup>6</sup> and/or the UNGC. This aspect of our RI discipline is monitored and reviewed by the Investment Committee (p.42). Each investment manager of an UMF will have its own policy covering RI, and the extent to which labour standards, environmental, social or ethical considerations are taken into account in making and implementing investment decisions. These policies will be explained and disclosed in each UMF's own Product Disclosure Statement. (Details and links appear in the templates for each Investment Option in this Part B PDS.)

As such, other than our high-level RI discipline lens that generally applies across the entire Menu, Futurity is not in a position and cannot directly influence RI policies and ESG considerations taken by UMFs appointed to the Investment Options or those on Futurity's Approved Manager List.

### (b) The RI Range on the Investment Menu

For the six RI Investment Options, we deliberately research and select UMFs of specialist RI managers that focus on ESG factors and follow sustainable investment principles (p.7).

As part of our 10 UMF selection factors (see p.42-43) we ensure that each investment manager considers not only all significant risks to their portfolios in making investment decisions, but also has clearly defined RI practices and processes for their UMF into which Futurity invests.

Again, Futurity is not able to directly influence the investment manager's detailed RI policies for their UMF or investment decisions made on a day-to-day basis. It is the UMF investment managers that make the decisions regarding their fund's RI and ESG factors.

The Investment Options, and the UMFs currently appointed by Futurity across the six RI options on the Investment Menu are summarised on page 13.

<sup>5</sup> Details available at [unglobalcompact.org/what-is-gc/mission/principles](http://unglobalcompact.org/what-is-gc/mission/principles)

<sup>6</sup> Details available at [unpri.org/about-us/what-are-the-principles-for-responsible-investment](http://unpri.org/about-us/what-are-the-principles-for-responsible-investment)







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