

## Education Funds and the Post-Graduate Student

***There may be a more tax effective way to fund your studies.***

Education savings plans have been around for many years and have been traditionally used as a savings vehicle for young students. Education funds have evolved to take advantage of changed investment opportunities, variations in education related expenses as well as cater for the mature age and post-graduate student.

The Australian Tax Act changes in 2003 officially sanctioned 'scholarship plans', which assist students to save for education related expenses. As a result, contemporary education funds can provide for a range of expenditures including post-graduate courses and overseas study.

The investment income of an education fund is taxed at a maximum of 30%. This tax is paid by the education fund – not the nominated student – and while the earnings accrue within the fund there is no assessable income to declare in the annual tax return of the student. In addition, the fund's tax rate may be lower due to tax credits such as franking and foreign tax credits from the underlying investments.

When a claim is made for education related expenses from policy earnings, the education fund can obtain a refund of tax on the expenses claimed. This produces an education tax benefit, which is passed on to the nominated student as part of an education claim.

Education claims which include the education tax benefit are treated as assessable investment income earned by the student. Education claims can utilise the adult tax-free threshold in a highly effective manner which is a major advantage of this kind of investment.

Example: Joanne, 30 year old post-graduate student

Contributions	\$50,000
Education benefit:	
-Accrued earnings	\$14,000
-Education tax benefit	\$6,000
	<b>\$20,000</b>
Total Balance	\$70,000
\$20,000 withdrawal for education related expenses	
*Post-tax earnings on contributions 70%	\$11,200
*Plus: Education Tax Benefit 30%	\$4,800
Plus: Investor contribution	\$4,000
Total withdrawal from plan	\$20,000

*\*Combined adult tax-free threshold, \$16,000 for 2011 – 2012 financial year.*

## Other benefits

- Withdrawals of investor capital for reasons other than education are also treated as tax-free refunds of capital to the investor
- No age limit of nominated student
- Investment earnings within bond do not form part of the assessable income of the nominated student
- Investment earnings are not included for eligibility for Centrelink benefits that are based on taxable income
- No minimum or regular deposit requirements
- No use by date on accumulated earnings

For a detailed plan personalised to your requirements, see your financial adviser.

Source | Lifeplan

Your local adviser office is located at:

### Avery Gibson Financial Services Pty Ltd

Level 2, 54 Amelia Street, Fortitude Valley, Q 4006

PO Box 1223, Fortitude Valley, Q 4006

Ph: (07) 3252 9990 Fax: (07) 3257 7366

Email: [admin@averygibson.com.au](mailto:admin@averygibson.com.au)

Web: [www.averygibson.com.au](http://www.averygibson.com.au)

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