

Expand your investment opportunities.

INVESTMENT LENDING EXPLAINED

An Investment Loan lets you borrow money to invest in shares and managed funds, while using your existing investments or cash as security.

By giving you access to additional capital, an investment loan can potentially improve your investment returns and help you reach your financial goals sooner.

The amount you can borrow depends on the assets you provide as security. The shares and managed funds that we accept have a borrowing limit generally between 40% and 70%. This represents the maximum amount you can borrow as a percentage of the investment's market value.

A borrowing limit of 50% means you can borrow up to half of the total value of the investment. For example, if you already have \$10,000 in cash and want to invest in an investment with a 50% borrowing limit you could borrow up to \$10,000 and bring your total portfolio size to \$20,000.

BORROWING TO INVEST CAN ALLOW YOU TO:

- Increase the size of your investment portfolio**
 An investment loan increases the amount of money you can invest which can allow you to grow your wealth at a faster rate.
- Diversify your investments**
 More capital to invest means you can spread it across a variety of shares and managed funds, reducing investment risk.
- Access cash without selling existing investments**
 Borrow against the equity you have in existing investments without selling them and triggering capital gains.
- Invest tax-effectively**
 Borrowing to invest can allow you to access additional dividends and franking credits. Interest paid on an investment loan is generally tax deductible (depending on your circumstances; tax legislation or marginal tax rates may change).

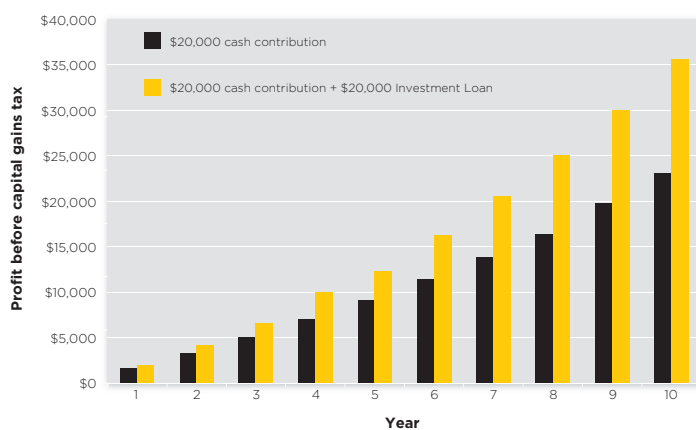
“ WE’VE COMBINED SHARE TRADING, MANAGED FUNDS AND CASH MANAGEMENT IN A SINGLE PACKAGE. ”

THE POWER OF AN INVESTMENT LOAN

In this example we compare two investment strategies over a ten year period:

- Investing \$20,000 of your own cash.
- Investing \$20,000 of your own cash, combined with borrowing \$20,000 using an Investment Loan (for a total portfolio of \$40,000).

The chart below compares the potential return of the two strategies. The amount of your own funds invested under each strategy is the same. The bars track the net profit before capital gains tax, considering capital growth, investment income received, interest expense paid and income tax.



It can be seen that under the assumptions below, the strategy which uses an investment loan leads to a higher return. Over a 10-year period, the Investment Lending strategy generates a profit before capital gains tax of \$35,766 which is 57% higher than the \$22,763 achieved by the ungeared strategy.

ASSUMPTIONS:

The graph compares the potential return of each investment strategy – with and without an Investment Loan.

- The graphs show the profit before capital gains tax of each strategy.
- It assumes an average capital growth of 4.50% per annum (pa), income yield of 4.00%pa with all income reinvested; distributions franked at 70%, a company tax rate of 30%, a personal tax rate of 39.0% including Medicare levy of 2.0%, an average annual investment loan interest rate of 8.00%pa, and an starting gearing level for the Investment Loan strategy of 50%. Brokerage and any other fees are excluded.
- While capital gains tax implications have been ignored, they should be considered before investing.
- This example is for illustrative purposes only. It does not reflect any particular person or situation and should not be taken as an accurate forecast of any outcome.

THE RISKS

Borrowing to invest can multiply your investment returns in a rising market. However, if your investments perform poorly, it can also multiply your investment losses.

Other risks associated with an investment loan include:

- dividends or distributions may be lower than expected or none may be paid at all.
- the variable interest rate may increase resulting in higher interest costs.
- margin calls may require investments to be sold quickly at unfavourable prices if you are unprepared.

ABOUT COMMSEC ADVISER SERVICES INVESTMENT LENDING

The CommSec Adviser Services Investment Loan is a flexible, tax-effective loan facility that gives you the ability to use your existing investments or cash to build a larger portfolio of shares and managed funds, potentially improving investment returns.

Through the CommSec Adviser Services platform, we've combined share trading, managed funds and cash management in a single package – making it easy for your adviser to keep track of your investments and take advantage of new opportunities as they arise. You can also remain involved with view access.

Formerly known as Colonial Geared Investments, the CommSec Adviser Services Investment Lending business has been supporting clients, through their advisers, to achieve their investment goals since 1996. We understand that every client's needs are unique – so our flexible Investment Loan can be tailored to suit your individual objectives, investment strategy and risk appetite.

CommSec Adviser Services is one of Australia's leading providers of gearing solutions and part of the Commonwealth Bank Group. The Commonwealth Bank Group is one of the most recognised brands in the Australian financial services industry – so you can be confident you're in safe hands.

WHY CHOOSE THE COMMSEC ADVISER SERVICES INVESTMENT LOAN?



STRENGTH

CommSec Adviser Services Investment Loans are backed by Australia's biggest bank, the Commonwealth Bank of Australia.



EXPERIENCE

Formerly Colonial Geared Investments, we've been providing award-winning and innovative gearing solutions to Australian investors since 1996.



EXTENSIVE ACCEPTED SECURITIES LIST

Enjoy investment flexibility with over 500 shares, 2,000 managed funds and 80 platforms on our accepted securities list.



SERVICE

We've built our business on understanding advisers and their clients so that we can better meet your needs.



POTENTIALLY ACHIEVE YOUR GOALS FASTER

Create a larger investment portfolio, potentially multiplying your returns. This could help you achieve returns that might not be possible without gearing.



TAX EFFECTIVE INVESTING

Depending on your circumstances, an Investment Loan can be a tax-effective way for you to grow your investments by enabling you to receive additional dividends and franking credits and claim the interest expense as a tax deduction.

FOR MORE INFORMATION ON HOW OUR INVESTMENT LOAN CAN HELP YOU, SPEAK TO YOUR FINANCIAL ADVISER.

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Important information:

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Risk Disclosure:

Remember, whilst borrowing to invest can multiply your investment returns, it may also multiply your losses if the value of your investment falls. Only investors who fully understand the risks associated with gearing into investments should apply.

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