



EDUCATION BOND

FORESTERS
FINANCIAL



Product Disclosure Statement 6 September 2023
ABN 27 087 648 842 AFSL 241421



About this Document

This Product Disclosure Statement (PDS) contains details about the Foresters Financial Education Bond ('**Education Bond**') and is issued by Foresters Financial Limited (**Foresters Financial**) under the Foresters Financial Constitution and the Fund Rules.

Investors in our Education Bond will become members of Foresters Financial under the Rules of the [Funds (the '**Fund**'). The rules of the Fund cover the Sustainable Fund ('**Sustainable**'), the Balanced Fund ('**Balanced**'), the Growth Fund ('**Growth**') and the 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. An investment in our Education Bond may 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 6th September 2023.

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 Investor 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. 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 Investor 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 Education 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 issue 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 Education Bond?






An education bond is a long-term savings plan that allows for tax-effective saving and investing for meeting education expenses. Investing in an Education Bond can be a tax-effective way to save for a child or grandchild's education. It works as a 'scholarship plan' under Australian Tax Law that allows the bond administrator (Foresters) to obtain a tax deduction which will be passed on to the investor when you withdraw earnings to pay for the education costs.

Education bonds are used by parents, grandparents, guardians and mentors to support the academic successes of future generations. With no age restriction on the recipient of the scholarship plan, the Education Bond can be effective for any level of study, spanning from pre-school to tertiary education.

Australian Tax Law dictates that education bonds can only be provided by a life insurance company as the bond is a type of life policy. Life policies in certain circumstances receive protection from creditors in the event of a bankruptcy.

Key Features

Education bonds have a number of key features that investors need to be aware of when considering this type of investment:

-  Alternate student beneficiaries
-  Multiple owners of the Education Bond
-  Minimum investment of only \$500
-  Access the investment whenever necessary and
-  Suitable investment option selection.

The Education Bond is divisible between the investor and the beneficiary, allowing the investor to retain the capital while the beneficiary receives investment income.

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.

Tax Advantages

The Fund is a unique type of investment product which operates as a 'scholarship plan' in accordance with the *Income Tax Assessment Act 1997*. Based on the current applicable tax rate this entitles Foresters to obtain a tax deduction, which Foresters passes onto you and is worth up to \$30 for every \$70 of earnings used to pay education expenses (the Tax Rule).

Other tax advantages include:

- Tax-free access to contributions for applicable purposes;
- Tax deductions on withdrawals of investment earnings to pay education expenses;
- You don't need to declare income on your tax return during the life of the policy;
- Tax is paid by the fund at 30%, this may be lower than your marginal rate, and
- A withdrawal of earnings is taxable to the beneficiary not the owner. The beneficiary may pay little or no tax depending on their circumstances.

As tax laws and rates may change, the tax advantages of the Education Bond are not guaranteed.

Investment option selection

Most education 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 education bond will comprise an interest in one or many of these investment options as selected by you.

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

2. Investment Solutions

How the Education Bond works

An Education Bond comprises two major components.

Investor Contributions

This account holds the capital contributions made by the owner of the Education Bond. Funds held in this account can be withdrawn tax-free by the contributor at any time.

Scholarship Benefits

The investment earnings (received on amounts in the Investor Contributions account) and the education tax benefit received by the scholarship plan is held in the Scholarship Benefits account.

The Tax Rule will be applied to any withdrawals made from this account that are made to cover education expenses of the beneficiary.

For information regarding Withdrawal Options refer to page 3 of this PDS.

Education expenses

Types of Courses

Income from the Education Bond can be applied at any point throughout the entire timeline of a beneficiary's education journey, from pre-school to tertiary studies.

Tertiary studies cover any post-secondary education that results in a qualification that is approved under the Australia Qualifications Framework. These include education and training courses provided by universities, postgraduate education providers, TAFE, certain programs offered by professional, trade or registered training organisations, other domestic or international courses and vocational training.

Types of Expenses

The Education Bond can be applied towards expenses incurred while undertaking eligible courses. Such expenses must be reasonably incurred by the beneficiary in obtaining their approved qualification.

These may include:

- Schooling fees such as tuition fees (which may include external private tuition related to the course), student body fees, uniforms, books, study materials and stationary;
- Extra-curricular fees related to the course such as music instruments and lessons, sports equipment and training costs;
- School/education-related excursions as well as travel expenses to and from the providers;
- Higher Education Loan Program (HELP) debts;
- Residential boarding costs, rent and other accommodation expenses incurred by the beneficiary required to live away from home for the purpose of attaining the qualification (subject to the annual living allowance limits). The limit in 2023 is \$9,174. The limit is indexed on 1 January each year;
- Expenses incurred in completing course electives (and entire semesters) in a foreign education institution.

Withdrawal Options

An Education Benefit may be paid:

- where the beneficiary is less than age 16 years, to the Policy Owner or the guardian of the beneficiary or to an Approved Education Facility; or
- where the beneficiary is equal to or greater than age 16 years, to the Policy Owner or guardian of the beneficiary or to an Approved Education Facility or if authorised by the Policy Owner, directly to the beneficiary.

Payments can be made by completing an education benefit declaration in the withdrawal form. We will rely on the declaration that the claim relates to an eligible course. At a later date, we may request evidence supporting the claim such as receipts or invoices.

Withdrawals may be made for non-education expenses anytime from the capital component of the bond.

Withdrawals can be made as one off amounts or as regular withdrawals. The minimum withdrawal amount is the equivalent of \$100 per month.

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

Policy Guardian

Individual applicants may nominate a Policy Guardian on the Application Form. The Policy Guardian must be at least aged 18 years and shall act in the capacity of owner of the Policy in the event of the death or mental incapacity of the Policyholder (or last surviving Policyholder as the case may be) to continue the Policy. Non individual Policyholders are unable to nominate Policy Guardians.

Responsible Investing

The following is only applicable to investors who choose the Sustainable investment option.

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 and external fund manager selection process, Foresters Financial believes that we can play a role in influencing change towards a more sustainable future.

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 of our external investment managers is periodically provided to Foresters to allow us to measure the sustainable performance of our Sustainable Investment option.

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 our external fund managers may consider 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, with many using negative screening to minimise or exclude direct investments in certain sectors or companies based on ethical standards.

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 fees derived from all our products may be 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 Education Bond policy may be obtained by individual or joint investors, or a company or trust. Minimum age limits apply. More detail is provided below.

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
- Company, Trust or Deceased Estate; 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 Education Bond.

An Investor or Joint Investors must select a beneficiary for the Education Bond.

Child

A child aged between 10 and under 16 years old is able to take out an Education 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

An Investor will be specified as the Life Insured or they can nominate a person other than themselves to be the Life Insured. Joint Investors are both specified as 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.

The Life Insured person(s) does not have to be a relative or dependant.

Nominated Death Beneficiary

A nominated beneficiary on the bond will automatically receive the tax-free proceeds of the bond at maturity and a beneficiary can be nominated or changed at any time.

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 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.

4. Investment Options

Investing in our Education Bond gives you the flexibility to choose a range of investment options that provide different investment income streams to cover approved education expenses. 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 (Default);
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 Education Bond by moving invested amounts between the four investment options.

The default investment option is the Balanced Option which will be automatically selected should you not indicate an investment option preference when applying.

Investment Objective

All monies invested into the Education 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 by our Investment Manager(s) in accordance with the Benefit Fund Rules and the applicable investment policy.

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. 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 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 each of the options are not guaranteed and are 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, with a focus on Environmental, Social and Governance considerations.	To invest in a range of defensive and growth assets, with a moderately higher weighting to defensive assets.	To invest in a range of defensive and growth assets, with a higher weighting to growth assets.	To primarily invest in a range of 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
Defensive Assets								
Cash	3%	0-60%	3%	0-60%	3%	0-40%	3%	0-20%
Fixed Interest	51%	20-60%	51%	20-60%	33%	10-40%	12%	0-20%
Total Defensive Assets	54%	40-60%	54%	40-60%	36%	20-40%	15%	0-20%
Growth Assets								
Equity	34%	20-50%	34%	20-50%	46%	30-70%	66%	50-90%
Property	4%	0-20%	4%	0-20%	8%	0-30%	9%	0-30%
Alternatives	8%	0-10%	8%	0-10%	10%	0-15%	10%	0-20%
Total Growth Assets	46%	40-60%	46%	40-60%	64%	60-80%	85%	80-100%
Total Asset Allocation	100%		100%		100%		100%	

5. Tax Considerations

Education Tax Benefits

The Bond works as a 'scholarship plan' under Australian Tax Law that allows the bond administrator to obtain a tax deduction which will be passed on to the investor when you withdraw earnings to pay for the education costs. Benefits paid by Foresters are treated as assessable income of the beneficiary.

The Education Bond is divisible between the investor and the beneficiary, allowing the investor to retain the capital while the beneficiary receives investment income.

The earnings that are paid to the investor will become assessable income of the beneficiary. Depending on the age and circumstances of the beneficiary their tax implications will vary. For example for a student under 18, if the taxable income from any investments does not exceed \$416 in a financial year there will usually not be a tax implication however if a student over 18 has a taxable income from part-time employment which is higher than the effective tax-free threshold then there will likely be tax implications.

The Fund is a unique type of investment product which operates as a 'scholarship plan' in accordance with the *Income Tax Assessment Act 1997*. This entitles Foresters to obtain a tax deduction, which Foresters passes onto you and is worth up to \$30 for every \$70 of earnings used to pay education expenses (the Tax).

Earnings of the Fund are taxed at the company tax rate, which is currently 30%. Foresters pays this from the investment income of the investment options.

The 10 year-rule

Withdrawals made for purposes other than educational purposes will not qualify for favourable tax treatment and the proceeds are assessed as investment income in your hands in accordance with the following rules:

- if your Plan is held for more than 10 years, withdrawal proceeds are not taxable on receipt.
- withdrawals made within the first eight years of your Plan's commencement period are fully assessable. The assessable amount is reduced to two-thirds for a withdrawal in the ninth year, and to one-third in the 10th year.
- a tax offset of 30% currently applies on the assessable amount, this may assist in reducing personal tax liability.

The 125% rule

The 10-year tax period, begins from your policy's original start date. If your total contributions exceed 125% of the amount contributed in the previous investment year then the 10-year period calculation is reset. After year 10, earnings on each additional contribution receive immediate tax-free withdrawal status.

To assist you in adhering to the 125% rule, we will provide comprehensive reporting material.

How is an investment in the Education Fund taxed?

The Fund is a 'scholarship plan' for the purposes of the *Income Tax Assessment Act 1997 (Cth.)*. This means that the Fund is subject to tax itself on investment earnings. However, Foresters Financial is entitled to a deduction/ credit for investment income paid (or credited) to beneficiaries under the plan when those earnings are paid for the purpose of funding eligible education expenses.

The value of the tax able to be credited by Foresters Financial (referred to as the Education Tax Benefit) is added to the amount withdrawn from the Investor's account and the total amount is paid as the education benefit.

How much tax does the Fund pay?

Income generated by the Fund's investments is taxed at the life insurance tax rate, which is currently 30%. This tax is paid by Foresters Financial from the investment income. The actual level of tax payable may vary between the investment options and can be lower due to the impact of dividend franking credits and other tax offsets received within each investment option.

Will you be liable for tax when withdrawing your contributions?

No. All withdrawals of contributions (i.e. the capital component) made by the investor are treated as a tax-free return of capital to the investor.

What are the tax implications for the Investor if you withdraw from the Earnings account?

There are no tax implications for the Investor when withdrawals are made from the Earnings account to pay education expenses. Examples of expenses are included on page 3.

Withdrawals made for other unspecified purposes (such as where the student does not proceed to a specified level of education) do not qualify for the concessional tax treatment and the proceeds are assessed to the Investor as ordinary life insurance investment policy bonuses.

Will the nominated beneficiary i.e. the student be liable for tax?

Education benefits, when paid from the Earnings Account to a student beneficiary, become assessable to the student and are treated as investment income for tax purposes.

The tax implications for the student will vary depending on their age and personal circumstances, as outlined below.

Students under 18 years of age

Where the student's taxable income from any investments (including amounts paid under the Plan) does not exceed \$416 in a financial year, no tax will be payable by the student.

Where the student has, for example, part-time employment income, this is not included in this threshold.

There are limited circumstances when the higher adult tax free threshold applies to minors, such as where they are employed full time or handicapped.

Students aged 18 or older

For students who are 18 years of age at the end of a tax year, the ordinary marginal rates of tax will apply to them. This means that where the student's taxable income from any part-time employment and/or investments (including amounts received under the Plan) does not exceed the current tax free threshold of \$18,200, no income tax is payable. The tax-free threshold is subject to change.

Does withholding tax apply to non-residents?

If you are a non-resident investor or student, including an investor or student who has left Australia for an extended period, your Plan's accrued investment returns and any withdrawals from your Plan are not subject to non-resident withholding tax.

Disclaimer

The tax information provided in this PDS is current at the date of issue and is general in nature. The information is only intended to provide summary guidance on Australian tax matters associated with the operation of the Fund. Tax laws may change in the future and may affect your tax position and the tax information described in this PDS.

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)

Education Bonds are not subject to CGT if the 125% Contribution Rule is met. Meaning, no CGT is incurred for switching investment options or making withdrawals within the first 10 years of ownership or after 10 years.

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)*.

Social Security

Your investment in the Education 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 Education 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 of the Fund's investment options. Investment performance is not guaranteed.

Specific risks that relate to investing include but are not limited to:

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.

Qualifications risk is the risk that education and training courses for which the Education Bond was originally sought may no longer be eligible due to unforeseen changes in the Australian Qualifications Framework.

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 project risks through poor management and adverse economic or financial conditions 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.

Social Security risk is the risk that changes to the social security laws may affect the treatment of your investment for Social Security purposes.

7. 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 13.

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 Education 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. 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 Education 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.

Purpose

An investment in the bond cannot be used as security for borrowing or raising money.

Savings Plans

Regular Savings

Additional contributions 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. Funds will be automatically debited from your nominated account at the frequency you choose.

Unlike superannuation contribution caps, our Education 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.

Switching

You can transfer your investment between any of the Fund's four (4) investment options at any time by completing a switching form. 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 11.

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

Foresters Financial
PO Box 7702
Melbourne VIC 3004
or via email:
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. 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.

Education Withdrawals

The Education Bond offers flexibility to allow you to access your money when you need it. When withdrawing to pay for an education expense, you can choose how much is withdrawn from capital and how much from earnings.

You can withdraw your bond balance in full or partially withdraw (subject to maintaining a minimum balance of \$500) at any time.

NOTE: Withdrawals made for non-education or training purposes may be subject to tax if withdrawn in the first ten years.

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

Foresters Financial
PO Box 7702
Melbourne VIC 3004
or via email:
service@forestersfinancial.com.au

Cooling off Period

You are entitled to request in writing the cancellation of the Education 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 Education Bond investment 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 valid 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, a confirmation will be provided 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 you can visit www.forestersfinancial.com.au or call us on 1800 645 326.

8. 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 investor 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 (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
Transaction Costs		
<i>Establishment Fee</i> The fee to set up your initial investment	Nil	Not applicable
<i>Contribution Fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Commission</i>	Nil	Not applicable
<i>Exit Fee</i> The fee when the total investment is payable	Nil	Not applicable
<i>Switching Fee</i> The processing fee for changing investment options	Nil	Not applicable
<i>Buy/Sell Fee</i> The transaction costs for buying or selling underlying units in an investment option.	Nil	Not applicable
Management Costs		
<i>Foresters Financial Management Fee</i> 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.	0.70%	Accrued daily in the unit price and paid monthly.
<i>Investment Management Fee</i> To cover the cost of external investment advice.	0.055% to 0.385%	Accrued daily in the unit price and paid quarterly: <ul style="list-style-type: none"> • Cash/Term Deposits 0.055% • Credit & Government Bonds 0.165% • Australian Shares 0.385% • International Equities 0.385% • Alternative Assets 0.385%
Total Management Cost	0.755% to 1.085%	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
Contribution Fee The fee on each amount contributed to your investment.	Nil	\$0	For any amounts you contribute you will be charged \$0.
Foresters Financial Management Fee The fee for administering the Fund.	0.70%	$(\$10,000 \times 0.70\%) =$ \$70	For every \$10,000 you have in the Growth investment option you will be charged \$70.
		$(\$5,000 \times 0.70\% \times$ $6 \text{ months}/12 \text{ months}) =$ \$17.50	The contribution of \$5,000 made after 6 months will be charged \$17.50.
Investment Management Fee The fee for external investment advice inclusive of GST.	0.385%	$(\$10,000 \times 0.385\%)$ $(\$5,000 \times 0.385\% \times$ $6 \text{ months}/12 \text{ months}) =$ \$48	The fee will be accrued in the unit price on the balance in the fund.
Total Fees For That Year		\$135.5	

Stamp Duty

Duty may be payable on your initial investment in the Funds depending upon your State or Territory of residence and will be deducted from your initial contribution.

Additional contributions do not attract stamp duty.

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.

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.

9. Things You Need to Know

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

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 Education 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 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 investors. 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

Email: service@forestersfinancial.com.au

Postal Address: PO Box 7702, Melbourne, VIC 3004.

Telephone: 1800 645 326 (free call)

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
Telephone: 1800 931 678 (free call)
Email: info@afca.org.au
Website: afca.org.au
Postal Address: GPO Box 3, Melbourne VIC 3001

Foresters Financial

Foresters Financial issues the Education 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 limited 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.

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

Consultants to Foresters Financial

Auditor

RSM Australia Partners
ABN 36 965 185 036

Actuary

Finity Consulting Pty Ltd
ABN 89 111 470 270

Lawyers

MinterEllison
ABN 91 556 716 819

Investment Manager

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
1800 645 326 (free call)
PO Box 7702 Melbourne VIC 3004