generation life

Case study

The no-regret travellers

LifeIncome | Investment-linked lifetime annuity



Meet Jeff and Mandy...

Jeff and Mandy are both 67 years old and homeowners.

They love travelling around Australia and overseas, and spending time with their grandchildren.

Jeff and Mandy currently have...

$550,000
Jeff's superannuation balance

$450,000
Mandy's superannuation balance

$10,000
Personal assets

$50,000
Non-superannuation assets

Jeff and Mandy's objectives

- ✓ Spend more in the earlier years, as they are both healthy but concerned that they might run out of money
- ✓ Don't want to burden their children with funeral expenses
- ✓ Want to leave something to their grandchildren

“I regret not spending more when I first retired. I could have enjoyed my retirement more than I did.”

Regret risk is real

Many Australians arrive at retirement with significant capital but no ability to manage that capital effectively. They are constantly threading together a knot of worries – can they live the lifestyle they want, can they pass money on to their children – will they run out of money? Their reward for 40 years of saving is not less financial uncertainty. It’s more.

As a result, many retirees draw down only the minimum from their account-based pension. They lack the confidence to spend, worry about running out of money and worry that their costs will rise later in retirement. Once they reach the later years of retirement they look back and feel a sense of regret from being overly frugal or conservative in their early years of retirement.

This is what we call ‘regret risk’.

Over the next decade, financial advisers will become even more important in building client wealth while helping with decumulation of wealth and avoiding what we describe as ‘regret risk’. The issues involved in optimising retirement income are complex and multilayered. Very few individuals will be able to manage that process by themselves.

At Generation Life, we believe that to meet your retirement needs, it is important to understand that there isn’t a single solution but a mix of strategies combined.

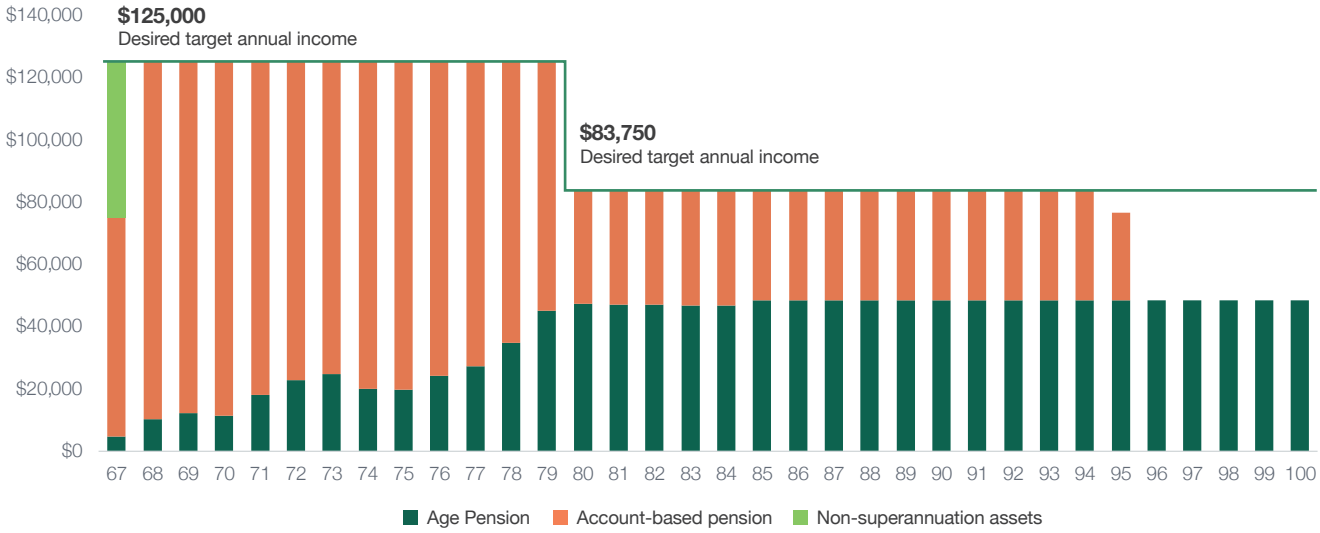
LifeIncome, our investment-linked lifetime annuity, can help address concerns retirees may have with their account-based pension such as a market correction reducing their capital or that their overly conservative portfolio limits their ability to grow or maintain their income over time. With an investment-linked lifetime annuity, investors can remain fully invested in an appropriately risked portfolio.

LifeIncome can also provide a regular income guaranteed for life, providing greater confidence to enjoy retirement, and building a greater legacy.



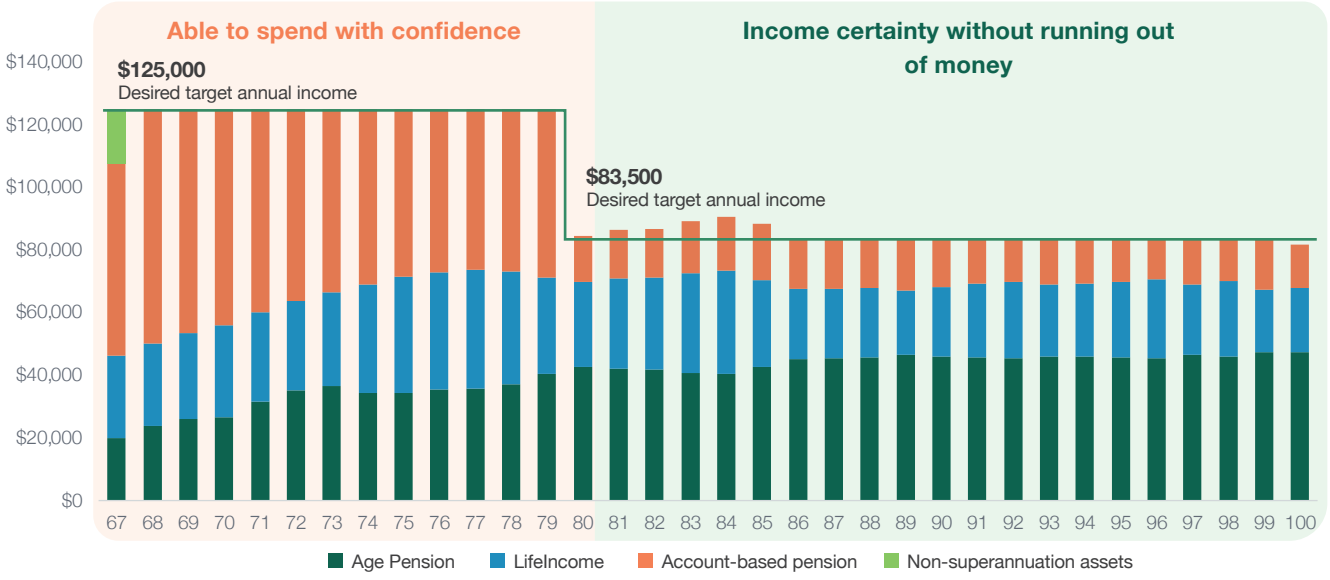
Jeff and Mandy's current situation

Based on their current situation, Jeff and Mandy will run out of their account-based pension after age 91 and will be solely reliant on the Age Pension. They will not be able to leave a legacy to their grandchildren after they've passed away.



Jeff and Mandy's outcome

Jeff and Mandy speak to their financial adviser and invest $400,000 in LifeIncome and establish two FuneralBonds of $32,500 combined. They are now able to maintain their desired lifestyle with confidence and peace of mind. They can also receive more Age Pension in earlier years and have an additional layer of income if their account-based pension runs out. They are also able to leave a legacy for their grandchildren from the additional income above their desired income target.



$147,921
Additional cumulative Age Pension by age 100

$13,245
Account-based pension balance at age 100

$421,273
Additional cumulative income by age 100 (including Age Pension)

$22,935
Additional income over annual income target

$32,500
Prepaid funeral arrangements easing the burden for their loved ones

9 years
Payback period of investment into LifeIncome (refer to page 5)

LifeIncome

Investment-linked lifetime annuity

LifeIncome, our investment-linked lifetime annuity, delivers more income, more certainty, more flexibility and more choice to meet retirement goals. LifeIncome provides regular income for life that's linked to the performance of your chosen investment option(s), which you can switch between when needed[1]. LifeIncome 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. LifeIncome can also assist with maximising Age Pension entitlements through social security asset and income test concessions.

8 key features of LifeIncome

Investment-linked lifetime annuity
Immediate single or reversionary annuity that delivers income for life

Investment choice
26 options across major asset classes with the ability to switch at anytime[1]

ConfidencePlus
Gain added certainty by protecting your income from market downturns while allowing unlimited income growth

More income sooner
Features like LifeBooster and LifeIncome Flex can help you enjoy more income in your early years of retirement

0% tax environment
Investment earnings are tax-free - there are tax benefits on income payments too

Death Benefit / Withdrawal Benefit
Available during Death Benefit Period / Withdrawal Period

Reversionary Beneficiary
Money available to support your spouse or loved one[2] between ages of 50 and 95

Dollar-cost averaging
Progressively invest into your chosen investment option(s) over a period of up to 12 months[3]

Planning ahead...

Access more of the Age Pension, sooner

Australians often apply for the Age Pension well after the time they become eligible, on average about 2.3 years after.[4]

It is estimated that single retirees are losing an average of $37,000 in Age Pension entitlements due to delays in applying for the Age Pension while couples are estimated to lose close to $60,000.[4]

LifeIncome is defined as an 'asset-tested income stream (lifetime)' product for social security purposes and provides the potential to access some or more of the Age Pension and ancillary benefits such as discounted council rates and cheaper medicine under the Pharmaceutical Benefits Scheme.

Centrelink and the Department of Veterans' Affairs entitlements are determined using two 'means' tests: an assets test and an income test.

Means tested asset value	Under the assets test, only 60% of your investment amount is assessed. From age 85, subject to a minimum of 5 years from the date of investment, only 30% is assessed.
Means tested income	Only 60% of your LifeIncome annual income is assessed under the income test.



Understanding your income sources

Everyone's retirement plan will be different, because everyone's objectives, preferences and circumstances are different. When developing your plan, it is important that you speak to your financial adviser to consider all income sources available and help manage them according to your goals and objectives.

To help you with this conversation, here's a brief look at the common sources of retirement income available for Australian retirees today:

Account-based pension - A flexible superannuation income stream offering wide investment choice, lump sum withdrawals and the ability to vary income. It is important to remember however, that there is no guarantee of income.

Age Pension - Government social security support, which can include income and other benefits such as, healthcare discounts.

Non-super assets - Assets accumulated over time including savings, the family home, shares and other investments.

Investment-linked lifetime annuity such as LifeIncome can provide an income that is guaranteed for life, offering a wide range of investment choice, and has the potential to provide access to some or more of the Age Pension.

Your planning horizon

Arguably the hardest part of retirement planning is the uncertainty associated with predicting how long your money needs to last. One of the key challenges facing many Australians is finding a balance between living the lifestyle in retirement that you have worked so hard for and ensuring that you have enough money and income for as long as you live.

Australian retirees have some of the highest life expectancies in the world. According to the latest Life Tables from the Australian Government Actuary, the life expectancy of a 70-year-old male is 16.25 years. A 70-year-old female has a life expectancy of 18.53 years.[5] However, because these numbers are averages, there is a 50% chance you will live past the average life expectancy. To be confident that your retirement income will last for as long as you will need, it is important to factor this into your retirement planning.

If you are planning as a couple, you should lengthen your planning horizon to be confident it can cover your spouse too. This is because couples have two chances that one partner could live past their life expectancy. The more confident you want to be that your retirement income plan will last your lifetime, the longer you have to plan.

Payback period

You may be wondering how long it will take to payback your LifeIncome investment. This is what we define as the 'payback period'.

With an investment-linked lifetime annuity such as LifeIncome, you are much more likely to receive your investment back sooner compared to traditional annuities.

The 'payback period' includes the return of your investment in the form of cumulative income, as well as any increase in Age Pension which you may receive as a result of investing into LifeIncome and FuneralBond.

FuneralBond

Peace of mind for you and your family

There's no easy way to contemplate your own funeral, but with Generation Life's FuneralBond you can make that day a little easier for your loved ones.

FuneralBond is a simple and tax-effective way to help meet your future funeral costs. Saving for your funeral costs is a practical and thoughtful gesture that can ease financial stress on those left behind during their time of grief.

You can use the investment as part of a prepaid funeral arrangement. Plus, FuneralBond is exempt (up to certain limits) from the social security assets test and deeming provisions for the income test that applies to the Age Pension, Service Pension and other means-tested government entitlements. This means there's also the potential to improve pension benefits during your lifetime or to reduce aged care costs.

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.

generation life

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. If you are commencing LifeIncome with non-superannuation money, you could choose to include someone other than your spouse, such as your child or sibling. The Reversionary Beneficiary must be between the ages of 50 and 95 at commencement of the policy.
3. Dollar-cost averaging is not available where you choose the ConfidencePlus feature.
4. Source: The most expensive mistake retirees can make, SuperEd, published 2015.
5. Australian Government Actuary, Australian Life Tables 2020-22, 12/12/2024

Assumptions for Jeff and Mandy's retirement income illustrations

Based on a LifeIncome policy for Jeff (67), using 40% of Jeff and Mandy's combined superannuation assets to purchase LifeIncome with a 5% LifeBooster rate, with Mandy (67) nominated as a Reversionary Beneficiary at a 100% reversionary percentage. Jeff and Mandy also purchase two FuneralBonds from their non-superannuation assets. Account-based pension drawdown amount is to meet the target income, minimum drawdowns do apply. Annual income illustrations are shown in real dollars. Cumulative income figures are shown in nominal dollars. Age Pension rates and thresholds are as at 20/09/2026. The illustration uses historical net investment returns commencing 1 July 1992. Both LifeIncome and account-based pension are invested in the same BlackRock® Enhanced Strategic Growth Model Portfolio. The investment returns shown in this example are illustrative only and reflect hypothetical historical performance of the BlackRock® Enhanced Strategic Growth Model Portfolio with investment returns based on a composite index growth portfolio with the following allocations: 15% Bloomberg AusBond Composite Index, 15% Bloomberg AusBond Bank Bill Index, 30% MSCI World ex Australia Index, 40% S&P/ASX 300 Index. LifeIncome returns are net of estimated total fees and charges of 1.16% and the impact of discounting the returns by a LifeBooster rate of 5%. Fees on LifeIncome are a percentage of the annual income. There are no fees on income from LifeIncome in the first financial year you commence LifeIncome. Estimated fees and costs of 0.5% p.a. for the account-based pension. Past performance is not a reliable indicator of future performance.

Disclaimer

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