



Outthinking today.

## Peer-to-Peer Forum

# Investment bonds

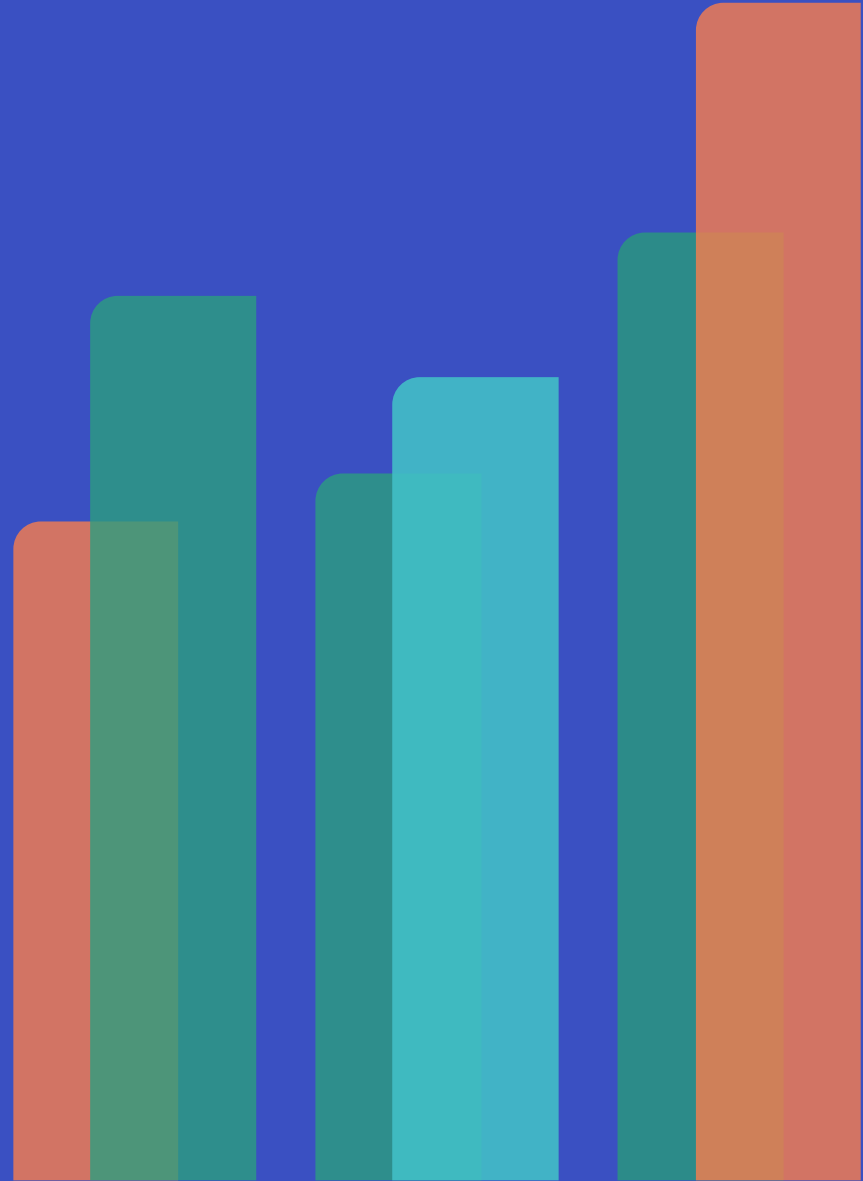
Presented by

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Hosted by

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# Discover Generation Life



Pioneer of Australia's first truly flexible investment bond, with over \$2.5b written with us to date. Proud to be shaping the retirement income landscape with an investment-linked lifetime annuity.

Specialist provider of **investment bonds and an investment-linked lifetime annuity**

**An annuity offering flexibility and choice** with expansive investment menu and ability to switch, bring forward income

**No.1** in total inflows into investment bonds<sup>1</sup>

**Market leader** in tax aware investing

Flagship investment bond products **Highly recommended** by Zenith and Lonsec<sup>2</sup>

**1st investment bond provider** to offer an expansive investment menu (62 investment options)

**Trusted** APRA regulated and parent company is listed on the ASX

**Human**, fast, professional and personalised service

1. Plan for Life 2021 Investment Bonds Report

2. Ratings relate to LifeBuilder and ChildBuilder investment bond products





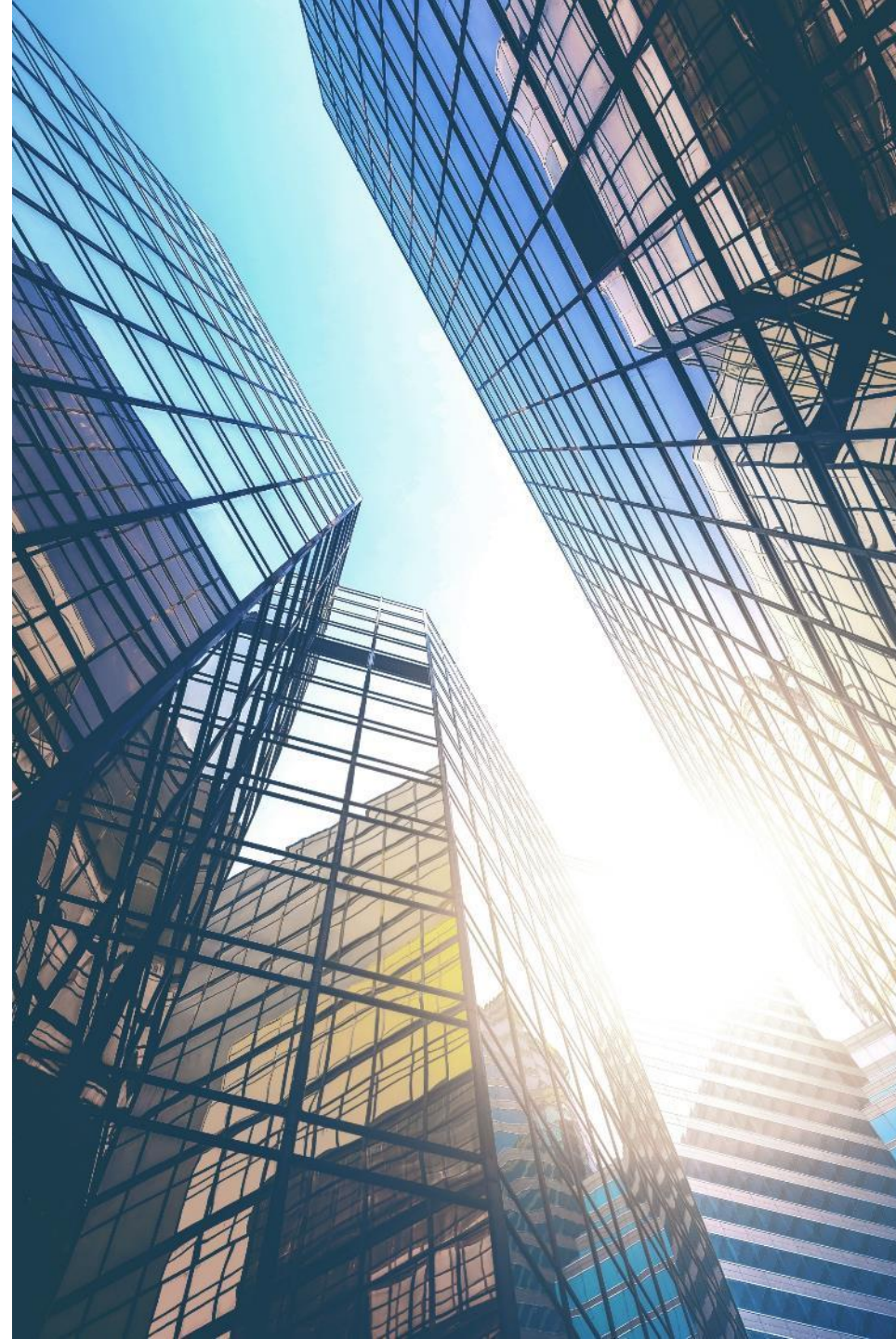
# Generation Life

Highly recommended for over a decade

The only provider in the market to hold a ‘**Highly Recommended**’ rating with both Lonsec and Zenith Investment Partners for flagship investment bonds.\*



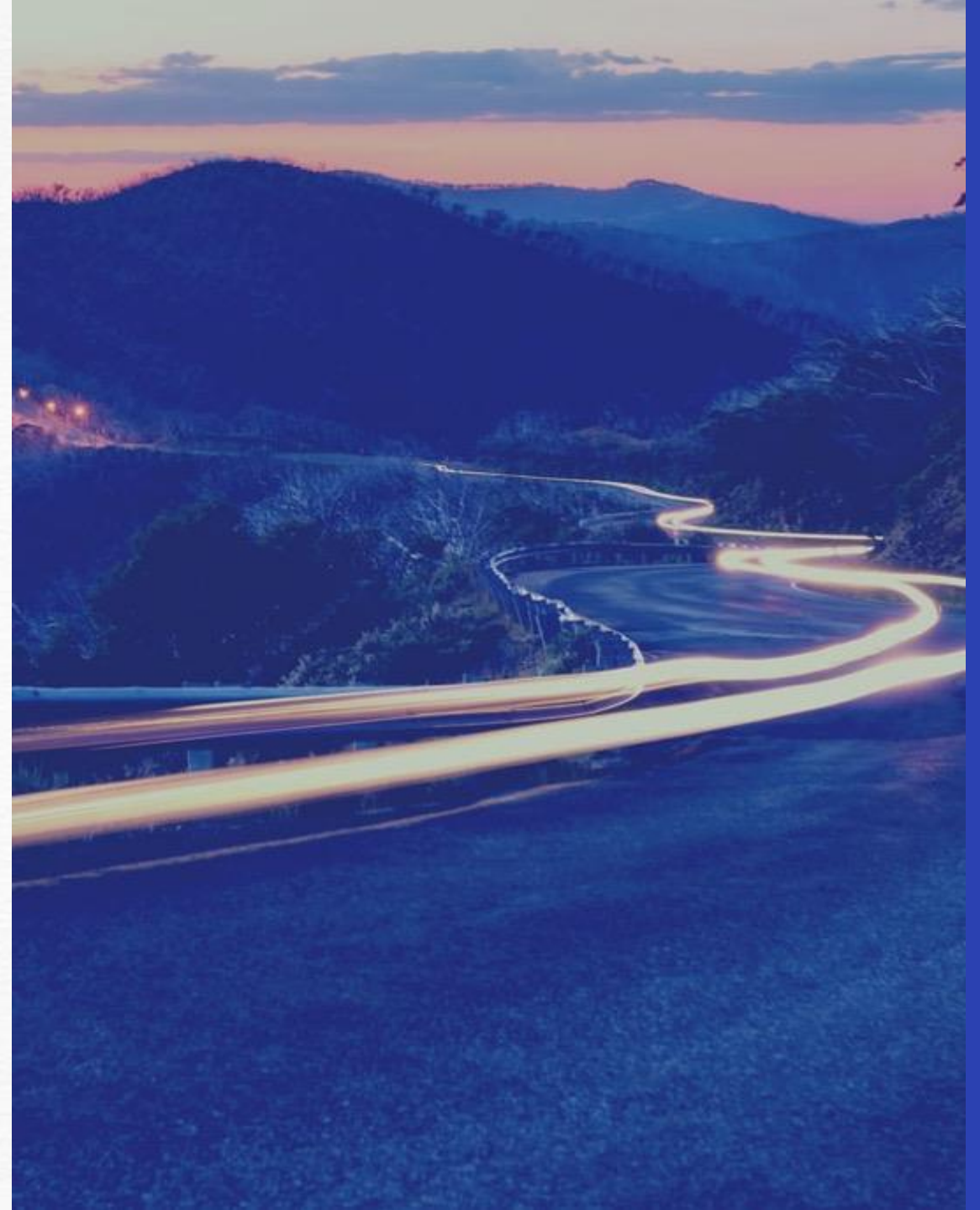
\*Refer to page 19 for further information about ratings for Generation Life Investment Bonds (ChildBuilder and LifeBuilder).





## What is an investment bond?

- + Investment structure governed by the Life Insurance and Tax Acts
- + Tax-paid investment structure, just like superannuation
- + Tax-free withdrawal after 10 years
- + Offers investment choice and access to all major asset classes i.e., Australian equities, Global equities



# Key features of investment bonds



Max tax rate of 30%



No distributions and access to funds at anytime



Tax paid after 10 years – tax advantages pre 10 years



125% advantage



Portability  
Tax free transfers



No personal CGT on switching



No tax file number required



Creditor protection



Can be structured as a non-estate asset

# 5 core uses of investment bonds

55% of inflows into Generation Life Investment Bonds are for estate planning purposes



## Estate planning

Be in control of transferring wealth



## Alternative or complementary to superannuation

The most tax-effective investment solution after super



## Trusts

Reducing distributable income within trusts



## Saving for a child

Meeting the rising costs of future generations

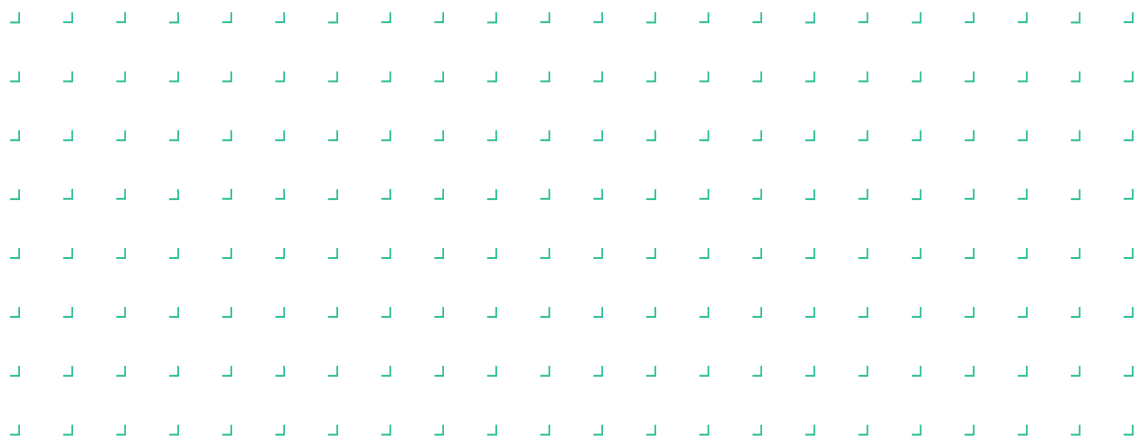


## Government entitlement

Improving pension entitlements

# Introducing Generation Life LifeIncome

The new era of lifetime annuities





## 3 themes from the Retirement Income Review

The themes below have led to the introduction of the [Retirement Income Covenant](#).

1.

**Longevity risk is not being adequately addressed**

It is important as it allows people to confidently draw down assets to fund their retirement

2.

**Maximising retirement income should be the aim**

Greater use of longevity risk management products, and more financial advice and guidance would lead to higher drawdown of retirement assets

3.

**A combination of regular income and access to capital is the solution**

To provide confidence with a regular income but also able to fund larger lifestyle purchases, such as a new car or a holiday

## Australian retiree behaviour



Most retirees **only draw down the Government mandated minimum** from their account-based pension<sup>1</sup>



A recent Firstlinks survey found **people would spend more** if they knew they would never run out of money<sup>2</sup>



Retirees who convert some of their savings into lifetime annuities effectively **double the amount they are willing to spend** each year, on themselves and their families<sup>3</sup>

1. Australian Government, The Treasury, Retirement Income Review - Final Report, issued November 2020, <https://treasury.gov.au/publication/p2020-100554>

2. Firstlinks, Retirement income promise relies on spending capital, July 2021

3. MarketWatch, Opinion: Retirees with annuities have more fun, August 2021

# A better lifetime annuity

Retirement income plans providing certainty and confidence

An investment-linked lifetime annuity provides:

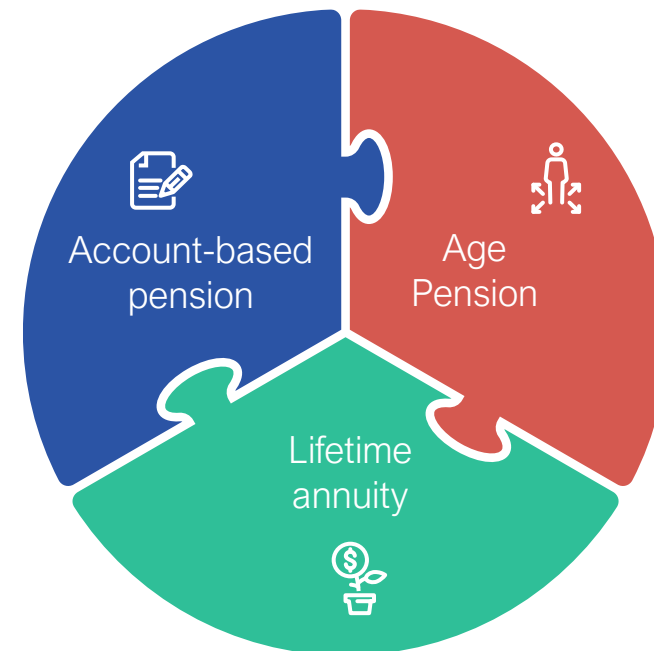
Income for life

An income stream linked to the performance of investment markets

Potential access to some or more of the Age Pension and other social security benefits

A disciplined structure to help retirees optimise returns, lock-in income and manage longevity

Market predicted to grow to \$1.4 trillion by 2030\*



\*Deloitte Actuaries & Consultants, Dynamics of the Australian Superannuation System, The next 20 years to 2041, <https://www2.deloitte.com/au/en/pages/financial-services/articles/dynamics-australian-superannuation-system.html>, published December 2021



## Key features of Generation Life LifeIncome

An immediate, investment-linked lifetime annuity, linked to a single or reversionary life

23 investment options – any combination of investment options can be held at a time

Switch between investment options at any time\*

LifeBooster feature pays a higher income from the start. Choose between two LifeBooster rates of 5% and 2.5%

A Death Benefit is payable if an investor passes away within the Death Benefit Period

Ability to charge an initial advice fee and ongoing adviser service fee

Extended 6 month 'cooling-off' period\*\*

Available for super and non-super money for those at least age 50\*\*\*

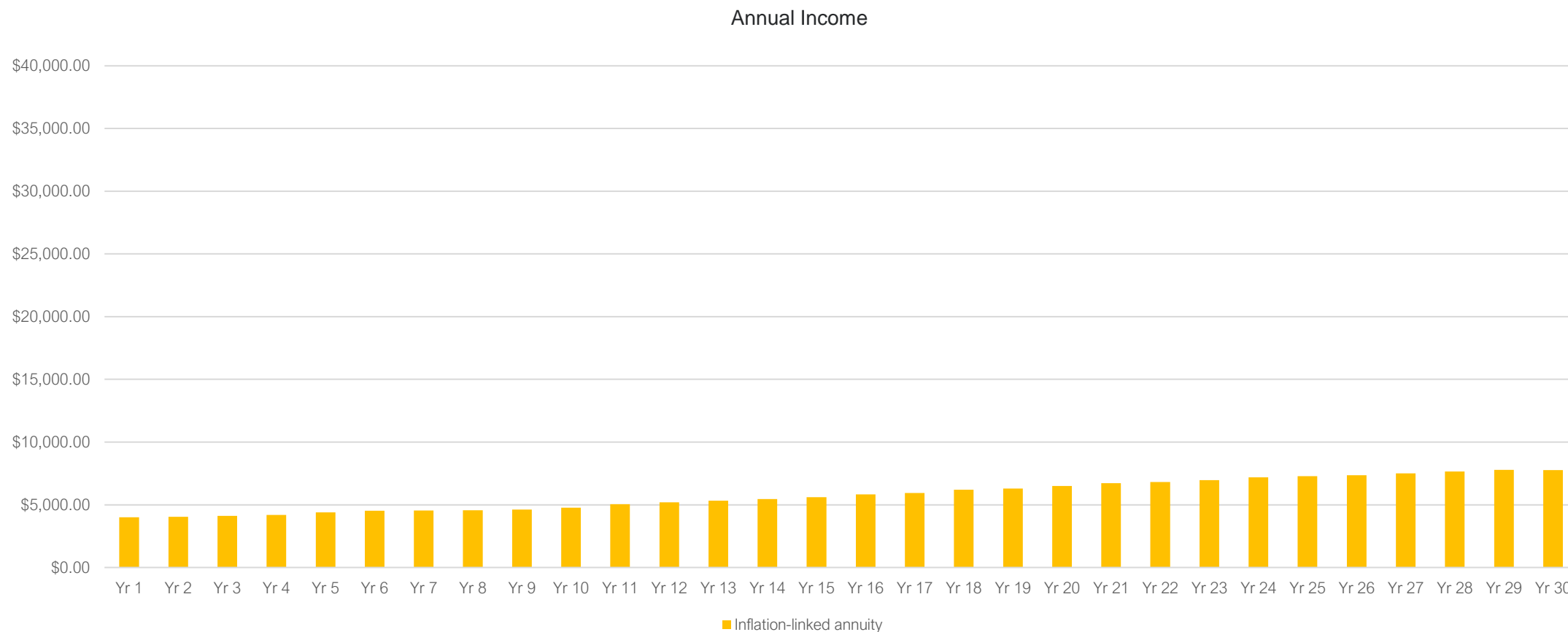
\*Brief exclusion period applies – refer to page 27 of this presentation; and the Product Disclosure Statement

\*\* Inclusive of a regulatory 14-day cooling-off period. The amount paid back will be the investment amount adjusted for movements in the unit price of the investment option(s) chosen, less any taxes and duties not recoverable by Generation Life, and after deducting income payments already made. Generation Life's management and administration fees and insurance expenses will only be refunded for cancellations within the regulatory 14-day cooling-off period. – refer to the Product Disclosure Statement

\*\*\* For superannuation money, you client must have satisfied a relevant condition of release to access their preserved benefits.

# Comparing inflation-linked vs investment-linked annuity

13

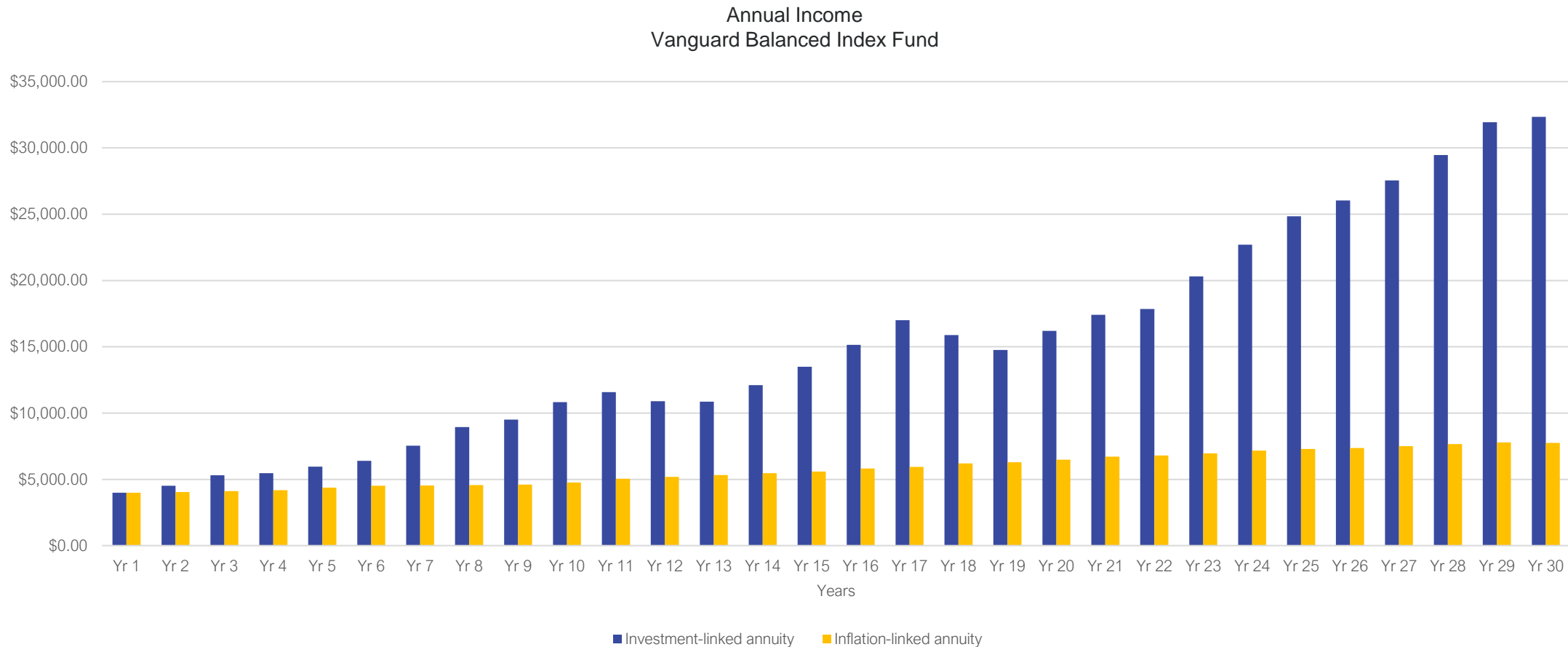


## Assumptions

- Commenced 1 July 1992. Annual Income paid to 30 June each year
- Inflation-linked annuity: Inflation rate source: Reserve Bank of Australia, Statistical Tables, Consumer Price Inflation – G1, <https://www.rba.gov.au/statistics/tables/>, published 2022.
- Starting income could start at different levels, depending on the year of commencement.



# Comparing inflation-linked vs investment-linked annuity



## Assumptions

- Commenced 1 July 1992. Annual Income paid to 30 June each year
- Investment-linked annuity: Starting income for both annuities is \$4,000 for illustrative purposes. Vanguard Balanced Portfolio returns are actual from 2003 and are constructed using indices and approximate asset allocation from 1992. Fees, expenses and costs of 0.92% + investment management cost of 0.27%.
- Inflation-linked annuity: Inflation rate source: Reserve Bank of Australia, Statistical Tables, Consumer Price Inflation – G1, <https://www.rba.gov.au/statistics/tables/>, published 2022.
- Starting incomes for both products could start at different levels, depending on the year of commencement.
- Not indicative of Generation Life LifeIncome.



# More income, sooner with LifeBooster

LifeBooster provides investors with:

A much higher starting income than if no LifeBooster was applied

Investment paid back in the form of cumulative income sooner

More income in the early years of retirement when a retiree is more active and able to enjoy it

## First Year Annualised Income

### LifeBooster 5% rate

Starting income is higher but future growth is potentially more modest

71% uplift in income

Income the investor would receive without LifeBooster

\$4,312

Income the investor would receive with LifeBooster

\$7,366

### LifeBooster 2.5% rate

Starting income is not as high but potential for future growth is greater

34% uplift in income

Income the investor would receive without LifeBooster

\$4,312

Income the investor would receive with LifeBooster

\$5,770
























Assumptions: 67-year-old male, \$100,000 investment, LifeBooster rate 5% and 2.5%

# Investment menu

Our investment menu gives financial advisers and their clients unrivalled flexibility.

- + Hold any combination of up to 23 investment options
- + Switch between investment options at any time\*
- + Complement the investment strategy employed in an account-based pension
- + Supports different approaches to portfolio construction

\*Brief exclusion period applies – refer to the Product Disclosure Statement

	Fund name	Zenith rating*	Lonsec rating*
	AB Managed Volatility Equities Fund	Highly recommended	Highly recommended
	Ardea Real Outcome Fund	Recommended	Highly recommended
	Bennelong Concentrated Australian Equities Fund	Highly recommended	Highly recommended
	Dimensional Global Bond Sustainability Trust	Recommended	Recommended
	Dimensional World 30/70 Portfolio	Recommended	Investment Grade
	Dimensional World 50/50 Portfolio	Recommended	Investment Grade
	Dimensional World 70/30 Portfolio	Recommended	Investment Grade
	Dimensional World Equity Portfolio	Recommended	Investment Grade
	Hyperion Global Growth Companies Fund	Recommended	Highly recommended
	iShares Hedged International Equity Index Fund	Highly recommended	Highly recommended
	iShares Wholesale Australian Bond Index Fund	Highly recommended	Highly recommended
	iShares Wholesale Australian Equity Index Fund	Highly recommended	Recommended
	iShares Wholesale Australian Listed Property Index Fund	Highly recommended	Highly recommended
	iShares Wholesale International Equity Index Fund	Recommended	Highly recommended
	Magellan Infrastructure Fund	Highly recommended	Highly recommended
	Pendal Sustainable Balanced Fund	Recommended	Recommended
	PIMCO Wholesale Global Bond Fund	Highly recommended	Highly recommended
	Schroder Real Return Fund	Recommended	Recommended
	Stewart Investors Worldwide Sustainability Fund	Recommended	Recommended
	Vanguard Balanced Portfolio	Recommended	Recommended
	Vanguard Conservative Portfolio	Recommended	Recommended
	Vanguard Growth Portfolio	Recommended	Recommended
	Vanguard High Growth Portfolio	Recommended	Recommended

\*Ratings relate to the underlying managed fund and are the most recently issued, dates vary depending on the managed fund



# The important role of the financial adviser

Finding the optimal mix for your clients - balancing income, access to savings, lifestyle objectives, risk, social security and estate planning considerations.

The issues involved in optimising retirement income are complex and multi-layered.



## Support clients to invest with more discipline

Investing in superannuation and other assets in a holistic fashion – with a broader portfolio view

Exploring investment opportunities to suit differing risk appetites and objectives

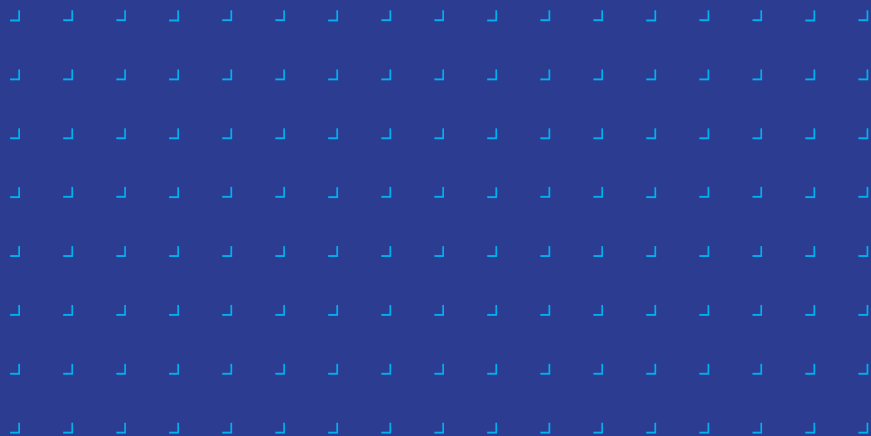
Staying invested during periods of market turbulence



# In Summary



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- + Networking opportunity to share your own insights





## Thank you.

Outthinking today.

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Page 3,12 and 16: Ability to switch between investment options at any time, with the exception of the period between midday on the third last business day of the Financial year and the end of the Financial year. Switches can be made provided that the minimum held in any investment option, determined at the time of the switch, is at least 1% of the value of your Income Units. There is no limit to the number of switches that can be made. Refer to the product's Product Disclosure Statement and Target Market Determination for further information.

