

# Foresters Financial Investment Bond

PRODUCT DISCLOSURE STATEMENT  
DATED 1 JULY 2022

ABN 27 087 648 842  
AFSL 241421



**Foresters  
Financial**

INVESTED SINCE 1849

## About this Document

This Product Disclosure Statement (PDS) contains details about the Foresters Financial Investment Bond (**'Investment Bond'**) and is issued by Foresters Financial Limited (**Foresters Financial**) under the Foresters Financial Constitution and the Fund Rules. Investors in our Investment Bond will become members of Foresters Financial under the Rules of the Flexible Insurance Funds (the **'Fund'**). The rules of the Fund cover the Savings & Investment Ethical Fund (**'Sustainable'**), the Savings & Investment Balanced Fund (**'Balanced'**), the Savings & Investment Growth Fund (**'Growth'**) and the Savings & Investment High Growth Fund (**'High Growth'**), each a separate benefit fund (**and also referred to in the PDS as Investment Options**) and collectively referred to as the Fund. Our Investment Bond will comprise an interest in one or more of the benefit funds.

In this PDS, the terms 'we', 'us' and 'our' refer to Foresters Financial. All times and dates mentioned are business days in Melbourne.

This PDS is issued by Foresters Financial Limited; ABN 27 087 648 842, AFS Licence No. 241421. Our registered office and principal place of business is: Level 4, 417 St Kilda Rd, Melbourne VIC 3004. If you have any questions, please contact us on 1800 645 326 (free call). This PDS is dated and issued on 1 July 2022.

### About Us

Foresters Financial is an Australian member-owned investment and insurance financial services organisation with over 170 years of putting our members financial security first.

### Updated Information

The information contained in this PDS is the latest available at the date of issue. We may update information by issuing a replacement PDS or a supplementary PDS, or by such other means allowable under the *Corporations Act 2001* (Cth). Updated information regarding this PDS can be obtained from the Foresters Financial website or by calling our Member Services Team on 1800 645 326 (free call). Upon request we will send you a copy of the updated information.

An electronic copy of this PDS, including the Application Form, can be downloaded from [www.forestersfinancial.com.au](http://www.forestersfinancial.com.au). If you have received this PDS electronically, please ensure that you have received the entire document.

If you would like a printed copy of this PDS, you can obtain one by calling the Member Services Team on 1800 645 326 (free call).

## Seeking Financial Advice

It is important that you read this PDS carefully before making an investment decision, as this document contains general advice only and does not take into account your particular financial situation, investment objectives or needs. As investors' needs and aspirations differ, you should consider whether investing in our Investment Bond is appropriate for you. To help you make an informed investment decision, we recommend you obtain independent professional advice from a licensed financial adviser and/or tax adviser before investing.

Tax information contained in this PDS is current at the date of this PDS, is general in nature and may be subject to change.

This PDS does not constitute an offer or invitation in any place outside Australia where, or to any person to whom, it would be unlawful to make such an offer or invitation. This document may only be used by investors receiving it electronically or otherwise in Australia. Applications from outside Australia will not be accepted.

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# 1. What is an Investment Bond?

An investment bond is a long-term savings plan that combines the features of a managed investment with a life insurance policy to provide you access to an uncapped\* and tax effective long-term investment.

Depending on your investment objectives and risk appetite, you can use an investment bond for a number of reasons such as:

- growing and protecting your wealth
- a tax efficient alternative to superannuation
- reducing and managing your tax
- estate planning for peace of mind
- tax benefits for a family or discretionary trust
- saving for your children's or grandchildren's education
- part of a wider portfolio of investments
- saving for a large purchase (e.g. house, car, boat, caravan)
- planning for that big overseas holiday when you retire
- giving your children/grandchildren a financial head start.

On the death of the Life Insured, the investment proceeds are tax free regardless of how long the policy has been held.

*\* Uncapped contributions in the first year and subject to the 125% Contribution Rule for subsequent years.*

## Key Features

Investment bonds comprise of three key features that investors need to be aware of when considering this type of investment:

- 10 Year Tax Rule,
- 125% Contribution Rule; and
- Investment option selection.

Below is a summary of each feature and how they may impact your investment.

*Please note the below summary is a guide only and does not take into account your personal financial situation. We recommend that you obtain independent professional advice from a licensed financial adviser and/or tax adviser before investing.*



### 10 Year Tax Rule

The 10 Year Tax Rule is a tax incentive specific to an investment bond that allows income in the Fund to be taxed at the ordinary life insurance business ('Business') tax rate (currently 30%) and paid for by the issuer. As an investor, you do not need to declare any income accrued on your investment in your tax return or keep any capital gains records whilst invested in the Fund. When you make a withdrawal from the fund after 10 years, income on your withdrawal is not assessable income and therefore does not need to be declared on your personal income tax return.

In certain circumstances any withdrawal within the first 10 years will result in some level of assessable income. The investor will need to declare the assessable income in their personal tax return in the year it is withdrawn. Further explanation of this can be found on page 8.



### 125% Contribution Rule

Your investment bond is designed to be held for 10 years to be the most tax effective. In the first year of your bond there is no limit on how much you can contribute. From the second bond year onwards your contributions cannot exceed 125% of the previous years contributions.


If you contribute more than 125% of your previous year's contributions, the start date of the 10 Year Tax Rule will be reset for tax purposes. This means that in order to withdraw your funds and have no assessable income, you will need to keep your investment for 10 years from the start of the year in which the excess contribution has been made.

Similarly, if you stop contributing for a year, the next time you make a contribution, a new 10-year period will commence from the start of the year of that contribution. Setting up a regular savings plan with ongoing contributions could help to manage this and avoid worrying about restarting your 10-year term to obtain the tax-free benefit.



### Investment option selection

Most investment bonds offer investment options that are made up of a range of asset class exposures (e.g. cash, fixed interest, shares, property, infrastructure) with risk levels ranging from low to



high. As an investor you have the flexibility to tailor your investment mix by choosing one or a mixture of options to suit your investment objectives and risk appetite. An investment bond will comprise an interest in one or many of these investment options as selected by you.

The value of the investment bond will accordingly rise or fall with the performance of the underlying market-linked investment option(s) selected.

## 2. Investment Solutions

### Estate Planning and Wealth Distribution

Our Investment Bond allows you to nominate one or more beneficiaries (provided you are at least 16 years of age) to receive the investment proceeds from your bond in the unfortunate event of your death. The proceeds will be paid directly to your beneficiaries, tax-free, and not through your estate. This offers peace of mind by avoiding complications, such as not having a will, waiting for grant of probate and an estate dispute.

You can change or cancel your nomination at any time. Where a nominated beneficiary passes away before the Life Insured, the investment proceeds will be allocated to the remaining beneficiaries in the same weighted proportions. Where only one beneficiary has been nominated, if they predecease the Life Insured, the investment proceeds will pass to your estate.

### Transfer of Ownership

As another way to distribute wealth, you can transfer ownership of your bond to any person. Upon transferring ownership of your bond, the new policy owner retains the 10 Year Tax Rule start date and will have full legal control of the bond. The Life Insured of the bond remains unchanged.

### Foundation Plus

Our Foundation Plus policy allows an investor to establish a policy for a child under 16 years of age without any tax consequences for the child, allowing the investor to establish a long-term investment for

the child or grandchild. Foundation Plus can also be used to transfer wealth to a child or grandchild when they reach a certain age, providing the foundation for a secure financial future.

As the policy owner, the investor nominates a child as the life insured and chooses a vesting age at which time the ownership of the policy will transfer to the child. The vesting age can be between 10 and 25 years of age. If you do not nominate a vesting age, then it will automatically be 25 years of age.

As the investor, you will maintain full control of the policy, which will allow you to change the vesting age but not the child listed as the life insured. The investor is still able to make contributions, withdrawals and switch between investment options until the child reaches the vesting age. An investor for the Foundation Plus policy must be an adult.

If the vesting age is between 10 and under 16 years of age, when the child becomes the policy owner they are unable to switch between investment options or transfer ownership of the policy until they reach 16 years of age. A parent or guardian's consent will be required to transact on the policy. Once the child reaches 16 years of age and the policy has vested, the child, as the policy owner, will have full control of the policy.

Should the investor pass away before the vesting age, then control of the policy will be assigned to the investor's legal or estate representative to be held in trust until the child reaches the vesting age. An investor can also nominate a beneficiary(s) to receive the proceeds of the policy if a child, as the life insured, passes away before reaching the vesting age. If no beneficiary(s) is nominated, then the proceeds of the policy will be paid to the investor, tax-free.

### Tax Effective Income Stream

After holding your bond for at least 10 years, you can setup regular withdrawals to receive a regular tax-free income stream. Setting up an income stream can be done at any age, unlike superannuation, and on a frequency of your choice for example monthly, quarterly, six-monthly or annually. The minimum withdrawal amount is the equivalent of \$100 per month for each investment option, maintaining a minimum balance of \$500 in each investment option.

You can also set up regular withdrawals before reaching 10 years, but if withdrawals are made without meeting the 125% Contribution Rule over 10 years, then there will be tax implications.

## Responsible Investing

Foresters Financial believes investment decisions that consider responsible investment criteria, such as environmental, social and governance (ESG) factors, will lead to better outcomes by generating sustainable, long-term returns. Through our responsible investment decisions, Foresters Financial believes that we can play a role in influencing change towards a more sustainable future. By investing in companies with a strong ESG profile we are supporting sustainable organisations that are more likely to enhance the return profile of our portfolios.

ESG factors including labour standards, are considered by our investment managers as part of their investment selection process. Foresters' Responsible Investment Policy sets out our framework for the selection of sustainable investments with reference to ethical screening and ESG factors. Ongoing compliance oversight reporting is periodically provided to Foresters to allow us to measure the sustainable performance of our investment portfolios.

External fund managers have their own policies outlining the extent to which labour standards and ESG considerations are taken into account when making their investment decisions.

ESG factors considered when investing include a broad set of issues including but not limited to:



### Environmental

- Climate Change
- Natural Capital
- Pollution & Waste
- Environmental Opportunities



### Social

- Human Capital
- Product Liability
- Stakeholder Opposition
- Social Opportunities



### Governance

- Corporate Governance
- Corporate Behaviour

Our investment manager uses responsible investment principles such as proxy voting to positively influence company behaviour, and negative screening to exclude direct investments in certain sectors, companies or practices based on ethical standards.

Foresters Financial will consider impact investments as part of the portfolio of investments with the intention of creating positive, measurable social and environmental impact as well as a comparable financial return for that asset class.

You should read the important information about Responsible Investing before making a decision. Go to our website to view our Responsible Investing Policy. The material relating to Responsible Investing may change between the time when you read this PDS and the day when you acquire the product.

A portion of the management fee received is donated to the Foresters Financial Community Grants Account, which is specifically used to grant money to organisations that will create lasting positive social change.

## 3. Who can Invest?

Our Investment Bond can be taken out by an individual, in joint names or a child aged between 10 and under 16 years old (with parental or guardian permission).

### Policy Owner

The legal owner(s) of the bond are the:

- Investor;
- Joint Investors – the ownership of the bond transfers to the surviving Investor on the death of the first Joint Investor; or
- child aged between 10 and under 16 years old.

### Investor or Joint Investors

An individual aged 16 years or over as an Investor, or two individuals as Joint Investors can take out an investment bond.

An Investor or Joint Investors can select a Life Insured, otherwise the Investor or Joint Investors will default as the Life Insured(s). If the Investor or Joint Investors are also the Life Insured(s), then the Investor or Joint Investors can also nominate a beneficiary(s).

In the case of Joint Investors, upon the death of the first Joint Investor, the bond transfers to the surviving Joint Investor and they become entitled to the full investment proceeds. The bond matures on the death of the last surviving Joint Investor, or in the case of a different Life Insured, upon the death of the Life Insured.

## Child

A child aged between 10 and under 16 years old is able to take out a bond in their name with parental or guardian consent. A child who is a policy owner is not allowed to make investment decisions, even with parental or guardian consent, which includes switching, nominations or transfer of ownership.

## Other Defined Roles

### Life Insured

A Life Insured is the person named on the bond whose life is insured. An Investor or Joint Investors can nominate a Life Insured, which can be a different person to the Investor or Joint Investors. If a Life Insured is not nominated, then the Investor or Joint Investors will be the Life Insured(s).

Upon the death of the Life Insured, the bond will mature and the investment proceeds will be distributed to either the nominated beneficiary(s), or if no beneficiary(s) has been nominated, then to the policy owner or their estate (if they are also the Life Insured). Investment proceeds are not considered assessable income upon the death of the Life Insured regardless of how long the bond has been held.

Joint policy owners may only effect a nomination where they are both named as a Life Insured on their bond.

The Life Insured person(s) does not have to be a relative or dependant and cannot be changed once they have been nominated, although you can add another Life Insured to the bond.

Under our Foundation Plus policy, a Nominated Child is the life insured of that policy to whom the policy ownership will transfer upon reaching the vesting age.

### Nominated Beneficiary

A nominated beneficiary(s) on the bond will receive the investment proceeds upon the death of the Life Insured in the proportions nominated by the policy owner. More than one beneficiary may be nominated on a bond. In the case where there is more than one beneficiary, the policy owner may specify the

portion of the investment proceeds they will receive. If no portion is nominated, then the proceeds will be distributed evenly between the beneficiaries.

You can nominate one or more beneficiaries who will automatically receive the tax-free proceeds of the investment on bond maturity and a beneficiary can be nominated or changed at any time.

If no beneficiary is nominated or a nominated beneficiary predeceases the Life Insured, then the investment proceeds will be distributed to the policy owner or their estate, following the death of the Life Insured.

If the policy owner and the Life Insured are different persons, you cannot nominate a beneficiary(s). Only when the policy owner and the Life Insured are the same can you nominate a beneficiary(s).

A beneficiary can be a person or charitable organisation.

A child who is under 16 years of age cannot nominate a beneficiary.

### Transfer of ownership

You may transfer your bond to any individual (this includes a child aged between 10 and under 16 years old, with the signed consent of their parent or guardian). By transferring ownership, you will be passing on all ownership rights to the transferee, including the benefit of the 10 Year Tax Rule. Transferring ownership does not result in a tax event as long as there was no payment made for the transfer.

Once your transfer is registered by Foresters Financial, you no longer have any control over the bond or entitlement to its proceeds, however you will remain a member of Foresters Financial.

Please note that the Life Insured does not change when you transfer your bond to a new owner and transferring a bond may have pension implications, so it is recommended that independent professional advice be obtained before making a decision to transfer your bond.

## 4. Investment Options

Investing in our Investment Bond gives you the flexibility to choose a range of investment options that provide different investment mixes to suit your investment needs. By investing in one or more of the four (4) investment options, you become a member of the underlying fund for each investment option.

Our four investment options are managed by our investment manager(s). You can invest in one, all, or a combination of the four investment options, with a range of risk profiles to suit your risk tolerance and investment needs. The four investment options are:

1. **Sustainable Option;**
2. **Balanced Option;**
3. **Growth Option; and**
4. **High Growth Option**

You can switch between these investment options at any time subject to the minimum transaction amount and maintaining a minimum balance in each option. Switching allows you to tailor your Investment Bond by moving invested amounts between the four investment options.

## Investment Objective

All monies invested into the Investment Bond are held in the Fund whose objective is to provide investors with competitive returns by investing in Authorised Investments as stipulated by the Benefit Fund Rules and in accordance with the Investment Strategy for each Fund.

The approved investment ranges are monitored in accordance with the Benefit Fund Rules and Foresters Financials' Responsible Investment Policy, which are managed by our Investment Manager(s).

You should consider all investment risks and your risk tolerance before investing. We recommend that you speak with a financial adviser if you are uncertain how each option relates to your risk level and individual circumstances.

## Asset Allocation Ranges per Investment Option

The four investment options provide a range of investments and related investment risks which allow you to select an option to match your risk tolerance. The default investment option is the Balanced Option which will be automatically selected should you not indicate an investment option preference when applying. It is important to remember that each option has a minimum investment amount of \$500.

## Current Investment Information

You can obtain up-to-date investment information, including the asset allocation and unit prices for the four options by visiting [www.forestersfinancial.com.au](http://www.forestersfinancial.com.au) or by calling us on **1800 645 326** (free call).

**Please note:** Past performance cannot be taken as a guide to future returns. Future unit prices for the Sustainable, Balanced, Growth and High Growth options are not guaranteed and may be subject to fluctuations.

Investment Options	Sustainable	Balanced	Growth	High Growth
Risk Profile	Medium	Medium	High	High
Investment Strategy	To invest in a range of defensive and growth assets, in entities that have high Environmental, Social and Governance (ESG) rating.	To invest in a range of defensive and growth assets.	To invest in a range of defensive and growth assets.	To invest primarily in growth assets.
Investment Objective	Aim to return CPI +2% over the long-term.	Aim to return CPI +2% over the long-term.	Aim to return CPI +3% over the long-term.	Aim to return CPI +4% over the long-term.

Investment Options	Sustainable		Balanced		Growth		High Growth	
	Strategic Asset Allocation	Target Range	Strategic Asset Allocation	Target Range	Strategic Asset Allocation	Target Range	Strategic Asset Allocation	Target Range

#### Type of Investment or Category

<b>Defensive Assets</b>								
Cash	3%	0-60%	3%	0-60%	3%	0-40%	3%	0-20%
Fixed Interest	51%	20-60%	51%	20-60%	36%	10-40%	12%	0-20%
<b>Total Defensive Assets</b>	<b>54%</b>		<b>54%</b>		<b>39%</b>		<b>15%</b>	
<b>Growth Assets</b>								
Equity	35%	20-50%	35%	20-50%	46%	30-70%	68%	50-90%
Property	4%	0-20%	4%	0-20%	6%	0-30%	7%	0-30%
Alternatives	7%	0-10%	7%	0-10%	9%	0-15%	10%	0-20%
<b>Total Growth Assets</b>	<b>46%</b>		<b>46%</b>		<b>61%</b>		<b>85%</b>	
<b>Total Asset Allocation</b>	<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>	



# 5. Tax Considerations

## Withdrawals

Investment proceeds received as a result of death, disability or illness of the nominated Life Insured, or unforeseen serious financial difficulties experienced by the investor, are not assessable to the recipient regardless of how long they have been invested.

### Withdrawals after 10 years

As a tax paid investment, Foresters Financial pays tax on your investment at the Business tax rate (currently 30%) so you can invest and build wealth in a tax effective manner, without increasing or adding to your personal income tax liability.

This means you will not need to pay personal income tax or capital gains tax on your earnings or withdrawals if you keep the Investment Bond for at least 10 years and the 125% Contribution Rule is met. You do not need to record investment earnings in your personal income tax return whilst you are invested in the fund.

After the Investment Bond is held for 10 years, there is no tax payable on past or future investment earnings or on withdrawals from the Fund.

### Withdrawals before 10 years

If you make a withdrawal (partial or full) within the first 10 years of your bond, you will need to include the income portion of your withdrawal as assessable income for that year. The box below explains how the assessable income is determined. You will also receive a tax offset calculated on your assessable amount (currently at 30%). The portion of tax payable on your assessable income related to your withdrawal will therefore be the difference between your personal marginal tax rate and the tax offset rate (30%).

Your annual statement will detail any withdrawals made throughout the financial year and amounts that are classified as income that you may need to report. If any withdrawals are made, the Investment Bond owner's personal assessable income is subject to the following:

#### Within 8 years

You will pay tax on 100% of your investment earnings at your personal marginal tax rate less a tax offset amount of 30%<sup>2</sup>

#### In Year 9

You will pay tax on 2/3's of your investment earnings at your personal marginal tax rate less a tax offset amount of 30%<sup>2</sup>

#### In Year 10

You will pay tax on 1/3 of your investment earnings at your personal marginal tax rate less a tax offset amount of 30%<sup>2</sup>

#### After Year 10

No personal income tax is applicable

<sup>2</sup> If your income tax rate is less than the Fund's income tax offset this will provide a tax credit which may be applied against income tax payable on other assessable income in that year. We recommend seeking professional advice regarding your individual circumstances and whether the investment option(s) are appropriate for you.

## Tax Benefits

### Children

For our Foundation Plus policy, when the policy transfers to the child upon reaching the vesting age, no capital gains tax is payable on the transfer of the policy. In addition, the start date of the 10 Year Tax Rule is retained.

If a child under the age of 18 years owns a bond, they may be subject to the higher income tax rate (currently up to 66% only payable if a withdrawal is made within the 10 year period). As Foresters Financial pays tax at the Business tax rate (currently 30%), the child does not need to declare the income from their bond on their personal tax return.

### Goods & Services Tax (GST)

The GST will not apply to investments made in, or benefits paid by, the Fund or to any investment fees charged to the policy owner by Foresters Financial. GST paid to external investment managers may be passed on through unit prices.

### Capital Gains Tax (CGT)

No CGT is incurred for switching investment options, transferring, rebalancing your investment or upon withdrawal after 10 years if the 125% Contribution Rule is met. Withdrawals prior to 10 years are not subject to CGT.

## Tax File Number (TFN)

Your investment is not subject to TFN quotation rules. You may be required to supply an Australian Business Number (ABN) if required under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006 (AML/CTF Act)*.

## United States of America (US) Foreign Account Tax Compliance Act (FATCA) and The Common Reporting Standard (CRS)

FATCA is a US law that aims to minimise US income tax avoidance by US persons investing in assets outside the US, including through their investments in Foreign Financial Institutions, which came into effect on 1 July 2014. FATCA requires reporting of US persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service (IRS). The Australian Government has entered into an Inter-Governmental Agreement (IGA) with the Government of the United States of America for reciprocal exchange of taxpayer information. Under the IGA, Financial Institutions operating in Australia report information to the Australian Taxation Office (ATO) rather than the IRS. The ATO may then pass the information on to the IRS.

The Common Reporting Standard (CRS) is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents, which came into effect on 1 July 2017. CRS was developed by the OECD (Organisation for Economic Cooperation and Development) and over 100 countries have agreed to share information on tax residents. Like FATCA, banks and other financial institutions will collect and report to the Australian Tax Office (ATO) financial account information on non-residents. The ATO will then exchange this information with the participating foreign tax authorities of those non-residents. In return, the ATO will receive financial account information on Australian residents from other countries' tax authorities. This will help ensure that Australian residents with financial accounts in other countries are complying with Australian tax law and act as a deterrent to tax evasion.

Foresters Financial is a Foreign Financial Institution under the IGA and complies with its FATCA and CRS obligations, as determined by Australian law implemented for the purposes of compliance with the IGA. These laws apply to all financial institutions offering bank or deposit accounts, investment funds,

custodial accounts and certain insurance accounts in Australia. In order to comply with these obligations, Foresters Financial collects information about you as necessary to verify your FATCA and CRS status. Foresters Financial is required to provide information about the following Investors to the ATO:

- Investors identified as US citizens or tax residents (information about corporations and trusts with US substantial owners or controlling persons will also be reported); and
- Investors identified as foreign tax residents as per reportable jurisdictions; and
- Investors who do not confirm their FATCA and CRS status.

Any relevant Tax Identification Numbers (TIN) are required to be disclosed in the application form.

## Pension

Your investment in the Investment Bond is treated as a financial asset for the purposes of the Services Australia asset test calculations and deeming under the income test.

***The taxation information contained in this PDS reflects a general understanding of existing and proposed tax rules which are relevant to your bond. As with any individual investment decision, we recommend investors obtain independent professional financial and/or tax advice prior to investing in the Investment Bond.***

# 6. Investment Risks

It is important to understand that all investments have some level of risk. Before choosing an investment option, you must consider their suitability against your personal risk tolerances and investment needs. You should take into account the level of risk that you are willing to take in exchange for the investment return you would like to achieve; the greater the risk, generally the greater the investment return.

***Seeking independent professional financial advice will assist you to formulate a strategy to manage the risks of your investment.***

## Specific Risks

Specific risks relating to your investment will depend on the underlying assets and volatility of those assets in each Fund of the investment options. Investment performance is not guaranteed.

Specific risks that relate to investing include:

**Market risk** is the possibility that investment option earnings and market value may suffer due to factors that impact the overall performance of financial markets in which they are invested. This can include material changes to interest rates, recessions, natural disasters, pandemics and political turmoil.

**Credit risk** is the risk that a counterparty will fail to perform its contractual obligations resulting in an investment loss.

**Liquidity** is the risk that the Fund may experience difficulty in meeting its commitments associated with the payment of redemptions and fund expenses.

**Inflation risk** is the risk that inflation will undermine investment returns through the possibility that the cash flows from an investment won't be worth as much in the future due to a decline in purchasing power.

## Specific Asset Risks

**Security specific risk** is the possibility that Fund earnings may suffer due to factors that impact the performance of an individual company, industry or sector in which they are invested. This can include poor business performance, competition or industry regulatory changes, including changes to the taxation treatment of the Fund.

**Cash** assets whilst usually stable, have a risk of low-returns relative to the Reserve Bank of Australia (RBA) cash rate.

**Fixed Interest assets** have credit risk in that the issuer of the asset may default in the repayment of principal or interest or both. Any change in interest rates may also impact the value of the asset.

**Equities** have risks that may affect the share price, which include economic conditions, poor management, adverse economic conditions, adverse market sentiment, and currency risk.

**Property** has risks that may adversely affect its value, which include adverse economic conditions, poor asset management, high vacancy rates, and tenant defaults.

**Alternatives** have liquidity risks due to their nature of not being easily tradable, as well as failure of projects that may result in loss of investment.

Whilst it is not possible to eliminate all investment risks, we seek to minimise and manage investment risk through the appointment of an experienced investment manager(s) whose investment mandate is to invest and manage the portfolio on behalf of Foresters Financial only in authorised investments and in accordance with an approved investment policy.

Foresters Financial's Investment Committee meets regularly to oversee the investment portfolio and its performance.

## Other Risks

**Taxation risk** is the risk that changes to tax laws may affect the tax treatment of your investment or the Fund's taxation obligations.

**Regulatory risk** is the risk that changes to legislation or regulations may materially impact either Foresters Financial and/or the Fund.

# 7. Things You Need to Know

## Your Investment

### Your Application

Upon receipt of a valid application for an initial investment, your money will be held in trust until it is invested using the unit price at the close of business of the valuation date.

As part of your application process you will need to supply identification documents. Please see further information about our Anti-Money Laundering and Counter Terrorism Financing obligations on page 14.

Foresters Financial may, at its discretion, reject or defer any application for initial investment. If we reject or defer any application for initial investment, we will notify you in writing and refund your investment amount.

### Low Initial Investment

We want our Investment Bond to be accessible to all, which is why we have a low minimum investment amount of \$500 along with any subsequent contributions of only \$60 per month. There is also no maximum limit to the initial investment amount.

By keeping the entry amount low, we are making it easier for people to access the benefits of the

Investment Bond. Instructions on how to apply can be found in the application form. After your initial investment, you can make additional contributions, with contributions in your second bond year and beyond subject to the 125% Contribution Rule.

## Savings Plans

### Regular Savings

Additional investments can be made at any time to your investment. A regular savings plan is a convenient way to top-up your investment.

A regular savings plan allows you to make regular contributions via direct debit on a fortnightly, monthly, quarterly, half-yearly or annual basis to continue to grow your investment year on year within your means.

The minimum regular savings plan contribution is the equivalent of \$60 a month (subject to the 125% Contribution Rule). Funds will be automatically debited from your nominated account at the frequency you choose.

Unlike superannuation contribution caps, our Investment Bond has no limit on how much you can invest in the first year, or in subsequent years provided you follow the 125% Contribution Rule.

### 125% Savings Plan

When applying to invest in the Investment Bond, you can elect to participate in the 125% Savings Plan which establishes an automatic savings plan where your regular contributions will increase automatically by 25% on the anniversary of each bond year to maximise your contributions and the tax effectiveness of your investment. You will be able to stop the 125% Savings Plan at any time by notifying Foresters Financial in writing.

## Switching

You can transfer your investment between any of the Fund's four (4) investment options at any time by completing a switching form. A minimum switch of \$500 per investment option applies and you may incur investing transaction costs each time you switch options. When switching between investment options, you must continue to maintain a minimum balance of \$500 in the existing investment option if you wish to retain an investment in that option.

The unit price that applies at the time your switching application is processed is discussed further on page 12.

If you wish to switch between your investment options, please complete a switching form available at [www.forestersfinancial.com.au](http://www.forestersfinancial.com.au) and send it to:

**Foresters Financial**  
Reply Paid 92096  
Melbourne VIC 3004

or via email:

[service@forestersfinancial.com.au](mailto:service@forestersfinancial.com.au)

## Default Investment Option

If you do not select an investment option(s) when submitting your application, you will be invested in the default investment – the Balanced Option.

## Contribution Methods

You can make contributions to your bond using either a lump sum, regular payments or a combination of the two. Lump sum payments can be made via BPAY, EFT, Direct Debit or cheque with a minimum of \$500. Regular payments can be setup under our regular savings plan.

## Withdrawals

### One-off Withdrawals

You can withdraw part or all of your investment whenever you choose by sending a completed withdrawal form, available on our website, to Foresters Financial.

For a partial or full withdrawal, the benefit is calculated by multiplying the number of units held by the current unit price.

Unit prices are usually calculated daily.

Your withdrawal request will be processed using the unit price as at the close of business on the day your request is received. Unit prices are calculated at the close of business of the last Victorian business day of the week (the valuation date). A withdrawal request received after the cut off time will be processed utilising the next available unit price. Withdrawals may take up to seven (7) business days to finalise.

In accordance with our Unit Pricing & Discretions Policy, Foresters Financial may suspend unit pricing or switching between investments for up to 14 days in circumstances where the operation of financial markets is disrupted or due to other considerations outside of our control. This may affect or delay the processing of your withdrawal request.

### Regular Withdrawals

You can setup a regular withdrawal from your bond to occur at a frequency selected by the policy owner. The minimum withdrawal amount is the equivalent of \$100 per month (e.g. if you wish to have a regular quarterly withdrawal the minimum withdrawal is \$300). If you satisfy the 125% Contribution Rule, after 10 years your regular withdrawals will be tax-free.

You can setup a regular withdrawal by sending a completed withdrawal form, available on our website, to Foresters Financial.

## Access to your Money

The Investment Bond offers flexibility to allow you to withdraw your money however you choose.

- After 10 years, you can set up regular tax-free withdrawals to provide an ongoing income stream (subject to maintaining a minimum balance of \$500);
- You can also set up regular withdrawals at anytime - if made within the first 10 years there will be tax implications; or
- You can withdraw your bond balance in full or partially withdraw (subject to maintaining a minimum balance of \$500) at any time.

NOTE: There are tax implications for withdrawals made within the first 10 years (please refer to page 8).

If you wish to withdraw your money at any time, please complete a withdrawal form available at [www.forestersfinancial.com.au](http://www.forestersfinancial.com.au) and send it to:

**Foresters Financial**  
Reply Paid 92096  
Melbourne VIC 3004

or via email:

[service@forestersfinancial.com.au](mailto:service@forestersfinancial.com.au)

## Cooling off Period

You are entitled to request in writing the cancellation of the Investment Bond within thirty (30) days of receipt of confirmation of your bond.

If you change your mind for any reason, simply provide written notice of your intention to cancel your Investment Bond investment and return your Certificate of Membership within thirty (30) days from the date of issue or such other period permitted by relevant legislation. Foresters Financial will then refund all money contributed (subject to any applicable local State or Territory laws) less any fees, taxes and applicable stamp duty, after adjustment for any market movements of your investment options. The cooling off period does not apply to contributions, switching, savings plans, or after exercising rights or for wholesale, sophisticated or professional investors.

## Term

When applying to invest in the Fund, you may nominate the investment term for your bond. The minimum term is ten (10) years to a maximum of forty (40) years. Your default investment term is forty (40) years unless specified. Upon reaching the nominated term, your bond will mature and become payable. We will write to you before you reach your investment term and seek your instruction to either pay out your investment proceeds or extend the investment term for a further 12 months. If no instruction is received, your investment term will automatically be extended for a further 12 months.

## Unit Pricing

Foresters Financial calculates unit prices in accordance with the valuation and unit pricing methodology prescribed in our approved Unit Pricing & Discretions Policy.

A unit price is calculated by dividing each Fund's net asset value by the number of units on issue in that fund.

Unit prices are calculated daily. Transaction requests received on a public holiday will be processed utilising the next available price.

Unit prices are calculated at the close of business. Any applicable transaction costs, known as buy/sell spreads, will be added to buy prices and deducted from withdrawal prices.

Foresters Financial reserves the right to exercise discretions under its Unit Pricing & Discretions Policy. Discretions will be exercised equitably wherever possible. A copy of the Unit Pricing & Discretions Policy can be obtained by calling Foresters Financial.

## Processing your Application

Your application will be processed using the unit price calculated as at the close of business on the day your application is received. An application request received after the cut off time will be processed utilising the next available unit price. Upon approval of your application and receipt of cleared funds, your application will be processed within three business days.

Cleared funds for a contribution transaction must be received by the 5pm cut-off time, otherwise your application will be processed with the next available unit price.

In accordance with our Unit Pricing & Discretions Policy, Foresters Financial may suspend unit pricing or switching between investments in circumstances where the operation of financial markets are disrupted or due to other considerations outside of our control. This may affect or delay the processing of your application request and the applicable unit price.

## Current Unit Prices

To obtain current unit prices simply go to [www.forestersfinancial.com.au](http://www.forestersfinancial.com.au) or call us on 1800 645 326.

## Fees and Costs

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneySMART.gov.au](http://www.moneySMART.gov.au)) has a managed funds fee calculator to help you check out different fee options.

The table below shows fees and other costs that you may be charged. These fees and other costs may be deducted from your account balance, the returns on your investment or the Fund's assets as a whole. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
<b>Transaction Costs</b>		
<b>Establishment Fee</b> The fee to set up your initial investment	Nil	Not applicable
<b>Contribution Fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Commission</b>	Nil	Not applicable
<b>Exit Fee</b> The fee when the total investment is payable	Nil	Not applicable
<b>Switching Fee</b> The fee for changing investment options	Nil	Not applicable
<b>Buy/Sell Fee</b> The transaction costs for buying or selling underlying assets in relation to investment options	Nil	Not applicable
<b>Management Costs</b>		
<b>Foresters Financial Management Fee</b> To cover the cost of administering the Fund. The Management Fee may vary from time to time in accordance with the Rules of the Benefit Fund.	0.60%	Accrued daily in the unit price and paid monthly.
<b>Investment Management Fee</b> To cover the cost of external investment management.	0.055% to 0.385%	Accrued daily in the unit price and paid quarterly: <ul style="list-style-type: none"> <li>• Cash/Term Deposits 0.055%</li> <li>• Credit &amp; Government Bonds 0.165%</li> <li>• Australian Shares 0.385%</li> <li>• International Equities 0.385%</li> <li>• Alternative Assets 0.385%</li> </ul>
<b>Total Management Cost</b>	0.985%	Total estimated management costs per annum.

## Example for illustration purposes

The following table is an example of annual fees and costs for a \$10,000 investment in the Growth investment option together with an additional contribution after six (6) months of a further \$5,000. This is for illustrative purposes only. The fees payable in the other investment options in the Fund are no higher than those shown in this example.

Fee	%	Amount	Description
<b>Contribution Fee</b> The fee on each amount contributed to your investment.	Nil	\$0	For any amounts you contribute you will be charged \$0.
<b>Foresters Financial Management Fee</b> The fee for administering the Fund.	0.60%	\$60 <i>(\$10,000 x 0.60%)</i>	For every \$10,000 you have in the Growth investment option you will be charged \$60.
		\$15 <i>(\$5,000 x 0.60% x 6 months/12 months)</i>	The contribution of \$5,000 made after 6 months will be charged \$15.
<b>Investment Management Fee</b> The fee for external investment management inclusive of GST.	0.385%	\$48 <i>(\$10,000 x 0.385%)</i> <i>(\$5,000 x 0.385% x 6 months/12 months)</i>	The fee will be accrued in the unit price on the balance in the fund.
<b>Total Fees For That Year</b>		<b>\$123</b>	

## Stamp Duty

Depending on the Australian State you are resident in, stamp duty may be payable on the initial investment amount in the Investment Bond. Additional contributions do not attract stamp duty. If stamp duty is payable it will be deducted from your initial investment amount and reflected in your unit price where applicable.

## Dishonour Fee

We currently do not charge dishonour fees when we are unable to process direct debit transactions or deposit cheques due to cancellations or insufficient funds. However, we may choose to deduct dishonour fees from your account in the future.

## Financial Adviser Service Fees

Foresters Financial may offer this product to you through a financial adviser. If you wish to pay your financial adviser a service fee, you will need to do so directly. These are not fees associated with Foresters Financial and we recommend you speak to your financial adviser. Foresters Financial does not pay any fees or commissions to financial advisers in its own right. Foresters may however provide other support and soft dollar benefits to financial advisers, such as product training, invitations to engagement and business development events, etc.

## Fee Changes

Foresters Financial may increase its fees to the maximum allowed in the Fund Rules, provided it gives policy owners ninety (90) days' notice in writing of the change.

## Other Information

### Keeping you Informed

As a Fund member, upon your application being accepted, Foresters Financial will issue a confirmation letter and Certificate of Membership of the Fund directly to you in acknowledgement of your membership of Foresters Financial and your initial investment, outlining its terms and conditions.

Foresters Financial will keep you up-to-date with any relevant changes that may materially or adversely affect your investment via our website [www.forestersfinancial.com.au](http://www.forestersfinancial.com.au).

### Annual Statements

We will send you an annual statement, detailing your investment balance and transactions as at 30 June. If any withdrawals are made during the first ten (10) years then we will detail any amounts that may need to be declared as income to the Australian Taxation Office.

### Anti-Money Laundering and Counter Terrorism Financing

Foresters Financial is bound by the *Anti-Money Laundering and Counter Terrorism Financing Act 2006 (AML/CTF Act)* (Cth) and therefore may require you to produce proof of identification in certain circumstances. The type of identification will depend on the type of investor you are.

If we have not verified your identity previously, as an investor, you will need to provide the identification documentation specified on the application form.

If we are unable to verify your identity, we reserve the right to delay your application until we are satisfied that we have verified your identity or reject your application if we cannot satisfactorily verify your identity.

## Your Personal Information

Foresters Financial collects personal information you provide in response to the forms in this PDS or through any subsequent correspondence or communication. The information is collected for the primary purpose of Foresters Financial issuing our products to you (including assessing your application and identifying you).

There are also a number of related purposes for which your personal information will be collected, including processing of your application, the administration and managing of your investment in the Flexible Insurance Funds to effectively provide our services and compliance with Australian taxation laws, the *Life Insurance Act 1995* (Cth) and other laws and regulations. If you do not provide Foresters Financial with your personal information, we may not be able to process your application, administer or manage your investment or tell you about other opportunities in which you may be interested.

Your information may also be used in connection with the purpose for which it is collected. Foresters Financial may also use your information to forward to you, from time to time, details of other opportunities offered by Foresters Financial in which you may be interested.

You can let Foresters Financial know if you do not want to receive details of other investment opportunities by ticking the box found in the Declaration of the Application Form or by contacting us.

Subject to the *Privacy Act 1988* (Cth), you are entitled to request access to the information that you provide to Foresters Financial. If you have a privacy query, concern or complaint in respect of any investment made please contact:

### The Privacy Officer

#### Email

service@forestersfinancial.com.au

#### Postal Address

PO Box 7702  
Melbourne VIC 3004

#### Telephone

1800 645 326 (free call)

If we are unable to address your query, concern or complaint to your satisfaction, you may contact the Privacy Commissioner at:

### Office of the Australian Information Commissioner

#### Postal Address

GPO Box 5218  
Sydney NSW 2001

#### Telephone

1300 363 992 (free call)

The information that an investor provides to Foresters Financial may be disclosed to certain organisations. The types of organisations or persons to whom Foresters Financial usually discloses the information provided by investors includes:

- the Australian Taxation Office and other government or regulatory bodies;
- your adviser or adviser dealer group, their service providers and any joint holder of your investment (if any);
- organisations involved in providing services to Foresters Financial, such as any third-party service provider engaged by Foresters Financial to provide administration, investment management, technology, auditing, mailing or printing services; and
- those where you have consented to such disclosure as required or authorised by law.

You should notify us immediately if any of your personal information held by us changes.

If you would like to read our Privacy Policy, a copy is available at [www.forestersfinancial.com.au/privacy](http://www.forestersfinancial.com.au/privacy) or can be obtained by contacting our Privacy Officer.

## Direct Debit

Paying money into your bond can be done by direct debit from your nominated account. When completing an application form or a savings plan form, you can select direct debit to pay either one-off or regular payments into your bond. The frequency of your direct debit can be fortnightly, monthly, quarterly, half-yearly or annually. A direct debit agreement forms part of your application or savings plan request which outlines the terms and conditions of this arrangement.

## Dispute Resolution

Foresters Financial is committed to providing a great range of products and services to our members. Please talk to us using the details set out below if at any time we have not satisfied your expectations. Most times we will be able to resolve your concerns upon initial contact.



## Foresters Financial

### Postal Address

PO Box 7702  
Melbourne VIC 3004

### Telephone

1800 645 326 (free call)

### Email

service@forestersfinancial.com.au

### Website

forestersfinancial.com.au

If we are unable to resolve your concern, please ask to speak to our Customer Resolution Leader who will register your complaint and conduct an initial review of the matter and provide a recommendation to you. Our dispute resolution procedure is free of charge to you. If your issue cannot be resolved directly between you and Foresters Financial, then you may refer your issue to the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial service complaint resolution that is free to consumers. Their details are:

### AFCA

#### In writing to

GPO Box 3, Melbourne VIC 3001

#### Telephone

1800 931 678 (free call)

#### Email

info@afca.org.au

#### Website

www.afca.org.au

## Foresters Financial

Foresters Financial issues the Investment Bond and is responsible for all administration, promotion and management of the Fund.

Foresters Financial is incorporated under the *Corporations Act 2001* (Cth) as a public company limited by shares and guarantee and is regulated by ASIC under the provisions of the *Corporations Act 2001* (Cth). It is registered under the *Life Insurance Act 1995* (Cth) as a Friendly Society Life Insurance Company and is regulated by APRA.

Under the *Corporations Act 2001* (Cth), members of Foresters Financial are bound by the terms of its Constitution and are required to guarantee that in the event of the company being wound up and unable to meet its liabilities, they will contribute an amount not exceeding \$1. Other than in relation to the guarantee, no member is under any personal liability to the company's creditors as a member of the company.

Members have an interest in the assets of the relevant Investment Option in which they have invested.

A member's interest is to the extent of their unit holding, however, a unit holding does not confer any specific interest in any part of the assets or any authorised investment of the relevant Investment Option. At any given time, all units in a market-linked Investment Option are of equal value.

Foresters Financial operates under strict government regulations covering friendly society life insurance companies. The investment of members' money is subject to rigorous independent actuarial valuation and audit certification.

## The Constitution and the Fund Rules

In accordance with Foresters Financial's Constitution and the Fund Rules, the assets of each fund maintained by Foresters Financial are kept separate and distinct from other funds and assets. Once your application has been accepted and processed, you will become a member of the Fund and Foresters Financial. Your membership is subject to the rights and obligations set out in the Constitution, including your right to attend and vote at General Meetings. The Fund Rules set out your benefits and the operational aspects of your membership of the Fund. The Fund Rules operate as a contract between you and Foresters Financial.

Foresters Financial may amend the Fund Rules by a special resolution of members. In limited circumstances, the company's Board can amend the Fund Rules with the consent of the prudential regulator, APRA. Additionally, Foresters Financial can close the Fund to new investments or in certain circumstances, make application to APRA to terminate the Fund. The statements in this PDS give only a summary of the provisions of Foresters Financial's Constitution and the Fund Rules.

Members may inspect a copy of the Constitution and the Fund Rules at the registered office of Foresters Financial any time between 9am and 5pm Monday to Friday (except Victorian Public Holidays).

## Disclosure of Interest

Foresters Financial has a conflicts of interest policy and all office holders are required to disclose any conflicts that arise. No Director of Foresters Financial, or any expert, has any interest in respect of the assets of the Fund or benefits of the Fund to which this PDS relates and in respect of which an entitlement, other than an entitlement on the same terms and conditions available to other members of the Fund, is available.

RSM Australia Partners, Brett & Watson Pty Ltd, TurksLegal and JBWere Limited receive professional fees in respect of audit, actuarial, legal and investment services and advice provided in relation to the Fund respectively.



## Foresters Financial Directors

The under mentioned Directors of Foresters Financial have authorised the issue of this PDS:

Caroline Banhidy, Chair  
Michael Liu, Deputy Chair  
Andrew Baxter, Director  
David Heath, Director  
Andrew Smith, Director

## Consultants to Foresters Financial

### Auditor

RSM Australia Partners  
ABN 36 965 185 036

### Actuary

Brett & Watson Pty Ltd  
ABN 65 060 568 676

### Lawyers

TurksLegal  
ABN 50 150 169 411

### Investment Managers

JBWere Limited  
ABN 68 137 978 360

*Our Consultants are not responsible for the contents of and accept no liability in respect of this PDS, nor have they authorised or caused the issue of this PDS.*



[forestersfinancial.com.au](https://forestersfinancial.com.au)

1800 645 326 (free call)

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