Perpetual Investments

FUNDING EDUCATION EXPENSES WITH WEALTHFOCUS INVESTMENT ADVANTAGE

REGULAR SAVINGS PLAN – A KEY TO LONG-TERM WEALTH CREATION

Basic investment principles play a pivotal role for investors over the long-term and serve to reduce risk and improve returns. Two basic principles that investors can benefit from are dollar cost averaging and the implementation of a regular savings plan. Both benefit investors by reducing the risk associated with investing a large amount of money in a single investment at the wrong time.

Dollar cost averaging involves investing a set amount of money on a regular basis. This allows investors to smooth the average price, at which they purchase investments with the possibility of achieving an average price lower than the average market price. The following table provides an example if the investor invested $50,000 in year 1 their value in year 5 would be $50,000. However, by investing $10,000 per year they have achieved a balance of $54,722 as a consequence of dollar cost averaging.

CASE STUDY: FUNDING EDUCATIONAL EXPENSES THROUGH WEALTHFOCUS INVESTMENT ADVANTAGE

John and Jane have had their first child and have decided to implement a regular savings plan in order to invest a set amount of money on a regular basis over the next 13 years in order to fund their child's high school education.

They have committed to contributing $18,000 per year used to purchase units in a growth strategy with a target return of 6% per annum.

John and Jane intend on withdrawing $40,000 per annum to fund their child's high school education. Their child will start high school at age 13. The balance remaining after the child leaves school may go towards a deposit on the child's first property or a holiday for John and Jane.

John and Jane have the choice between two investment options:

- Perpetual WealthFocus Investment Advantage platform
- Conventional Investment platform.

Perpetual WealthFocus Investment Advantage offers John and Jane the following benefits, the conventional investment platform cannot provide:

- Capital gains tax (CGT) free switching
- CGT-free partial withdrawals until the cost base is reduced to zero
- Once the initial investment is held for 12 months, the CGT discount applies to all investments - Additional investments in WealthFocus Investment Advantage will not alter the acquisition date.

John and Jane see their financial adviser to see how these benefits may influence their investment outcome.

TABLE 1: DOLLAR COST AVERAGING

	AMOUNT INVESTED	PRICE	UNITS	TOTAL UNITS	VALUE
Year 1	$10,000	$1.00	10,000	10,000	$10,000
Year 2	$10,000	$0.90	11,111	21,111	$19,000
Year 3	$10,000	$0.80	12,500	33,611	$26,889
Year 4	$10,000	$0.90	11,111	44,722	$40,250
Year 5	$10,000	$1.00	10,000	54,722	$54,722

A regular savings plan is a disciplined method of investing and an excellent way to implement dollar cost averaging. With a regular savings plan, a set amount of money is automatically debited from your bank account on a regular basis. This enables you to benefit from dollar cost averaging by investing small amounts at regular intervals to smooth the effects of market volatility on the cost base of your investment.

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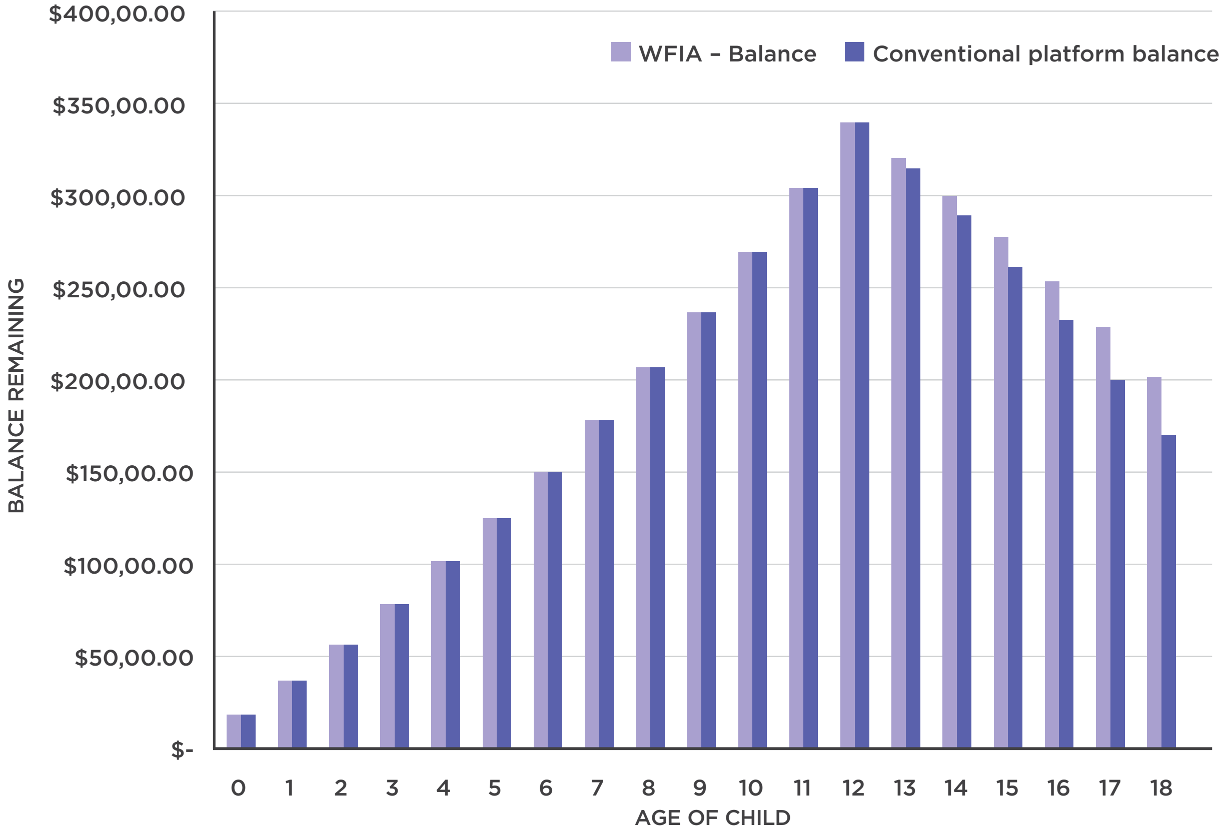
FUNDING EDUCATIONAL EXPENSES – WEALTHFOCUS INVESTMENT ADVANTAGE VERSUS CONVENTIONAL INVESTMENT PLATFORM



WEALTHFOCUS INVESTMENT ADVANTAGE	CONVENTIONAL INVESTMENT PLATFORM
When Jim and Jane redeem each year there is no tax due as partial redemptions do not trigger CGT until the cost base is reduced to zero.	When Jim and Jane redeem each year they trigger CGT, and the tax paid reduces their capital balance
Jim and Jane do not trigger CGT until year 18, when their cost base is reduced to zero.	Jim and Jane pay CGT every year upon withdrawal
After funding their child's education, the remaining balance is $201,716.38	After funding their child's education the remaining balance is $168,923.79
Whilst both options provide the necessary funds for education expenses, Jim and Jane are $32,792.58 better off by investing in WealthFocus Investment Advantage based on the remaining pre-tax balance.	

ASSUMPTIONS

- The investment portfolios generate a pre-tax return of 6% p.a. after fees.
- CGT realised as a consequence of a partial redemption are paid out of the capital of the investment at the time of the redemption.
- Jim and Jane's marginal tax rate is 46.5% and remain Australian residents over the investing period.
- Distributions are reinvested.
- There are no changes to the relevant tax legislation.

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MORE INFORMATION
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