

7 facts on investment-linked lifetime annuities

The reasons why you may not have considered them

With the ageing population and life expectancies continuing to increase as noted in the 2023 Intergenerational Report, the current super system is unprepared for the silver tsunami of Australian retirees about to hit our shores.

It is estimated there are five million Australians approaching retirement that need assistance navigating the pension and superannuation systems,¹ with 4.1 million already there.²

The new era of lifetime annuities

Regulatory changes have accelerated the emergence of a new category of lifetime annuity. This new era of lifetime income streams such as, Generation Life's investment-linked lifetime annuity can offer more income, more choice and more flexibility to help address inflation, longevity and regret risks as part of retirees' overall retirement portfolios.

7 facts on investment-linked lifetime annuities and why you should consider them

89% of Australians over 50 aren't using, or haven't heard of lifetime annuities and only 3% of retirees have purchased an income product guaranteed for life³, which highlights the significant knowledge gap of Australians approaching retirement. Coupled with this, there are a number of misconceptions around lifetime annuities that we consider to be reasons why people aren't using them.

Below are 7 reasons why Australians may not have considered investment-linked lifetime annuities and 7 facts why they should:



Reason 1:

I will lose all of my investment if I pass away early



Fact 1:

All lifetime annuities offer a death benefit. Gone are the days when you lose a significant proportion of your savings, if you pass away soon after commencing an annuity.

LifIncome offers you a lump sum death benefit payable to your nominated beneficiaries if you pass away during your Death Benefit Period. The death benefit aims to return the difference between what was invested into the annuity and what has already been paid out as cumulative income.

? Reason 2:
Concerns the provider will default

i Fact 2:
All investment-linked lifetime annuity providers are regulated by the Australian Prudential Regulation Authority ('APRA') in Australia.

APRA requires annuity providers to hold enough capital to meet extreme market events.

Generation Life's reinsurance arrangements support it to make income payments for life; however, investors are not a party to the reinsurance arrangements between Generation Life and Hannover Re.

More importantly, each investment option is held separately and distinctly from the other investment options and assets of Generation Life. This means each investment option is legally independent and is quarantined and protected from any potential adverse positions that may impact either Generation Life or any of the other investment options.

? Reason 3:
Annuities don't offer value for money

i Fact 3:
Investment-linked lifetime annuities are designed to return your investment in the form of cumulative income sooner through higher starting income and the potential for annual income to grow over time.

This is through a number of key features available when investing in LifelIncome. LifeBooster, a key feature of LifelIncome, enables you to increase your starting income. Where you select a Reversionary Beneficiary, LifelIncome Flex gives you the opportunity to increase your starting income even further, enabling you to receive your initial investment back sooner.

Whilst income is the focus, it isn't the only value when it comes to LifelIncome. Other ancillary benefits include a lump-sum death benefit to be included in your estate plan, and having the potential to access or improve the Age Pension and associated benefits or the Commonwealth Seniors Health Card.

? Reason 4:
Annuities are fixed income products

i Fact 4:
Investment-linked lifetime annuities offer exposure to a wide range of assets including growth assets like shares.

Traditional lifetime annuities have only offered a fixed-rate return or an indexed return (e.g. CPI-linked).

Due to LifelIncome's investment-linked structure, changes in annual income are linked to the investment performance of your chosen investment option(s). The income payments will go up and down with investment performance, and over the longer term, income can be expected to grow in excess of inflation, depending on the investment option(s) chosen.

LifelIncome offers a wide range of investment options across all major asset classes including shares, infrastructure and private debt, with the ability for you to switch these investment option(s) at anytime.⁴

? Reason 5:
Annuities are complex

i Fact 5:
Investment-linked lifetime annuities have come a long way. LifelIncome is simple to manage once your investment has been set up.

At Generation Life, we believe in making the complex simple. In exchange for a lump sum, you will receive an income that is payable for life. The income your client will receive can rise or fall each year depending on the investment performance of your chosen investment option(s). You have complete flexibility to choose investment option(s) and switch between options because markets, attitudes and appetites for risk can all change. It's that simple.

? Reason 6:

Annuities are subject to high tax rates that diminish overall returns

i Fact 6:

Generally, no tax is payable when a lifetime annuity is purchased with non-superannuation or superannuation monies (being rolled over from a taxed source within the superannuation system). Any earnings on LifelIncome are tax free while they remain in your account, regardless of your age.

This is an advantage of LifelIncome over non-retirement phase superannuation accounts and investments outside superannuation. You also receive the benefits of any franking credits that may arise.

In addition, LifelIncome income payments are tax-free in your hands if you commenced your LifelIncome policy using superannuation monies and are at least 60 years old. In all other cases, there are tax concessions on your regular payments.

? Reason 7:

Annuities are inflexible

i Fact 7:

Generation Life's new era of lifetime annuities offers more choice and flexibility than traditional lifetime annuities, so it does not have to be a set and forget product.

LifelIncome is the most flexible and innovative investment-linked lifetime annuity in the market. LifelIncome offers:

- 29 investment options managed by professional fund managers, with options ranging from active or passive single sector funds to diversified funds.
- The ability to hold these options in any combination and switch between options at almost any time.⁴
- A choice of income redistribution rates, which we call "LifeBooster".
- The ability to be purchased with non-superannuation or superannuation monies.
- A choice of fortnightly or monthly income payments.
- The ability to nominate a Reversionary Beneficiary to receive income when the policyholder passes away and to nominate a Reversionary Beneficiary other than a spouse when non-superannuation money is used.
- The ability to elect to receive more income, where you have nominated a Reversionary Beneficiary, in return for reduced income when either life passes away (called "LifelIncome Flex").

LifelIncome

Investment-linked lifetime annuity

LifelIncome, our investment-linked lifetime annuity, delivers more income, more certainty, more flexibility and more choice to meet retirement goals. LifelIncome provides regular income for life that's linked to the performance of your chosen investment option(s), which you can switch between when needed⁴. LifelIncome also provides the ability to receive income earlier, often when needed most.

It is designed to optimise the level of income in retirement and complement other retirement solutions such as an account-based pension. LifelIncome can also assist with maximising Age Pension entitlements through social security asset and income test concessions.

About Generation Life

Generation Life, a wholly owned subsidiary of Generation Development Group (ASX:GDG), is a life company registered under the Life Insurance Act 1995 (Cth). As the pioneer of Australia's first truly flexible investment bond, we have been at the forefront of providing innovative tax-effective investment solutions since 2004.

We are proud to be shaping the retirement income landscape with LifelIncome, applying our innovative approach to clients' retirement income needs, enabling Australians to focus on enjoying retirement with the confidence of income guaranteed for life.

Generation Life is regulated by APRA and as such, we hold the minimum amount of capital, determined by APRA, to ensure we can meet our payment obligations to our clients. APRA is the same independent statutory authority that supervises banks.

We're here to help

For more information about how Generation Life's innovative investment-linked lifetime annuity solution can help you, please speak to your financial adviser. Alternatively, please visit us at [genlife.com.au](https://www.genlife.com.au) or call us on 1800 806 362.



Outthinking today.

If you're a financial adviser...

We can run technical strategies and tailored case scenarios to help you, to help your clients achieve their retirement and legacy goals.

Have client scenarios in mind?

Our specialist team is here to help. Contact one of our Technical team members at technical@genlife.com.au about running tailored client scenarios for you today.

Contact details

Investor services

1800 806 362

Adviser services

1800 333 657

Enquiries

enquiry@genlife.com.au

Sources

1. The Hon Steven Jones media release 13 June 2023 - <https://ministers.treasury.gov.au/ministers/stephen-jones-2022/media-releases/delivering-better-financial-outcomes-roadmap-financial>
2. Note: Reference period 2020-21 financial year. Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia - Retiree statistics and the retirement plans of people aged 45 years and over, issue August 2023.
3. Based on results from the surveys referred to on page 8 and /or at Source 3 of the Generation Life Reimagining Legacy Guide 2023.
4. Brief exclusion period applies – refer to the Product Disclosure Statement

Disclaimer

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