



# Funeral Bond Strategies for Investing

## Peace of mind and potential pension benefits

Funerals can easily cost thousands of dollars and for loved ones create unnecessary stress during a time of grief. By investing in a funeral bond you can ease the financial burden on loved ones by establishing a plan for the payment of funeral expenses and in doing so, may potentially receive a significant increase in Centrelink benefits.

The KeyInvest Funeral Bond is a capital guaranteed tax paid investment, designed to help meet funeral expenses. A Funeral Bond can be started with as little as \$100 and you can make additional contributions via ad hoc lump sums or a regular savings plan (min \$25 p.m.)

## Taxation and pension benefits

A Funeral Bond also has other benefits including significant taxation and pension benefits.

Annual bonuses are not subject to personal tax. Instead the Bond provider (KeyInvest) pays tax at the corporate tax rate (currently 30%) out of the investment earnings prior to the allocation of the annual bonus to your Bond.

There are also potential pension benefits. Under current legislation, up to \$14,000 (indexed annually) is treated as an asset exempt from Centrelink's income test, assets test and deeming provisions. This can result in an increased pension entitlement.

### Example

John is a single aged pensioner who owns his home and his assets are listed in the table opposite:

If John does nothing, under the income test, John's pension amount would be \$25,678 p.a. (\$987.60 p.f. approx). Unfortunately, under the asset test John's pension is reduced to \$18,658 p.a. (\$717.60 p.f. approx).

However, by investing \$14,000 in a KeyInvest Funeral Bond John reduces his assessable assets from \$370,000 to \$356,000. In doing so his age pension will increase by \$1,092 to \$19,750 (\$759.60p.f. approx.)<sup>1</sup> which is the equivalent of a 7.80% p.a. return on investment before earning any annual Bonus.

Assets	Value
Bank Account	\$10,000
Car	\$20,000
Contents	\$10,000
Share Portfolio	\$180,000
Cash Management Account	\$150,000
<b>Total</b>	<b>\$370,000</b>

<sup>1</sup> This case study has been assessed using new pension rates effective from 20 March 2022 and not under transitional arrangements.

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## Investing tips for couples

For couples it may be best to take out individual Funeral Bonds as both Investments will be exempt from the income and assets test. This can result in an increase of \$2,184 per annum for the couple.

You can hold up to two Funeral Bonds, individually or jointly, and still qualify as an exempt asset for Centrelink purpose, however the combined contribution amounts must not exceed \$14,000.

## Advantages for using the KeyInvest Funeral Bond

- A capital guarantee covers the investment as well as any contributions and annual bonuses, once allocated.
- Investments of up to \$14,000 (indexed annually) will generally be treated as an asset exempt from Centrelink's Income and Asset Test.
- No restrictions by health or age.
- No contributions restriction, however the investment should not exceed your anticipated funeral costs.
- Individual or joint ownership is permitted.
- A tax paid investment.
- The Bond can be assigned to a Funeral Director as part of a pre-paid funeral contract. In this case the whole amount is an exempt asset for Centrelink purposes.
- The KeyInvest Funeral Bond fund is managed by Janus Henderson on behalf of KeyInvest.

The KeyInvest funeral Bond is issued by KeyInvest Ltd ABN 74 087 649 474 AFSL No 240667. The information in this document is for the use of Financial Advisers only and is current as at 1 July 2022 but may be subject to change. The information is general in nature and has been prepared without taking into account the investment objectives, financial situation or needs of a particular investor. This information has been compiled from sources considered to be reliable but is not guaranteed. Past performance is not a reliable indicator of future performance. Any potential investor should consider the latest Disclosure Statement ("DS") and or Supplementary DS in deciding whether to acquire, or to continue to hold, an investment in the KeyInvest Funeral Bond.

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