

INVESTOR SCENARIOS - MULTIPLYING YOUR WEALTH TO MEET YOUR GOALS

WEALTH CREATION AND TAX ADVANTAGES

Name: Susan

Age: 42

Occupation: Advertising Agency Manager

Current financial position

With \$50,000 in savings, Susan had a property investment in mind. With the possibility of a future overseas transfer however, she decided to reconsider her investment strategy. Seeking advice from a qualified financial planner, Susan asked about investment alternatives that could put her savings to work and provide good capital growth in the medium to long term. Through a detailed financial needs analysis, Susan's planner identified that her income – currently \$70,000 p.a. – was secure and that she was prepared to take some risks. As Susan's rising income places her in the highest marginal tax bracket, her planner advised that, in addition to capital growth, tax effectiveness should be an important aspect of her overall investment strategy.

Investment recommendation

Susan's planner recommended that she invest her \$50,000 in a combination of Australian and International Share Funds. Using these investments as security, the planner suggested that Susan borrow additional funds through Margin Lending to invest in Australian equities. With this strategy, Susan could borrow up to \$110,000 to create a portfolio with a total value of \$160,000. This provides the potential to achieve far greater gains than would have been possible by investing only Susan's \$50,000 savings... or by leaving it in the bank.

Projected outcome

Based on capital growth projections of 10%p.a.* Susan's adviser anticipates that in five years' time her portfolio will be valued at \$153,249 after repaying her loan. Additionally, Susan can enjoy tax benefits of being able to claim the interest paid on her loan against her income.

"I've always believed in being financially independent and taking control of my future. I've now discovered a way to make my savings work harder to build my wealth."

Important:

*These examples assume an average growth in funds of 10%p.a. This return is not necessarily indicative of future performance. Remember, investing in managed funds has the potential for losses as well as gains. Distributions, interest payments and fees are not included in this calculation.

**Earnings as a percentage of total client contribution.