

Case study

The power of investment choice and flexibility

Lifeline | Investment-linked lifetime annuity

Retiree lifestyle - every retiree has different objectives

A key challenge to successful retirement planning is being able to balance your financial goals and objectives with your retirement lifestyle. Retirement is not just a financial decision, it is an emotional journey. It can be an overwhelming period where you may feel anxiety about the future and losing a sense of identity when you retire. Furthermore, you would also have lost the financial stability of a regular income too. In addition to this, you may have concerns about inflation, economic volatility, investment performance and longevity risk - the risk of outliving your savings.

One option to help achieve your goals this is to include more than one retirement income source, such as, an investment-linked lifetime annuity, in your retirement income strategy that complements your account-based pension. This is further enhanced by being able to construct a portfolio of underlying investment options with different risk/return profiles, suited to your individual situation. There are however, some general principles which should be considered in constructing an investment portfolio suited to the retirement journey.

Providing flexible styles of investing through a purpose built investment menu

Traditional lifetime annuities only offered starting income that never changes or where income is indexed annually (e.g. CPI-linked).

Due to Lifeline'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 grow in excess of inflation, depending on the investment option(s) chosen.

Lifeline 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.¹

Working closely with your financial adviser, you can construct your own portfolio by investing in single asset investment options or use one of the diversified investment options to suit your desired risk profile. So if your risk profile changes then so too can your investment.



What is portfolio construction?

Why is it so important for successful retirement planning?

Portfolio construction is the process of developing investment strategies and managing risk to achieve specific goals and objectives. Investment goals and objectives vary greatly between retirees so having the correct mix of exposure through effective asset allocation is very important. The portfolio construction process in retirement must cater for your personal goals, risk tolerance and investment horizon.

Every asset class offers different levels of risk and return and is likely to perform differently under various market conditions. An important element to portfolio construction and the allocation of assets within the portfolio is to effectively balance risk within the portfolio to achieve your desired outcomes.

The power of flexibility and tailoring an investment portfolio's objectives with your financial adviser to your individual income, social security and lifestyle objectives means that portfolio construction and investment choice become central themes in achieving your goals and objectives at every stage of your retirement.



Four portfolio construction ideas

Construct your own single sector model portfolio

Construct a portfolio using single sector passive funds and/or a combination of single sector active and passive funds.

A core-satellite approach

Use a diversified or outcome fund as a core and add a satellite of single sector tilts.

Choice of pre-packaged diversified options

Choose a pre-packaged diversified or outcome-based fund.

Retirement portfolios

Purpose built portfolios tailored for clients' retirement income.

Meet Jim and Glenda...

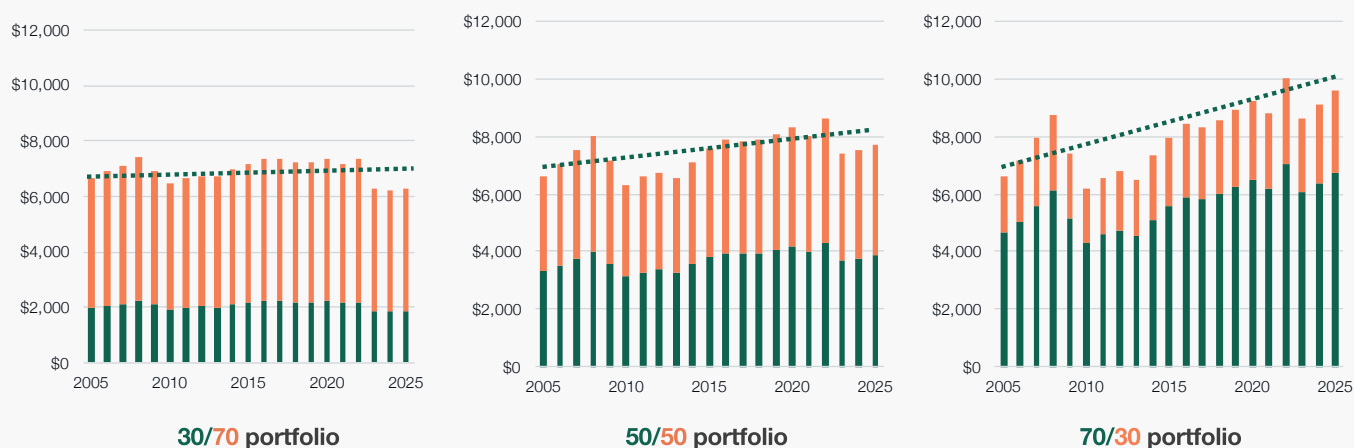
Jim and Glenda, both 67 years old and recently retired.

Jim and Glenda recently read about Lifeline - Generation Life's investment-linked lifetime annuity and decided to speak to their financial adviser about different ideas on how they can construct their portfolio. Jim and Glenda's financial adviser illustrates how LifeBooster 5% and 2.5% rates, combined with the power of investment return can have different outcomes.

Lifeline offers two LifeBooster rates - 5% and 2.5%. Where a 5% LifeBooster rate is used, starting income is higher, but future growth is potentially more modest. Where a 2.5% LifeBooster rate is used, starting income is not as high, but potential for future growth is greater. To illustrate the differences, Jim and Glenda's financial adviser compares how different objectives could be achieved using different LifeBooster rates and investment portfolios.

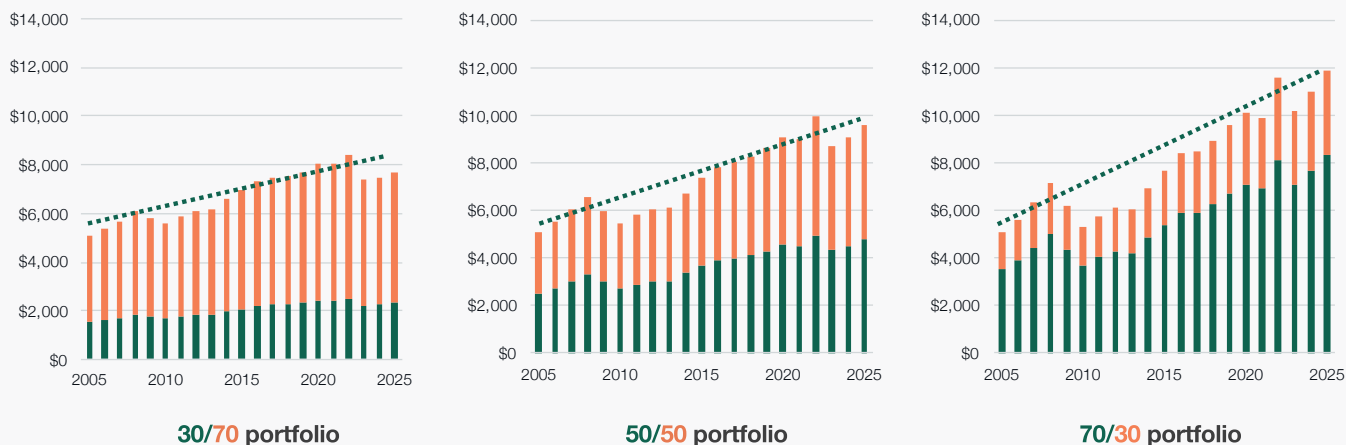
If Jim and Glenda invest \$100,000 choosing LifeBooster 5%...

They will receive a higher starting income of \$6,641 with the opportunity for future growth of their annual income.



If Jim and Glenda invest \$100,000 choosing LifeBooster 2.5%...

They will receive a starting income of \$5,055 with the opportunity for greater future growth of their annual income.



Starting income is based on a Lifeline for Jim with Glenda nominated as the Reversionary Beneficiary and commencing a Lifeline policy of \$100,000 investment with LifeBooster 5% and 2.5%. Figures referencing the past 20 years from 1st July 2004 to 30th June 2024. Investment returns are net of investment management costs. Returns have applied an assumed franking credit refund as follows: Vanguard Conservative, 0.19% p.a., Vanguard Balanced, 0.29% p.a., Vanguard Growth, 0.46% p.a.. Annual income illustrations are shown in nominal dollars. Estimated administration fees of 0.92% p.a. for Lifeline. Fees on Lifeline are a percentage of the annual income. There are no fees on income from Lifeline until the end of the first financial year you commence Lifeline. Past performance is not a reliable indicator of future performance.

Jim and Glenda's outcome

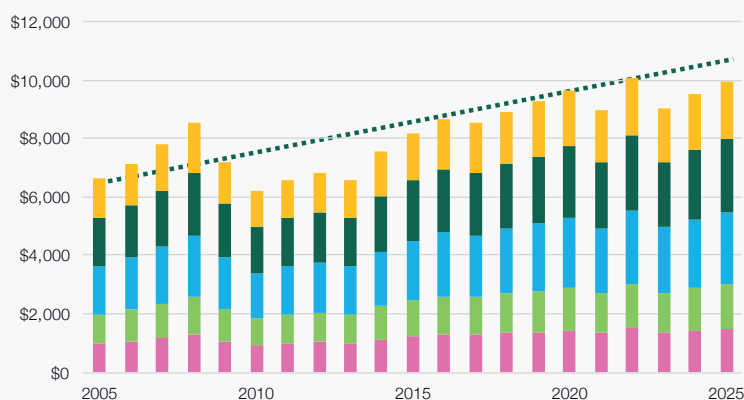
As Jim and Glenda are both in their early years of retirement, they would like to have a higher starting income, linked to a portfolio with a return profile that will deliver income that grows over time.

Their financial adviser decides to construct a 70/30 portfolio with a LifeBooster 5% to meet Jim and Glenda's current objective.



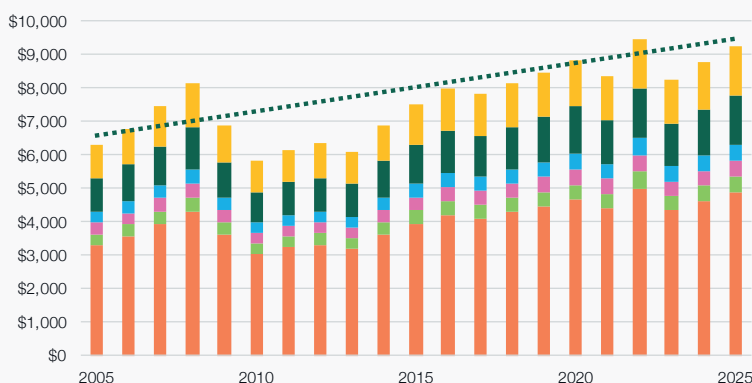
Portfolio construction ideas

Options to construct Jim and Glenda's 70/30 Portfolio



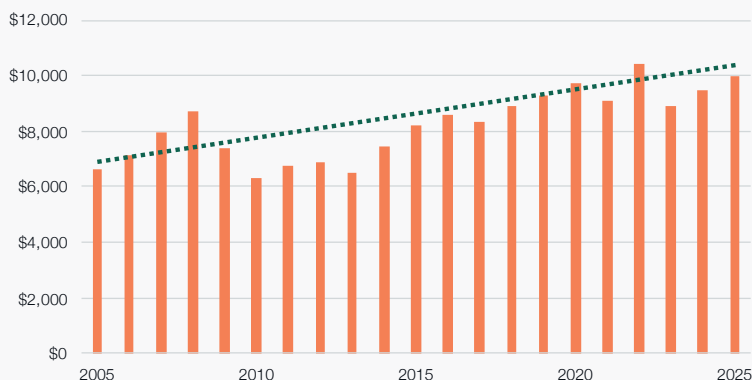
Single sector model portfolios

iShares Wholesale Australian Equity Index Fund	25%
iShares Wholesale International Equity Index Fund	25%
IML Australian Share Fund	20%
PIMCO Wholesale Global Bond Fund	15%
iShares Wholesale Australian Bond Index Fund	15%



A core-satellite approach

Vanguard Growth Portfolio	50%
iShares Wholesale International Equity Index Fund	15%
iShares Wholesale Australian Equity Index Fund	15%
IML Australian Share Fund	5%
PIMCO Wholesale Global Bond Fund	5%
iShares Wholesale Australian Bond Index Fund	10%



Prepackaged diversified options

Vanguard Growth Portfolio	100%
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Starting income is based on a LifelIncome for Jim with Glenda nominated as the Reversionary Beneficiary and commencing a LifelIncome policy of \$100,000 investment with LifeBooster 5%. Figures referencing the past 20 years from 1st July 2004 to 30th June 2024. Annual income illustrations are shown in nominal dollars. Estimated administration fees of 0.92% p.a. for LifelIncome. Fees on LifelIncome are a percentage of the annual income. There are no fees on income from LifelIncome until the end of the first financial year you commence LifelIncome. Investment returns are net of investment management costs. Past performance is not a reliable indicator of future performance.

Did you know...

Introducing Generation Life's retirement portfolios

Generation Life's Retirement Portfolios - specifically designed portfolios that are purpose built by Generation Life for retirees and the features of LifeIncome.

These new investment options use a real return investment approach, which focuses on the highest probability of achieving the return objective while focusing on downside protection and reducing volatility. The return objectives are aligned to the Self-Funded Retiree Living Cost Index² and tailored to our LifeBooster rates.

Introducing our investment portfolios that grow while focusing on downside protection.

Generation Life Lifestyle Portfolio

Return objective

To outperform the benchmark by 5.0% p.a. over rolling 5-year periods. The benchmark is the 5-year rolling annualised change of Self-Funded Retiree Living Cost Index.

Generation Life Protect Portfolio

Return objective

To outperform the benchmark by 2.5% p.a. over rolling 5-year periods. The benchmark is the 5-year rolling annualised change of Self-Funded Retiree Living Cost Index.

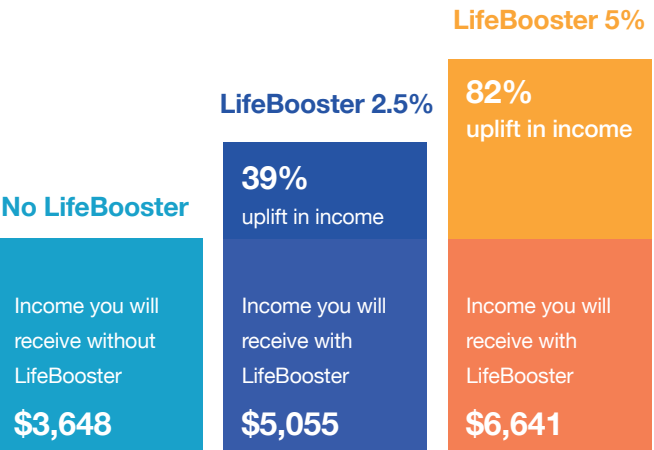
The power of LifeBooster

Access more income sooner with LifeBooster

LifeBooster is a key benefit of LifeIncome that enables you to receive more income in the early years of your retirement, when research demonstrates spending is highest.³ This unique feature gives you the peace of mind to align your income with your spending patterns over your retirement journey.

To enable you to tailor your income requirements over time, LifeIncome offers two LifeBooster rates of 2.5% and 5%, which optimise your starting income while still allowing your income to grow over the life of your investment.

Comparing first year income for Jim and Glenda



Starting income is based on a LifeIncome for Jim with Glenda nominated as the Reversionary Beneficiary and commencing a LifeIncome policy of \$100,000 investment with LifeBooster 5% and 2.5%.

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 since 2004, we have been at the forefront of providing innovative tax-effective investment solutions. We are proud to be shaping the retirement income landscape with our latest innovation, LifeIncome.

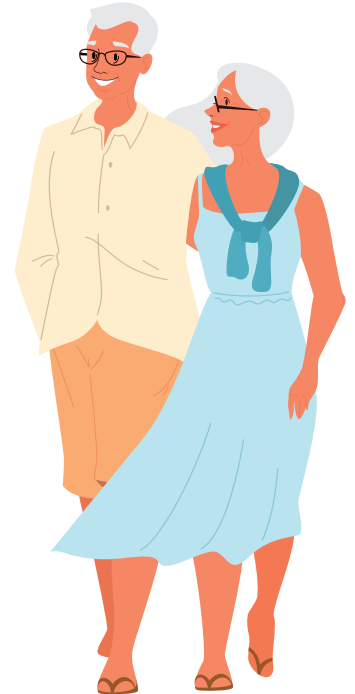
Generation Life is regulated by the Australian Prudential Regulation Authority ('APRA') and as such, we are required to hold a minimum amount of capital, determined by APRA, to ensure we can meet the payment obligations we have to our clients. APRA is the same independent statutory authority that supervises banks.

If you're a financial adviser...

We can run technical strategies and client scenarios to help you assist your clients to achieve their retirement and legacy goals.

Do you 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 client scenarios for you today.



Outthinking today.

Contact details

Investor services

1800 806 362

Adviser services

1800 333 657

Enquiries

enquiry@genlife.com.au

Footnotes

1. Brief exclusion period applies – refer to the Product Disclosure Statement
2. The Self-Funded Retiree Living Cost Index is published by the Australian Bureau of Statistics.
3. Grattan Institute 2018, Money in retirement: More than enough, <https://grattan.edu.au/wp-content/uploads/2018/11/912-Money-in-retirement.pdf>, published November 2018

Disclaimer

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