

The power of LifeBooster

Generation Life LifeIncome Technical Guide

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The benefit of LifeBooster

LifeBooster is a key benefit of LifeIncome that enables your clients to receive more income in the early years of their retirement, when they are more active and their spending is higher.

By providing an investor with more income in the earlier years of retirement, they can more closely align their income with their spending over their retirement journey. To demonstrate, let's explore retiree spending habits in more detail.

? Did you know?

Spending is highest in the earlier years of retirement, when a retiree is healthier and more active.

What retirees spend their money on changes as they get older.

Retirees generally over-estimate their future health costs.

Retiree spending habits over their retirement journey

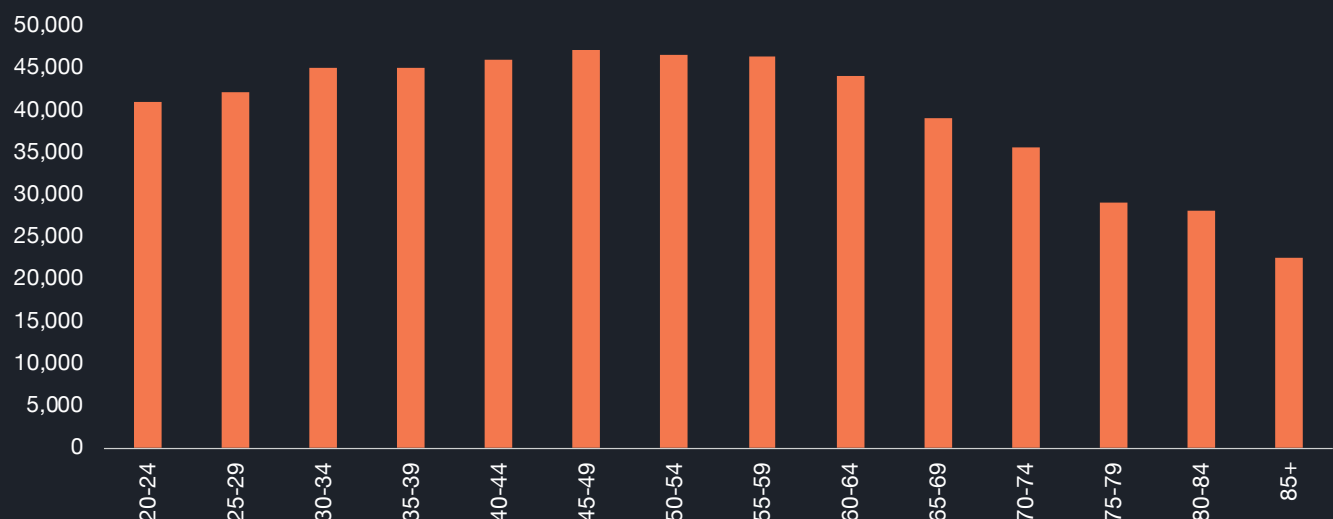
Let's consider an example of an investment-linked annuity that grows in line with investment returns.

Without LifeBooster, an investment-linked annuity may leave your client with a shortfall of income at the start of their retirement and conversely towards the end of their retirement, their annual income may far exceed actual spending.

LifeIncome, with a LifeBooster rate applied, aligns income needs more closely with spending habits over the duration of retirement. This allows an investor to live their retirement the way they may have intended and at the same time safeguards them from longevity risk.

Generation Life is proud to offer LifeIncome with a choice of two LifeBooster rates from which you and your client can choose.

Household Expenditure Survey (ABS) - Average yearly household expenditures on goods and services, 2016



Source: Australian Bureau of Statistics 2017, Household expenditure Survey, cited in Grattan Institute 2018, Money in retirement: More than enough, published 2018

How LifeBooster works

To enable your client to tailor their income requirements over time, LifeIncome offers two LifeBooster rates of 5% and 2.5%, which optimise starting income while still allowing their income to grow over the life of their investment. For retirees, this means:

- Their starting income is much higher than if no LifeBooster was applied.
- Their investment is paid back to them in the form of cumulative income sooner.
- They receive more income in the early years of their investment when they are more active and able to enjoy it.

What if your client could have future returns now?

The LifeBooster rate chosen by you and your client helps to calculate your client's starting income and bring forward future income into the early years. The higher the LifeBooster rate used, the higher the starting income.

Instead of income growing each year in line with full investment returns, future investment returns are discounted by the LifeBooster rate. LifeIncome has a higher starting income, and future income growth is achieved when net investment returns, discounted by the LifeBooster rate, exceed 0%.



Where a **LifeBooster 5% rate** is used, starting income is higher than that of a LifeBooster 2.5% rate, but future growth is potentially more modest.



Where a **LifeBooster 2.5% rate** is used, starting income is less than that of a LifeBooster 5% rate, but the potential for future growth is greater.

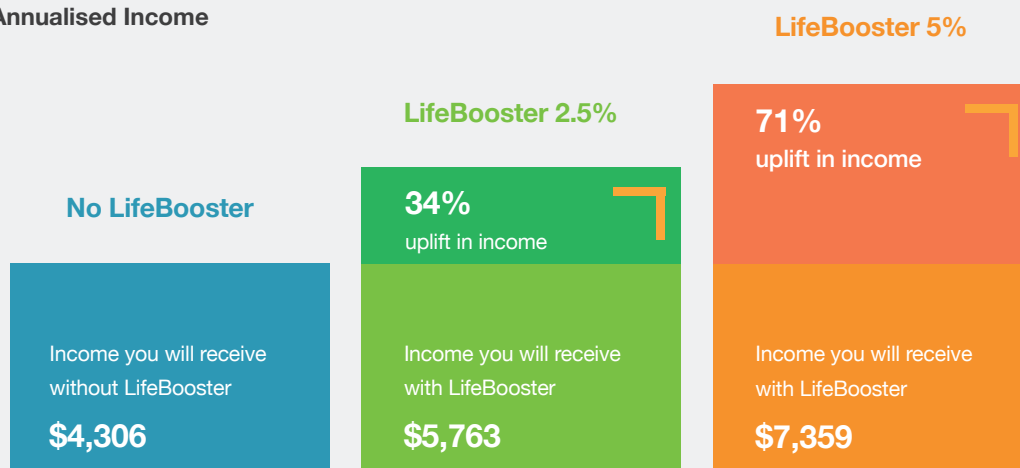
Let's consider an example

To illustrate the benefits, let's compare how LifeIncome would work with and without LifeBooster.

A 67-year-old male invests \$100,000 in LifeIncome.

In the example below, the starting income with a LifeBooster 5% rate is calculated to be \$7,359, which is an uplift of 71% on starting income without LifeBooster. The example also illustrates the starting income with a LifeBooster 2.5% rate. In this case, there is an uplift of 34% on starting income without LifeBooster.

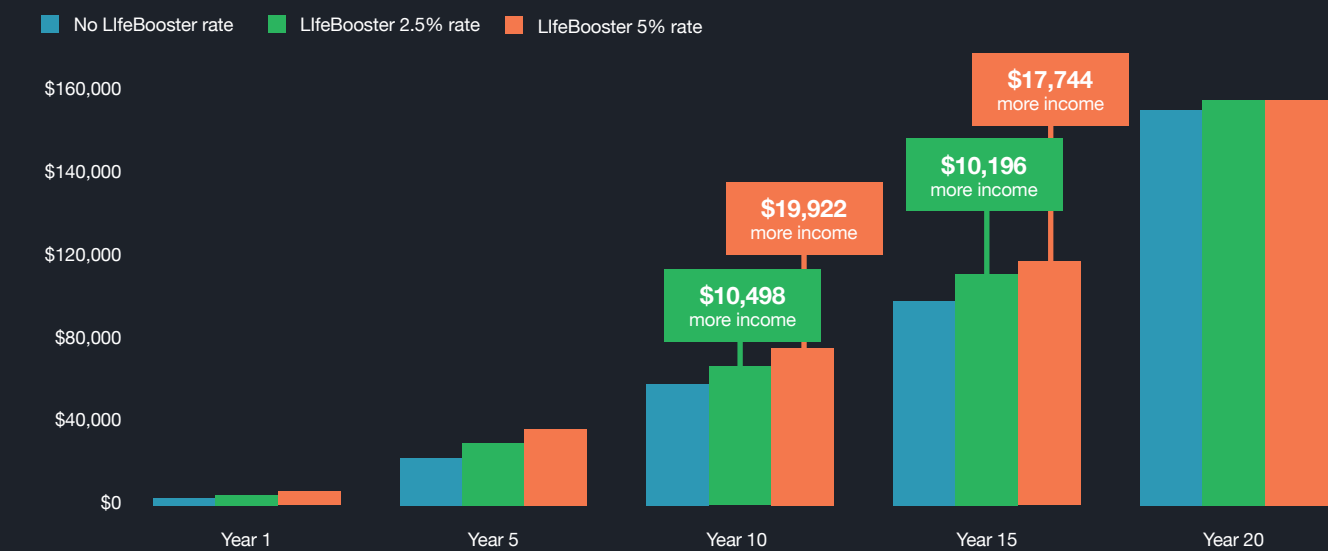
First Year Annualised Income



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

Comparing cumulative income

The graph below demonstrates that cumulative income is higher in the earlier years of your investment and that you receive your investment back sooner in the form of income when LifeBooster is applied.



Assumptions: Male 67 years old, initial investment \$100,000 and LifeBooster rate of 2.5% and 5%. Assumed gross return of 7% p.a. Estimated total fees, expenses and costs of 1.22%, and the impact of discounting the returns by the LifeBooster rate of 2.5% p.a and 5% p.a. The assumed gross return of 7% is for illustrative purposes only and does not represent any actual or future performance expectations. Practically, the discounting of investment performance occurs daily and is reflected in the daily unit price of your chosen investment option(s).



Annual Income Reset illustration

| LifeBooster 5% rate | First Year | Year 2 | Year 3 | Year 4 | Year 5 |
|---|------------|---------|---------|---------|---------|
| Return of previous financial year | n/a | 10.20% | 9.70% | 0.90% | 20.70% |
| Return after fees | n/a | 9.28% | 8.78% | -0.02% | 19.78% |
| Return after the impact of discounting returns by the LifeBooster rate* | n/a | 3.73% | 3.26% | -5.10% | 13.70% |
| Annual Income | \$7,359 | \$7,634 | \$7,882 | \$7,480 | \$8,505 |
| Monthly Income Payments | \$613 | \$636 | \$657 | \$623 | \$709 |
| Difference in monthly payment from one year to the next | n/a | \$23 | \$21 | -\$33 | \$85 |

| LifeBooster 2.5% rate | First Year | Year 2 | Year 3 | Year 4 | Year 5 |
|---|------------|---------|---------|---------|---------|
| Return of previous financial year | n/a | 10.20% | 9.70% | 0.90% | 20.70% |
| Return after fees | n/a | 9.28% | 8.78% | -0.02% | 19.78% |
| Return after the impact of discounting returns by the LifeBooster rate* | n/a | 6.25% | 5.77% | -2.79% | 16.46% |
| Annual Income | \$5,763 | \$6,123 | \$6,476 | \$6,295 | \$7,332 |
| Monthly Income Payments | \$480 | \$510 | \$540 | \$525 | \$611 |
| Difference in monthly payment from one year to the next | n/a | \$30 | \$29 | -\$15 | \$86 |

The above tables provide general examples for illustrative purposes only. The discounting effect of the LifeBooster rate and the Lifetime Income Protection Provision is factored into the unit price daily. If the investment return after fees, expenses and costs is 9.28%, this return is then discounted by your chosen LifeBooster rate and the Lifetime Income Protection Provision. The 'Return of previous financial year' is the performance net of investment management fees and transactional and operational costs. The 'Return after fees' is the return described above less the administration fee and insurance expense.

The annual change in income with a LifeBooster rate of 5% is calculated using the following formula: $((1 + 9.28\%) \div (1 + 5\% + 0.35\%)) - 1 = 3.73\%$
 The annual change in income with a LifeBooster rate of 2.5% is calculated using the following formula: $((1 + 9.28\%) \div (1 + 2.5\% + 0.35\%)) - 1 = 6.25\%$

* Your returns are discounted each year, because your starting income was made higher by using a future rate of return assumption, the LifeBooster rate, and the Lifetime Income Protection Provision.



How do you choose the LifeBooster rate best suited to your client?

Does your client require more income now or each year? What level of investment volatility suits your client? What returns is your client expecting to generate?



You can use our quotation tool available in the Adviser Online portal to show the starting level of income and how your client's annual income may grow over time.



You can use our Retirement Income Optimiser to show the difference in outcomes and the benefits of including LifeIncome in a comprehensive retirement income portfolio.



You can refer to our range of case studies and personas to demonstrate how LifeBooster works in practice.



Contact Generation Life's technical team on technical@genlife.com.au to build your client's scenario.

Your client can only choose one LifeBooster rate and this choice cannot be changed once your client's LifeIncome has commenced. For added flexibility, they may choose to have more than one LifeIncome.

Get in touch

To learn more about how LifeIncome can complement your client's retirement income sources, contact your local Generation Life Distribution Manager, or visit www.genlife.com.au.



Outthinking today.

Adviser services

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Investor services

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