

Boosting after tax returns: Generation Life launches the Tax Effective Australian Share Fund

- *Australian investors are underestimating the impact of tax on their returns' performance*
 - *Recent Federal election has brought into focus the cost of tax on investors*
- *Generation Life launches new Tax Effective Australian Share Fund, with an effective tax rate of 9 – 11 per cent, compared to superannuation's 15% rate*

Generation Life, Australia's leading provider for tax-aware investment solutions has partnered with Redpoint Investment Management to launch the new Tax Effective Australian Share Fund, providing investors with an effective tax rate of 9 -11 per cent, a rate lower than the 15 per cent offered by superannuation.

Through smart and effective trading strategies, the Tax Effective Australian Share Fund will arm financial advisors and their clients with a dynamic investment solution that reduces the impact of tax paid by investors. Compared to Australian share-based managed funds, the new Tax Effective fund will deliver higher than expected returns¹ through the compounding effect of lower annual tax payments made.

The launch of the new Tax Effective Australian Share Fund follows a study by Redpoint Investment Management, which reveals that for an investor with a tax rate of 47 per cent, taxes can eat away close to 40 per cent of the total expected return of an Australian share portfolio over the long term, despite taking advantage of imputation credits and Capital Gains Tax discounts.

Generation Life's joint CEO and Managing Director, Lucy Foster, states the importance of tax should not be overlooked, urging financial advisors and their clients to be more proactive and shift their focus from before-tax performance.

"Our modelling shows that tax can be the single biggest drag on what an investor can receive from their investment. The recent focus on lowering investment fees and the effect that has on performance has led to the rise of index based investing.

"While focussing on fees has merit, the reality is that the biggest cost of any successful investment is tax. Our analysis has shown that his new fund can improve take home return by 56 per cent²," she said.

Catherine van der Veen, joint CEO and Managing Director of Generation Life, recognises managing after tax outcomes isn't a new concept, although believes this innovative industry first will be a starting point to address the issue.

"The Federal election placed the taxation of investments front and centre on the national agenda, and reiterated how important delivering real after tax returns to investors is. However, in Australia where our share market has special tax rules, disregarding the impact of these costs can have significant, negative impacts on post-tax investment returns. In fact, buying into unit trusts directly can force significant tax liabilities onto the investor at the end of each financial year.

"We've worked closely with Redpoint, to identify a diverse selection of 60-80 Australian ASX listed companies within the portfolio to provide low trading turnover and manage risk within the volatile market.

¹ In particular for investors on higher marginal tax rates and compared to Australian share based managed funds

² Over a 20 year period, based on simulated data results comparing the after tax performance of the Fund's strategy with direct investing in an Australian share index fund. Subject to certain assumptions and not representative of actual performance.

With Redpoint's proven track record in managing tax effective investment strategies, we're confident that our investors will achieve superior after tax returns on their investments," she said.

Commenting generally on after-tax investment management, Caroline Bennet, Deloitte Actuaries Partner, notes, "After tax returns are important for investors as this represents the amount of returns actually generated for reinvestment, and as a result, over time form the basis of the compounding investment return."

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About Generation Life

Generation Life is an Australian leader in investment bonds offering an extensive investment menu with choice and quality for investors. Generation Life has been the number one provider for net funds flows for the last four years. Generation Life has been providing Australians with tax effective investment solutions for over 16 years to help plan for a thriving financial future. For further information visit <https://genlife.com.au/>