ADVERTISING FEATURE

Investing better

Retirement product offers myriad investment options

Patrick Clarke (above), general manager of retirement solutions at Generation Life, which has designed a new annuity product that pays a regular income – guaranteed for life.

An income guaranteed for life sounds more like a Tattslotto win than a policy issued by an insurance company, but that's exactly what retirement specialist Generation Life is offering with its pioneering product called LifeIncome.

The first-of-its-kind retirement solution guarantees to pay a regular income for life, and offers the ability to link the annual level of income to the return of the underlying investment options chosen by the client. This gives the potential for a greater return on the investment when compared to traditional lifetime annuities.

"Generation Life is proud to be the first investment-linked lifetime annuity provider to create such a unique offering following the government's decision to foster more innovative retirement solutions," says the life company's general manager of retirement solutions, Patrick Clarke.

"LifeIncome is the only investment-linked lifetime annuity provider to allow 23 investment options and the ability to switch at almost any time, to reflect changes in the investor's risk profile," Clarke says. "It also gives financial advisers the unique opportunity to give ongoing, valuable advice as their clients' needs change over time."

The product is based on painstaking research into people's changing needs during retirement, and the realisation that, for many, superannuation alone doesn't necessarily guarantee not having to worry about running out of money, being able to afford the lifestyle they want or pass money on to their children.

"The options are uniquely flexible," Clarke says. "Not only are there 23 investment options, which can be held in any combination, but the ability to switch between them means the level of income can change from one year to the next based on the investment the client and their adviser choose.

"They can choose between low-risk investments, which generally provide lower growth of regular payments, higher risk ones that have the potential to provide higher growth of payments, or a mixture of both. At the start of each financial year, your new annual income will be adjusted to reflect the performance of your investment choice."

Research by the Grattan Institute shows Australians spend more in the early years of their retirement, and that spending tends to slow around the age of 70 and decreases rapidly after the age of 80. LifeIncome offers even more flexibility to cover for this.

"You actually want more income in the early years of your retirement, not in the late years," Clarke says. "So, we have a feature we call LifeBooster that increases income in the earlier years of the annuity. "Without a LifeBooster rate, your investment returns tend to grow steadily over time, so your income is lower at the start and higher at the back end.

"There are two LifeBooster rates, one rate of 5 per cent and the other of 2.5 per cent, which lifts your starting income and then reduces it by the same percentage in the later years. However, it still allows your income to grow over the life of your investment, depending on your investment choice.

"As part of a retirement portfolio, using all the benefits of LifeIncome can give you confidence that you will enjoy the lifestyle you desire, and the peace of mind in knowing your spouse will receive your income for the rest of their life after your passing, if you include your spouse in your policy

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> Patrick Clarke

"Because only 60 per cent of money in a lifetime annuity is counted towards the assets test, there's also potential to access some or more of the age pension and its ancillary benefits, such as discounted council rates and cheaper medicine under the Pharmaceutical Benefits Scheme."

Among the choice of 23 investment options are some of Australia's – and the world's – most respected fund managers, including diversified funds managed by Vanguard, passive single sector funds managed by iShares, and active sector funds tended by AllianceBernstein, Hyperion and Pimco.

"Then we have interesting funds like the Magellan Infrastructure Fund or the Schroder Real Return Fund, which are outcome-based funds that don't really follow an index; they go for an outcome," Clarke says. For example, the Schroder Fund aims to deliver returns above the CPI.

"These are choices that might appear confusing for clients not used to the investment market, but your personal financial adviser will explain them to you, look at your individual needs and wishes and put together a portfolio that works for you.

"Financial advisers can help a client on any sort of income. They need to be lifestyle coaches as much as numerical wizards, and can change your attitude to how well you can live in retirement and how to achieve your aspirations."

Clarke says that, historically, traditional annuities have been stigmatised because of poor returns due to all-time low interest rates, and also because of their lack of flexibility.

"Once a traditional annuity is set, there is no ability to influence the investment outcome in the longer term," he says. "The new era of lifetime annuities gives the opportunity to gain exposure to growth assets, which creates potential for greater longer-term income growth.

"The ability to switch between investment options means the client isn't locked in, and changes can be made to address changes in markets, attitudes to risk, and income needs."