Surprise Yourself

ANZ Accelerated Answers

Leveraged wealth creation solutions
Surprisingly rewarding.
Surprisingly soon.

The only surprise in your future should be how easy it was to get there.

With ANZ Accelerated Answers you’ll be surprised how quickly it all comes together.

However you see your future – more assets, more time, more living – ANZ offers a choice of wealth creation solutions designed to accelerate your arrival.

Prepare to be surprised.
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ANZ Accelerated Answers

Australians are increasingly focused on growing their wealth to ensure they can live the lifestyle they want not only now but also into retirement.

The purpose of this booklet is to highlight a number of leveraged wealth creation strategies, which you may identify with. If this is the case, ANZ Accelerated Answers may be able to assist you to achieve your financial and lifestyle goals faster.

This booklet also outlines some of the potential risks so as to help you evaluate whether or not leveraging (also known as gearing) is an investment strategy you want to consider as part of your wealth creation plan.

ANZ Accelerated Answers is all about offering you the most suitable leveraged wealth creation solution, wherever you are in life today and to help you achieve your goals sooner.

Remember that leveraging potentially amplifies your gains as well as your losses, so be sure to seek professional advice before implementing a gearing strategy.

Where are you in life?

ANZ Accelerated Answers has developed eight strategies aimed at identifying different customer needs based on different life stages. The life stages are based on your current financial and life situation, as well as your age and financial goals.

For example, if you are over 21 and have little or no assets today, but want to save for a lump sum as quickly as possible, then ANZ Accelerated Answers Turbo Saver strategy may be the best leveraged wealth creation solution for you!

ANZ Accelerated Answers strategies are:

1. Turbo Saver
2. 50/50
3. Young Gun
4. Restart
5. Rebalance
6. Overdrive
7. Golden Age
8. Young at Heart

Refer to the strategy matrix on the following pages to recognise which strategy potentially identifies you best. Armed with this knowledge, refer to the relevant strategy detail to find out more.

Please note that these strategies are only indicative, as there is no way we could possibly capture everyone’s particular circumstances.

The information provided is intended as a guide only. It is not intended to be a substitute for professional advice and should not be relied upon as such.

The information provided has not been prepared taking into account your particular investment objectives, financial situation and particular needs and you should assess whether the advice is appropriate to your individual investment objectives, financial situation and particular needs. You should do this before making an investment decision on the basis of this general advice.

ANZ recommends that you seek professional financial advice before making any investment decisions.
**Strategy Matrix**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Indicative age</th>
<th>Where am I today?</th>
<th>What do I need?</th>
</tr>
</thead>
</table>
| Turbo Saver  | 21 +           | • Little or no assets  
• Minimum income $40,000  
• Little or no investment market knowledge  
• May currently have a regular savings plan or other investments                                                                                                                                                                      | • Save for an initial lump sum e.g. a home deposit  
• Save faster than via more traditional means  
• Enter the investment markets  
• Potential tax benefits  
• Establish dollar cost averaging strategy to build investment portfolio1  
• Protect my earning capacity                                                                                                                                                                                                   |
| 50 / 50      | 25 +           | • Want to reduce mortgage  
• Start or increase investment portfolio  
• Little or no investment market knowledge                                                                                                                                                                                                 | • Diversify into other assets, apart from residential property  
• Create an investment portfolio  
• Potential tax benefits  
• Pay home off sooner  
• Protect my earning capacity                                                                                                                                                                                                         |
| Young Gun    | 24 – 35        | • Little or no assets  
• Time poor  
• Income of $60,000 or more                                                                                                                                                                                                                                                                 | • Enter the investment markets  
• Create wealth from a zero or low asset base  
• Require flexibility in an investment strategy  
• Potential tax benefits  
• Require ’set and forget’ approach to investing  
• Prefer protection from falls in the market  
• No margin calls2  
• Protect my earning capacity                                                                                                                                                                                                                                                                         |
| Restart      | 25 - 45        | • Lost assets through a:  
› separation  
› divorce, or  
› unfortunate investment decision  
• Stable income of $60,000 or more  
• Little or no investment market knowledge  
• Superannuation benefit of $150,000 or more                                                                                                                                                                                                  | • Rebuild wealth and accumulate assets within a superannuation and personal environment  
• Prefer protection from falls in the market  
• Possibly need to fund the purchase of a new home  
• Protect my earning capacity                                                                                                                                                                                                                                                                       |

1 Dollar Cost Averaging is a disciplined investment technique that involves regular investments, which may help smooth out the market’s ups and downs and help manage the risk of investing.

2 A margin call is triggered when your level of borrowings exceeds the maximum permitted gearing level by more than a specified buffer amount. A margin call must typically be met within a 24-hour period.
### Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Indicative age</th>
<th>Where am I today?</th>
<th>What do I need?</th>
</tr>
</thead>
</table>
| Rebalance  | 28 – 55        | • Solid income of $60,000 or more  
• Hold an investment portfolio, but only hold one particular asset class or security such as:  
  • one share  
  • property only, or  
  • only a business | • Diversify investment assets  
• Release equity in overweight asset in a manner which may provide potential tax benefits  
• Increase superannuation assets to utilise Reasonable Benefit Limit  
• Invest within the concessional tax environment of Self Managed Superannuation Fund  
• Control own investment strategy  
• Address estate planning issues  
• Protect my earning capacity |
| Overdrive  | 25 - 50        | • Solid income of $60,000 or more  
• May hold a maturing Insurance Bond  
• You may have a protected equity loan that is about to mature  
• Superannuation assets are increasing raising potential excessive Reasonable Benefit Limit issues | • Manage portfolio in a tax efficient manner  
• Effectively manage my cost of borrowing  
• Use concessional tax environment within Self Managed Superannuation Fund  
• Address estate planning issues |
| Golden Age | 35 +           | • High income  
• Hold company issued options  
• High concentration of shares  
• Own family home  
• Spouse has little superannuation and or little assets in own name | • Manage portfolio in a tax efficient manner  
• Potential tax benefits  
• Finance option conversion to shares  
• Increase assets in spouse's name and utilise Reasonable Benefit Limit, in own name  
• Control own investment strategy  
• Derive further income from diversified assets  
• Address estate planning issues  
• Sufficient funds for continued lifestyle  
• Invest without drawing too much from capital reserves  
• Maximise Reasonable Benefit Limit position  
• Control own investment strategy  
• Address estate planning issues |
| Young at Heart | 60 +      | • Close to retirement or retired  
• Looking at downsizing residential property and increase amount spent on travel | • Manage portfolio in a tax efficient manner  
• Potential tax benefits  
• Finance option conversion to shares  
• Increase assets in spouse's name and utilise Reasonable Benefit Limit, in own name  
• Control own investment strategy  
• Derive further income from diversified assets  
• Address estate planning issues  
• Sufficient funds for continued lifestyle  
• Invest without drawing too much from capital reserves  
• Maximise Reasonable Benefit Limit position  
• Control own investment strategy  
• Address estate planning issues |

The following sections detail each strategy and provide an example of how ANZ Accelerated Answers can help you achieve your goals sooner.

The resulting investment that is appropriate for you will depend on your individual circumstances and needs, such as your goals, attitude towards risk and life stage. Please consult your Financial Adviser and tax specialist or contact the ANZ Accelerated Answers Team on FREECALL™ 1800 639 330.

This information provides general information current as at the time of production. The information is intended as a guide only; it is not intended to be a substitute for professional advice and should not be relied upon as such. Taxation laws are complex and subject to change, and their application may vary according to investors’ specific circumstances. Consultation with an accountant or taxation adviser is recommended to determine the implications of taxation laws to investors’ specific circumstances.
**Turbo Saver Strategy**

Suits investors looking to save a lump sum of money as a deposit for example for a house

The following is an example of a Turbo Saver strategy – please note that this is for illustration purposes only.

**Present situation**

Stuart and Olga, both 25 and earning $40,000 each are saving for a house deposit.

<table>
<thead>
<tr>
<th>Savings to date</th>
<th>$2,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional savings per month</td>
<td>$800</td>
</tr>
<tr>
<td>Time period</td>
<td>5 years</td>
</tr>
<tr>
<td>Interest on savings account</td>
<td>4.75% p.a.</td>
</tr>
<tr>
<td>Amount saved after 5 years</td>
<td>$50,500 saved</td>
</tr>
<tr>
<td></td>
<td>$6,941 interest earned</td>
</tr>
<tr>
<td></td>
<td>$57,441 Total</td>
</tr>
<tr>
<td>Marginal tax rate</td>
<td>30% (+ 1.5% Medicare)</td>
</tr>
<tr>
<td>Tax on interest component</td>
<td>$2,186</td>
</tr>
<tr>
<td>Lump sum saved after tax</td>
<td>$55,255</td>
</tr>
</tbody>
</table>

Stuart and Olga, however, want to increase their savings over the five-year period. ANZ Accelerated Answers Turbo Saver strategy can accelerate Stuart and Olga’s saving capacity. How?

**Potential leveraged strategy**

The Turbo Saver strategy can match Stuart and Olga’s contribution dollar for dollar, and rather than investing in a relatively low interest bearing cash account, they can invest their funds in a portfolio of diversified managed funds.

<table>
<thead>
<tr>
<th>Savings to date</th>
<th>$2,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ’s loan contribution</td>
<td>$5,000</td>
</tr>
<tr>
<td>Additional savings per month</td>
<td>$700</td>
</tr>
<tr>
<td>ANZ’s monthly loan contribution</td>
<td>$800</td>
</tr>
<tr>
<td>Growth on investment</td>
<td>5%</td>
</tr>
<tr>
<td>Income</td>
<td>3%</td>
</tr>
<tr>
<td>Marginal tax rate</td>
<td>30% (+ 1.5% Medicare)</td>
</tr>
<tr>
<td>Time period</td>
<td>5 years</td>
</tr>
<tr>
<td>Interest rate on margin loan</td>
<td>7.49%</td>
</tr>
<tr>
<td>Are income distributions reinvested?</td>
<td>Yes</td>
</tr>
<tr>
<td>Amount saved after repayment of all loan and capital gains tax (CGT)</td>
<td>$65,842</td>
</tr>
</tbody>
</table>

Stuart and Olga reduce their contribution to $700 per month to pay the interest on the gearing facility. By using ANZ’s Margin Lending and Regular Geared Savings Plan the Turbo Saver strategy has accelerated Stuart and Olga’s savings by $10,587, to $65,842.

The calculation above does not include any additional potential benefits from the deductibility of interest and the impact of receiving franking credits.

**Strategy benefits**

The Turbo Saver strategy delivered Stuart and Olga the following benefits:

- increased their savings
- allowed them to purchase their home sooner
- potential tax benefits for interest costs associated with investment borrowings, franking credits and access to the CGT discount concession.
50/50 Strategy

Suits investors who own a residential property and are looking to reduce non-deductible debt or diversify their asset portfolio

The following is an example of a 50/50 strategy – please note that this is for illustration purposes only.

Present situation

John is 30 and is trying to pay off his mortgage as soon as possible.

<table>
<thead>
<tr>
<th>House purchase price</th>
<th>$250,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>John’s minimum monthly repayments</td>
<td>$1,700</td>
</tr>
<tr>
<td>Actual repayments per month</td>
<td>$3,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.57% p.a.</td>
</tr>
<tr>
<td>Term to maturity based on minimum repayments</td>
<td>30 years</td>
</tr>
<tr>
<td>Anticipated term until mortgage is fully repaid based on actual monthly repayments</td>
<td>9 years and 4 months</td>
</tr>
</tbody>
</table>

John anticipates repaying his mortgage and owning his home outright in 9 years and 4 months, as opposed to 30 years. However, John also wants to diversify his asset portfolio.

ANZ Accelerated Answers 50/50 strategy can accelerate or match John’s ability to pay off his mortgage in 9 years and 4 months, but also allows John to start an investment portfolio at the same time. How?

Potential leveraged solution

ANZ Accelerated Answers 50/50 strategy can accelerate John’s ability to diversify into other assets through regular contributions into managed funds. By reducing John’s actual mortgage repayments by $750, to $2,250 per month and using this amount in a leveraging strategy, John can actually pay off his house sooner and establish an investment portfolio.

| John’s lump sum contribution | $2,500 |
| ANZ’s loan contribution | $5,000 |
| Savings per month | $750 |
| ANZ’s monthly contribution | $750 |
| Growth on investment | 5% |
| Income | 3% |
| Time period | 9 years |
| Interest rate on margin loan | 7.49% |
| Are income distributions reinvested? | Yes |
| Outstanding mortgage after 9 years | $120,681 |
| Amount saved after repayment of loan and CGT | $160,297 |
| Net lump sum after paying off the outstanding mortgage | $39,616 |

By using ANZ’s Margin Lending and Regular Geared Savings Plan the 50/50 strategy has not only allowed John to pay off his mortgage four months earlier, but he also has a $39,616 lump sum invested in managed funds.

The calculation above does not include any additional potential benefits from the deductibility of interest and the impact of receiving franking credits.

Strategy benefits

The 50/50 strategy delivered John the following benefits:

- full ownership of his home sooner
- an investment portfolio
- diversification of assets
- potential tax benefits for interest costs associated with investment borrowings, franking credits and access to the CGT discount concession.

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Diversification is an effective wealth creation strategy aimed at achieving a balance between maximising return and minimising exposure to risk.
Young Gun Strategy

Suits investors who want to create an asset base from scratch (or low base) without compromising their current lifestyle

The following is an example of a Young Gun strategy – please note that this is for illustration purposes only.

Present situation

Natalie, 28, has recently completed her Professional Year with a Chartered Accounting firm and wants to start an investment portfolio.

Natalie earns $65,000 per annum, but she believes that she does not have enough cash to start an investment portfolio.

Potential leveraged solution

ANZ Accelerated Answers Young Gun strategy can accelerate Natalie's ability to start an investment portfolio even though she has no assets. How?

After seeking professional financial advice, Natalie decided on a protected equity investment. A protected equity investment allows Natalie to purchase a portfolio of selected shares in Australia's leading companies without the need to invest any of her own equity and without the risk of capital loss.

| ANZ's Protected Equity Investment Loan | $100,000 |
| Invested equally in four shares | NAB, CBA, ANZ and WBC |
| Natalie’s tax rate | 48.5% |
| Investment time period | 3 years |
| Total cost to fund ANZ's Protected Equity Investment Loan over the term (after all dividends and franking credits) | $12,041 |
| Total gain after 3 years (after payment of Capital Gains Tax and repayment of loan) | $24,800 |
| Profit after subtracting Natalie’s funding costs from her capital gain | $12,759 |

The Young Gun strategy has helped Natalie start an investment portfolio with no assets and she didn’t have to worry about losing any money if her investment decreased in value. Natalie is protected from any potential capital losses on particular stocks, as at maturity she can use her put option, in respect of any securities that have fallen in value, to sell those securities to ANZ in full repayment of the loan portion used to acquire them.

Some certainty as to the tax implications of investing in ANZ's Protected Equity Portfolio is provided by the Product Ruling 2001/80.

Strategy benefits

The Young Gun strategy delivered Natalie the following benefits:

- the ability to start an investment portfolio from a zero asset base
- stock specific protection to protect her from any capital losses
- Natalie does not need to spend time monitoring her investment regularly
- potential tax benefits for interest costs associated with investment borrowings.

Assumptions

The following assumptions are used in the Young Gun strategy example:

- either 80% of the funding costs, or an interest amount calculated with reference to the published Reserve Bank Bulletin indicator fixed rate for personal unsecured loans, whichever is lesser should be tax deductible
- for the purpose of this example 80% of the funding cost has been used
- all stock is purchased at close of business 14 February 2003
- ANZ dividend yield is 5.3% fully franked. The growth rate over the 3 year period is 17.95%
- CBA dividend yield is 6.0% fully franked. The growth rate over the 3 year period is 6.3%
- NAB dividend yield is 5.1% and is 90% franked. The growth rate over the 3 year period is 10.68%
- WBC dividend yield is 5.5% fully franked. The growth rate over the 3 year period is 9.56%.

* The ATO Product Ruling 2001/80 is only a ruling on the application of taxation laws to the ANZ Protected Equity Portfolio and does not in any way represent an endorsement or guarantee by the ATO of the commercial viability of the product, of its soundness as an investment, or of the reasonableness or commerciality of any fees charged. The ATO Product Ruling is only binding on the Commissioner if the ANZ Protected Equity Portfolio is used specifically in the manner provided in the Product Ruling.
**Restart Strategy**

*Suits investors who need to restart or increase their assets quickly due to specific events such as divorce or poor investment decisions*

The following is an example of a Restart strategy – please note that this is for illustration purposes only.

**Present situation**

Frank, 40, has recently divorced. After paying the settlement, he is concerned about his financial worth.

**Net worth (money in Self Managed Superannuation Fund)**

<table>
<thead>
<tr>
<th></th>
<th>$175,000</th>
</tr>
</thead>
</table>

Frank feels that he has to restart his life again. One of his aims is to grow his asset base as soon as practical.

After seeking professional financial advice, Frank has decided to increase his superannuation assets, but is aware that he is not allowed to use borrowed funds to increase his superannuation savings. Frank and his adviser believe if Frank is to meet his growth expectations, he will need to borrow for investment purposes. Frank’s adviser indicates that ANZ Instalment Warrants may help. How?

**Potential leveraged solution**

ANZ Accelerated Answers Restart strategy can accelerate Frank’s ability to grow an investment portfolio – quickly.

To simplify this illustration, let’s ignore diversification issues, and assume Frank only wants to purchase ANZ stock in his Self Managed Superannuation Fund.

Frank’s Financial Adviser recommends that Frank purchase Instalment Warrants over ANZ. Instalments are effectively purchasing shares on lay-by; you pay part now and the remainder at maturity and obtain all the benefits of the underlying shares.

<table>
<thead>
<tr>
<th><strong>ANZ Shares</strong></th>
<th><strong>ANZ Instalment Warrants</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$16.50</td>
</tr>
<tr>
<td>Investable funds</td>
<td>$175,000</td>
</tr>
<tr>
<td>Amount of securities that can be purchased after transaction costs</td>
<td>10,500</td>
</tr>
<tr>
<td>ANZ fully franked dividend per share</td>
<td>85 cents</td>
</tr>
<tr>
<td>Total dividend received</td>
<td>$8,925</td>
</tr>
<tr>
<td>Franking Credit 30%</td>
<td>$3,825</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>$12,750</td>
</tr>
<tr>
<td>Less interest deduction (in the cost of each Instalment Warrant is an interest cost of 16 cents)</td>
<td>Nil</td>
</tr>
<tr>
<td>Total Taxable Income</td>
<td>$12,750</td>
</tr>
<tr>
<td>Tax on Taxable Income @ 15%</td>
<td>$1,913</td>
</tr>
<tr>
<td>Less Franking Credit</td>
<td>$3,825</td>
</tr>
<tr>
<td>Tax (payable)/refund</td>
<td>$1,912</td>
</tr>
</tbody>
</table>

The above tax refund is returned to the superannuation fund as a cash payment or it may be used to offset the tax payable on the income of the fund. Also Frank is exposed to any appreciation (or fall) in the price of the ANZ Instalment Warrant, which is listed on the ASX.

By utilising ANZ Instalments, coupled with the Restart strategy, Frank has been able to build an investment portfolio within his Self Managed Superannuation Fund. In addition to Frank’s superannuation assets, Frank is also considering using some excess cashflow to generate additional wealth outside superannuation through either, ANZ’s Regular Geared Savings Plan or ANZ’s Protected Equity Investment Loan.

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5 Self Managed Superannuation Funds are able to invest in Instalment Warrants only in particular circumstances, as a result of a joint APRA/ATO release dated 16 December 2002. Further information is contained in the ANZ Instalment Warrant Offering Circular.
At maturity of the Instalment Warrants, Frank can:

- roll over the Instalment Warrant into a new offering as per the original strategy; or
- sell the Instalment Warrant on the Australian Stock Exchange; or
- repay the loan associated with the warrants and obtain full ownership of the underlying share.

**Strategy benefits**

The Restart strategy delivered Frank the following benefits:

- ANZ’s Regular Geared Savings Plan or ANZ’s Protected Equity Portfolio allows Frank to diversify his concentrated position of ANZ in his superannuation fund
- leveraged superannuation and investments savings allow Frank to rebuild his assets sooner
- concessional tax environment of a Self Managed Superannuation Fund
- at maturity he can use his put option, in respect of any securities that have fallen in value, to sell those securities to ANZ in full repayment of the loan portion used to acquire them
- potential tax benefits for interest costs associated with investment borrowings.
Rebalance Strategy

Suits investors who want to diversify their current asset base and increase income from other asset classes

The following is an example of a Rebalance strategy – please note that this is for illustration purposes only.

Present situation
Simon, 55, has worked hard over the last 10 years at creating a successful business. Simon has realised it’s time for him to start thinking about retirement so that he can spend more time with his family. Simon is considering selling his business, but is concerned about the taxation implications and his retirement planning strategies.

Current business value $5,000,000
Annual income $200,000
House value (fully owned) $1,000,000
Investment portfolio value (80% held in 10 stocks within the banking and finance industry) $800,000

Simon now wants to further diversify and grow his investment portfolio. How?

Potential leveraged solution
ANZ Accelerated Answers Rebalance strategy can accelerate Simon’s ability to diversify his current asset base. Simon’s Financial Adviser suggests that he establish a margin lending facility using his existing stock as security.

The aim here is to diversify Simon’s portfolio away from just the banking and finance sector to invest in other industries such as transport, leisure, retail and diversified industrials.

<table>
<thead>
<tr>
<th>Current business value</th>
<th>$5,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual income</td>
<td>$200,000</td>
</tr>
<tr>
<td>House value (fully owned)</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Investment portfolio value (80% held in 10 stocks within the banking and finance industry)</td>
<td>$800,000</td>
</tr>
</tbody>
</table>

The calculation above does not include any additional potential benefits from the deductibility of interest and the impact of receiving franking credits.

In addition, Simon also successfully sold his business for $5 million dollars. His Financial Adviser indicated that he may be able to use the small business CGT concessions to reduce tax payable on the realised capital gain. This included using the CGT Retirement exemption provision to potentially create a CGT Exempt Component of his eventual Eligible Termination Payment of up to $500,000. This amount is tax-free, providing it remains within Simon’s applicable Reasonable Benefit Limit.

This lump sum was rolled over into an allocated pension to generate a tax effective retirement income. The Rebalance strategy has helped Simon further diversify and grow his investment portfolio as well as receive potential tax benefits.

Strategy benefits
The Restart strategy delivered Simon the following benefits:
• extra time to spend with the family
• further diversification of assets
• tax effective retirement planning
• potential tax benefits for interest costs associated with investment borrowings, franking credits and access to CGT concessions.
Overdrive Strategy

Suits investors who want to diversify their asset base in a tax efficient manner and increase investment assets outside of superannuation

The following is an example of an Overdrive strategy – please note this is for illustration purposes only.

**Present situation**

Chris and Sam, both 50 with a household income of $140,000 have a protected equity investment that is about to mature, as well as a sizeable ANZ Insurance bond, which Chris has held for 8 years. Chris and Sam now want to further diversify and grow their investment portfolio.

| ANZ Protected Equity Portfolio (APEP) loan amount | $200,000 |
| APEP market value at maturity | $400,000 |
| Portfolio making up the APEP | ANZ, NAB, TLS and BHP |
| APEP interest rate | 14.50% |
| Insurance Bond profit after 8 years | $250,000 |

Chris and Sam want to retain their leveraged positions in ANZ, NAB, TLS and BHP, but:

- without any capital protection required,
- within a more flexible interest rate environment, and
- defer any CGT liability.

Borrowing for investment purposes has paid off for Chris and Sam and as such they are considering leveraging off their ANZ Insurance Bond to diversify further. Chris and Sam are keen to purchase an investment property on the coast which will be rented for most of the year with plans to eventually retire to this property. How?

**Potential leveraged solution**

ANZ Accelerated Answers Overdrive strategy can accelerate Chris and Sam’s ability to purchase their dream retirement home as well as restructure their protected equity loan, without triggering a Capital Gains event. After seeking professional financial advice, they have opted to open an ANZ Margin Lending facility to roll their protected equity loan into as well as using the ANZ Insurance Bond as security to purchase the coastal property.

At maturity of the APEP facility, rather than selling the shares to repay the APEP facility and trigger a CGT event, Chris and Sam establish a margin lending facility. Chris and Sam roll their existing equities from the APEP facility into their margin lending account and ANZ Margin Lending repays the outstanding APEP loan of $200,000. Also Chris and Sam pledge their ANZ Insurance Bond as security to purchase the rental property for $350,000.

| ANZ Margin Lending Facility (additional $100,000 represents 20% deposit and buying costs for coastal property) | $300,000 |
| Interest per annum @7.5% | $22,500 |

By using ANZ Margin Lending and the Overdrive strategy, Chris and Sam have been able to meet their financial and lifestyle objectives.

**Strategy benefits**

The Overdrive strategy delivered Chris and Sam the following benefits:

- maintain leveraged position in stock portfolio without triggering a CGT event
- better management of their interest cost
- diversify their portfolio to now include an investment property
- purchased their dream coastal home which they intend to retire to within the next decade
- potential tax benefits for interest costs associated with investment borrowings, as rental income is to be derived from the coastal property whilst it is being held for income producing purposes.
**Golden Age Strategy**

*Suits investors who want to diversify their investments, increase superannuation assets for a non-working spouse, and maximise taxation position*

The following is an example of a Golden Age strategy – please note this is for illustration purposes only.

**Present situation**

Kathryn, 45, is an executive within a large corporate. She and her partner Joe, 52, are financially very successful. Joe is currently not working and is considering returning to the workforce.

<table>
<thead>
<tr>
<th>Kathryn’s annual income</th>
<th>$200,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of company shares (vested) as part of Kathryn’s bonus structure</td>
<td>110,000</td>
</tr>
<tr>
<td>Value of company shares as part of Kathryn’s bonus structure</td>
<td>$1,760,000</td>
</tr>
<tr>
<td>Number of executive options (held in trust) as part of Kathryn’s bonus structure</td>
<td>50,000</td>
</tr>
<tr>
<td>Value of Kathryn’s executive options upon exercising (based on a market share price of $16)</td>
<td>$800,000</td>
</tr>
<tr>
<td>Cost to convert Kathryn’s options into shares</td>
<td>$500,000</td>
</tr>
<tr>
<td>Value of Kathryn’s staff super fund</td>
<td>$142,000</td>
</tr>
<tr>
<td>Joe’s super fund value</td>
<td>$26,000</td>
</tr>
</tbody>
</table>

Kathryn and her partner Joe now want to further diversify and grow their investment portfolio whilst minimising their taxation liability. How?

**Potential leveraged solution**

ANZ Accelerated Answers Golden Age strategy can accelerate Kathryn and Joe’s ability to diversify their current asset base. Their Financial Adviser establishes a recommendation that aims to address diversification issues, utilise taxation planning opportunities and increase Joe’s superannuation. They can achieve this by opening a margin lending facility, which will also provide Kathryn the ability to convert her executive options into shares when she is ready.

Their Financial Adviser recommends using Kathryn’s stock as security against the borrowings. Rather than investing the borrowed funds in individual shares Kathryn and Joe choose to invest in managed funds to achieve even greater diversification, as well as allowing investment professionals to manage their investments. Both Kathryn and Joe do not have the time nor expertise to manage their investments.

Additionally, Kathryn and Joe have also been advised to establish their own superannuation fund. A Self Managed Superannuation Fund (SMSF) can provide a number of benefits, including flexibility of investment choice, ability to maximise taxation position, and ability to address estate planning and insurance issues within the SMSF environment.

Once the fund is established they roll Joe’s superannuation balance of $26,000 into the fund. To increase Joe’s account their Financial Adviser recommends that Kathryn makes an in specie transfer of 20,000 shares at market value to Joe’s account. As there is a change in the beneficial ownership of these shares, there may be CGT implications, including potential access to CGT concessions.

Now Joe’s account has $26,000 in cash and 20,000 shares valued at $320,000 dollars. To diversify Joe’s superannuation account it is recommended that he sell 10,000 shares. The proceeds of $160,000 are invested into a series of Instalment Warrants*. Kathryn also elects to exercise her options.

<table>
<thead>
<tr>
<th>Kathryn’s security value</th>
<th>$2,240,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ’s maximum loan contribution at 70% Loan Value Ratio</td>
<td>$5,226,666</td>
</tr>
<tr>
<td>Loan Value Ratio chosen by Kathryn to minimise her chance of a margin call</td>
<td>50%</td>
</tr>
<tr>
<td>ANZ’s loan value amount</td>
<td>$2,240,000</td>
</tr>
<tr>
<td>Growth on investment</td>
<td>5%</td>
</tr>
<tr>
<td>Income</td>
<td>3%</td>
</tr>
<tr>
<td>Interest rate on margin loan</td>
<td>7.49%</td>
</tr>
<tr>
<td>Are income distributions reinvested?</td>
<td>Yes</td>
</tr>
<tr>
<td>Time period</td>
<td>5 years</td>
</tr>
<tr>
<td>Amount accumulated after 5 years and repaying loan and CGT</td>
<td>$4,024,000</td>
</tr>
</tbody>
</table>

---

*Self Managed Superannuation Funds are able to invest in Instalment Warrants only in particular circumstances, as a result of a joint APRA/ATO release dated 16 December 2002. Further information is contained in the ANZ Instalment Warrant Offering Circular.
The calculation does not include any additional potential benefits from the deductibility of interest and the impact of receiving franking credits.

The Golden Age strategy has increased Joe’s superannuation balance and diversified his investments within superannuation, which based on financial modelling, will also allow Joe to utilise his Reasonable Benefits Limit (RBL) at retirement.

By using Kathryn’s available equity they have been able to further diversify Kathryn’s investment portfolio via the use of managed funds and provide potential tax benefits to Kathryn during the accumulation stage of her working life.

Strategy benefits
The Golden Age strategy delivered Kathryn and Joe the following benefits:

- unlocks the value in concentrated positions to provide diversification and CGT is deferred on the shares provided as security value for the margin loan
- a facility to convert executive options to shares
- provides a vehicle to invest within the concessional tax environment of Self Managed Superannuation Fund
- potential tax benefits for interest costs associated with investment borrowing.
Young at Heart Strategy

Suits investors who want to live off income from investments and only undertake small draw downs of their capital

The following is an example of a Young at Heart strategy – please note that this is for illustration purposes only.

Present situation
Eddie and Eva have successfully accumulated jointly $1,500,000 in superannuation over their working careers and are now preparing for retirement.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eddie’s age</td>
<td>65</td>
</tr>
<tr>
<td>Eva’s age</td>
<td>56</td>
</tr>
<tr>
<td>Eddie’s superannuation account balance (pre and post taxed contributions)</td>
<td>$875,000</td>
</tr>
<tr>
<td>Eva’s superannuation account balance (pre and post taxed contributions)</td>
<td>$625,000</td>
</tr>
<tr>
<td>Eddie’s minimum pension amount (based on minimum pension factors)</td>
<td>$55,732</td>
</tr>
<tr>
<td>Eva’s minimum pension amount (based on minimum pension factors)</td>
<td>$32,216</td>
</tr>
</tbody>
</table>

Eddie and Eva are excited about retiring but at the same time apprehensive, as they don’t want to reduce the quality of their lifestyle in retirement due to a lack of income. They are young at heart and are looking forward to exploring the world. How?

Potential leveraged solution
ANZ Accelerated Answers Young at Heart strategy can accelerate Eddie and Eva’s ability to live the lifestyle they want in retirement.

Eddie and Eva’s key objectives are to live off the income generated by investments and only undertake small capital drawdowns of their superannuation funds. To do this Eddie and Eva must make their investments work harder within the superannuation environment. To give them the flexibility to increase the yield within superannuation it is recommended that they establish a Self Managed Superannuation Fund (SMSF).

Eddie and Eva’s Financial Adviser recommends that they use $1,200,000 to purchase an allocated pension, which provides $87,948 per annum to satisfy their minimum pension requirements.

The Financial Adviser also recommends that they use the remaining $300,000 to purchase Instalment Warrants over ANZ. Instalment Warrants are effectively purchasing shares on lay-by; you pay half now and half at maturity and obtain all the benefits of the underlying shares. As Eddie and Eva are commencing a pension within the SMSF, earnings in the fund should be exempt from income tax and refunds of franking credits may be available.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump sum</td>
<td>$300,000</td>
</tr>
<tr>
<td>ANZ Instalment Warrants trading price per share</td>
<td>$9.50</td>
</tr>
<tr>
<td>Amount of ANZ Instalment Warrants (after allowing for transaction costs)</td>
<td>31,000</td>
</tr>
<tr>
<td>ANZ Instalment Warrants fully franked Dividend Per Share</td>
<td>85 cents</td>
</tr>
<tr>
<td>Total Dividend Earned</td>
<td>$26,350</td>
</tr>
<tr>
<td>Franking Credit 30%</td>
<td>$11,292</td>
</tr>
<tr>
<td>Total Income</td>
<td>$37,642</td>
</tr>
</tbody>
</table>

7 Self Managed Superannuation Funds are able to invest in Instalment Warrants only in particular circumstances, as a result of a joint APRA/ATO release dated 16 December 2002. Further information is contained in the ANZ Instalment Warrant Offering Circular.
The extra income of $37,642 (including refundable franking credits) can allow Eddie and Eva the option of travelling the world or help them pay for their grandchildren’s annual education costs. At the same time, the extra income may just sit in the SMSF, increasing their minimum pension amount within the next tax year. This helps to meet Eddie and Eva’s objective of not drawing down too heavily on capital.

At maturity of the Instalment Warrants, Eddie and Eva can:

- roll over the Instalment Warrant into a new offering as per the original strategy; or
- sell the Instalment Warrant on the Australian Stock Exchange; or
- repay the loan associated with the warrants and obtain full ownership of the underlying share.

**Strategy benefits**

The Young at Heart strategy delivered Eddie and Eva the following benefits:

- excess tax efficient income to fund their lifestyle objectives
- little to no depletion of capital to fund lifestyle
- diversification benefits
- provided a vehicle to invest within the concessional tax environment of Self Managed Superannuation Fund
- control of investment decisions.
Risks of borrowing to invest

With any investment strategy, it is important to understand what the potential risks are, and what steps you can take to manage them to an acceptable level, before you put the strategy into place.

Like any investment, geared investments are subject to risk. There are additional risks associated with geared investments, primarily because they use borrowing to try and increase investment returns. Some of the common risks are outlined below together with suggestions for managing them.

Fall in income stream from investment

This can be due to a number of factors, for example, failure to find a tenant for a residential investment property, or poor performance by a company leading to lower than expected dividend payments.

The impact of a reduced income stream from an investment is greatest when the investor is using that income to pay interest costs on the loan associated with the investment.

Ways of managing this risk include:

- being prudent about the level of gearing you undertake, given your level of regular income
- ensuring you hold investments in your overall portfolio which are relatively liquid - it is important to try to avoid being put in a position to sell your geared investment at short notice, when it may not be an optimal time
- ensuring your portfolio is well diversified to minimise the impact on your overall return.

Rise in interest rates

A rise in interest rates may impact your ability to repay your loan or to make interest payments. The way you structure your gearing can help:

- being in a position to meet some of your interest costs from your regular source of income, rather than depending on the return on your investment to cover interest costs
- having at least some of your borrowings at a fixed interest rate
- being prudent about the amount you borrow so that, for example, as your interest payments increase, a need for short-term cash does not force you to sell investments.

Fall in the sharemarket

The most direct impact of a fall in the share market is on lending secured by shares (either directly or through a margin lending facility), which is generally through a margin lending facility. The risk particular to margin loans is that of a ‘margin call’. Margin calls occur when the value of the shares you have provided falls below the minimum required to secure the loan. It is a request by the lender for you to restore your required equity position, either by contributing additional shares as security or reducing your loan balance.

You can reduce the risk of receiving a margin call by:

- borrowing less than the security value of your portfolio allows
- making regular deposits into your account to cover interest charges
- using income from your securities to reduce your loan balance
- investing in shares or managed investments that appear relatively unlikely to fall in value.

If you don’t want to take the risk of losing any of your capital, or to have to deal with the possibility of margin calls, but want to be able to participate in any upside in the sharemarket, consider a protected equity loan. These are loans, which are fully secured by the shares the funds are invested in (generally a limited range of quality shares). Because they protect you from a fall in share value, they are usually offered at a higher interest rate than other types of secured lending.

Loss of your primary source of income

Income Protection Insurance provides you and your family with an income stream in the event of you becoming unable to work for an extended period due to illness or injury. To find out more about Income Protection, and what you need to consider in light of your own personal circumstances, please speak to a Financial Adviser.
Next Steps
Start with your long-term wealth creation and income objectives in mind – remember gearing should complement your other investment activities. If you can answer the following five questions positively, gearing may be an appropriate strategy for you:

1. Are you looking to increase your wealth sooner rather than later? ✓
2. Do you have a moderately aggressive or aggressive appetite for risk? ✓
3. Do you have a stable source of regular excess income? ✓
4. Are you looking for a long-term investment (minimum of five years)? ✓
5. Can you tolerate fluctuations in the value of your investments? ✓

If you decide that gearing could be an appropriate investment strategy to help you achieve your long-term financial goals, we recommend that you talk to your Financial Adviser.

ANZ Gearing Facilities
ANZ Accelerated Answers provides a range of gearing solutions to meet a range of investment needs:

- ANZ Margin Lending
- ANZ Regular Geared Savings Plan
- ANZ Protected Equity Investments
- ANZ Instalment Warrants
- ANZ Equity Manager (a home equity facility)

To find out about these gearing solutions contact the ANZ Accelerated Answers Team on FREECALL™ 1800 639 330.

How to apply
Copies of the relevant product documents and Offer Circulars are available by calling the ANZ Accelerated Answers Team on FREECALL™ 1800 639 330, or you can download these by visiting www.anz.com/go/anzacceleratedanswers.

ANZ recommends that you obtain independent professional taxation, legal and financial advice before applying for ANZ Margin Lending, ANZ Regular Geared Savings Plan, ANZ Instalment Warrants or ANZ Protected Equity Investments.

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