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Retirement strategies in an uncertain world



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Important information



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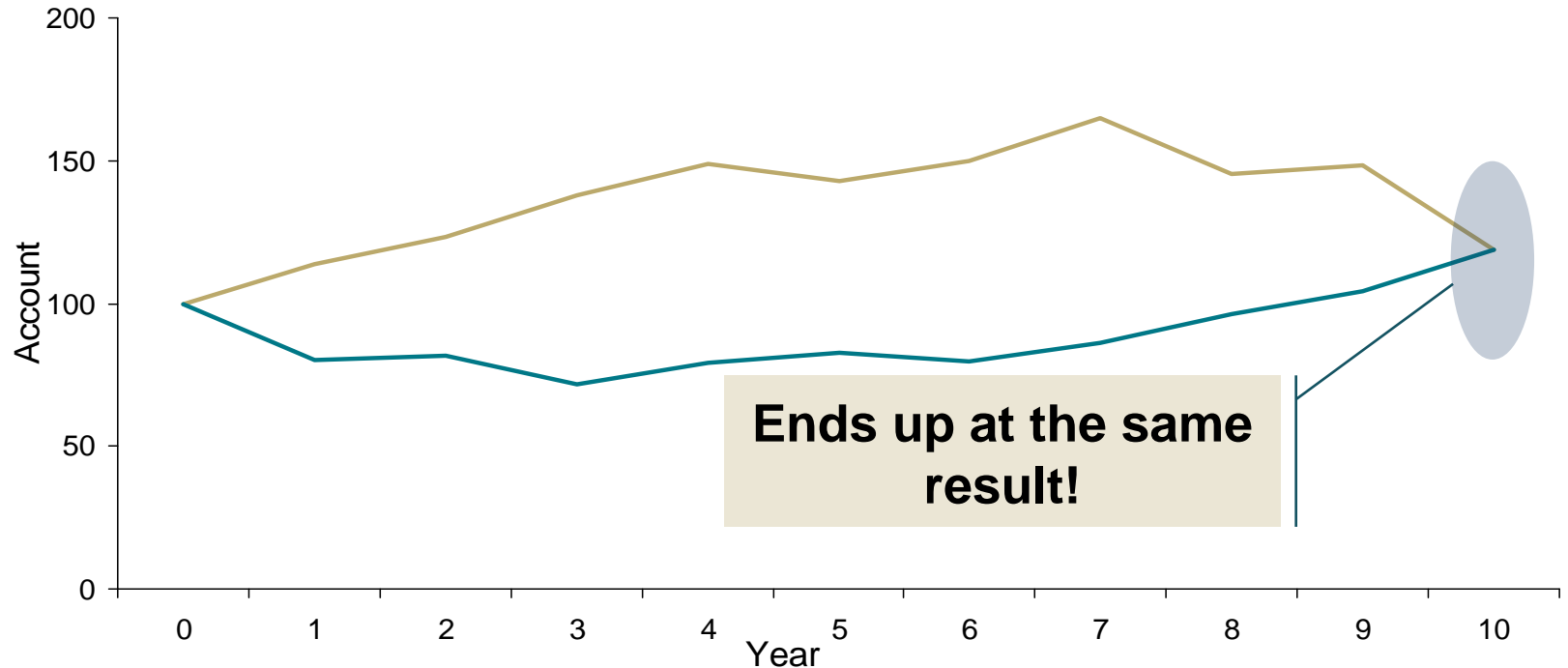
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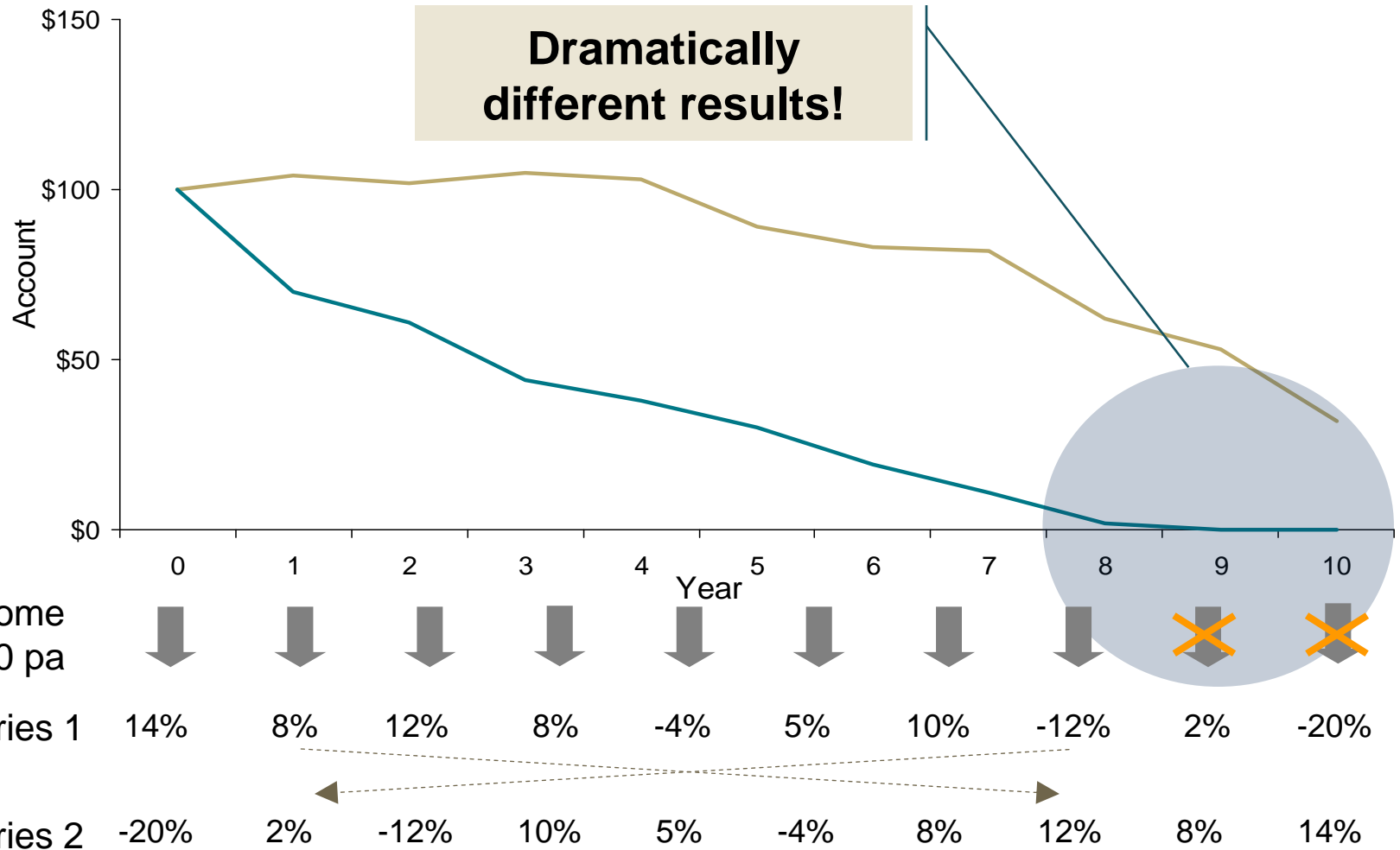
Sequence of returns - accumulation



Ends up at the same result!

Series 1	14%	8%	12%	8%	-4%	5%	10%	-12%	2%	-20%
Series 2	-20%	2%	-12%	10%	5%	-4%	8%	12%	8%	14%

Sequence of returns - decumulation

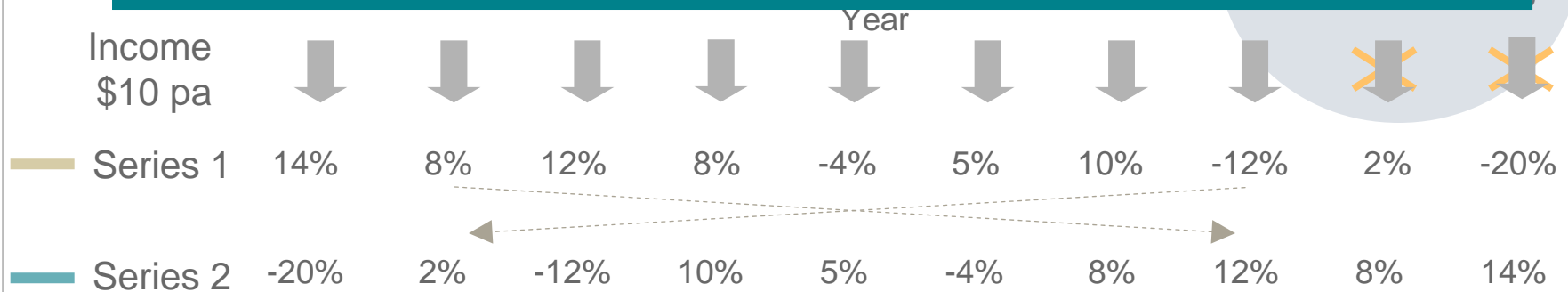


Sequence of returns - decumulation



Dramatically different results!

Many Aussies can expect to spend **30 to 40 years in retirement**. New approaches to advice and innovative products are required – you must ***manage money & risks***



Today's key messages



The **economic outlook is fundamentally uncertain** – not even the experts can agree where we are heading!

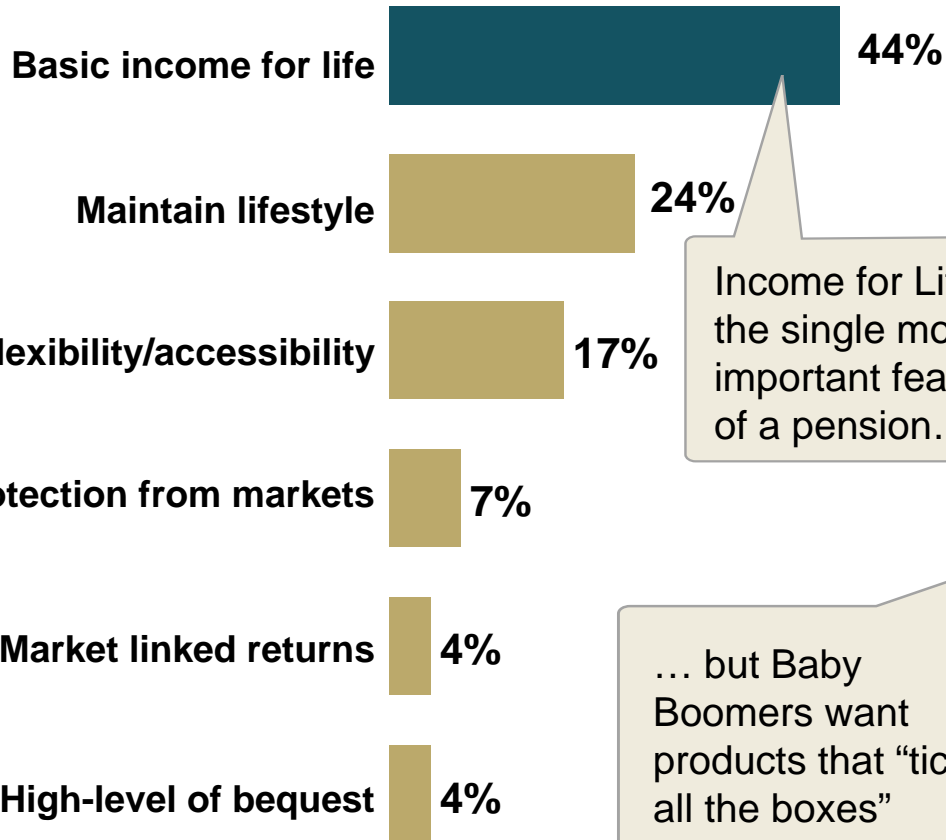
Retirees' are **exposed to market falls early in retirement** due to the “**sequence of returns**” effect

Macquarie Lifetime Income Guarantee allows you to manage your clients' money & risk

What do retirees really want?



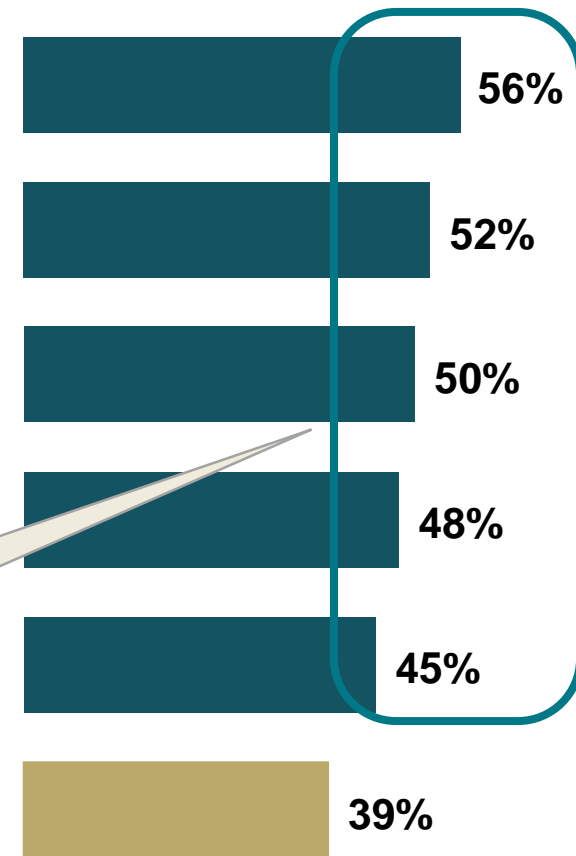
MOST important pension feature?



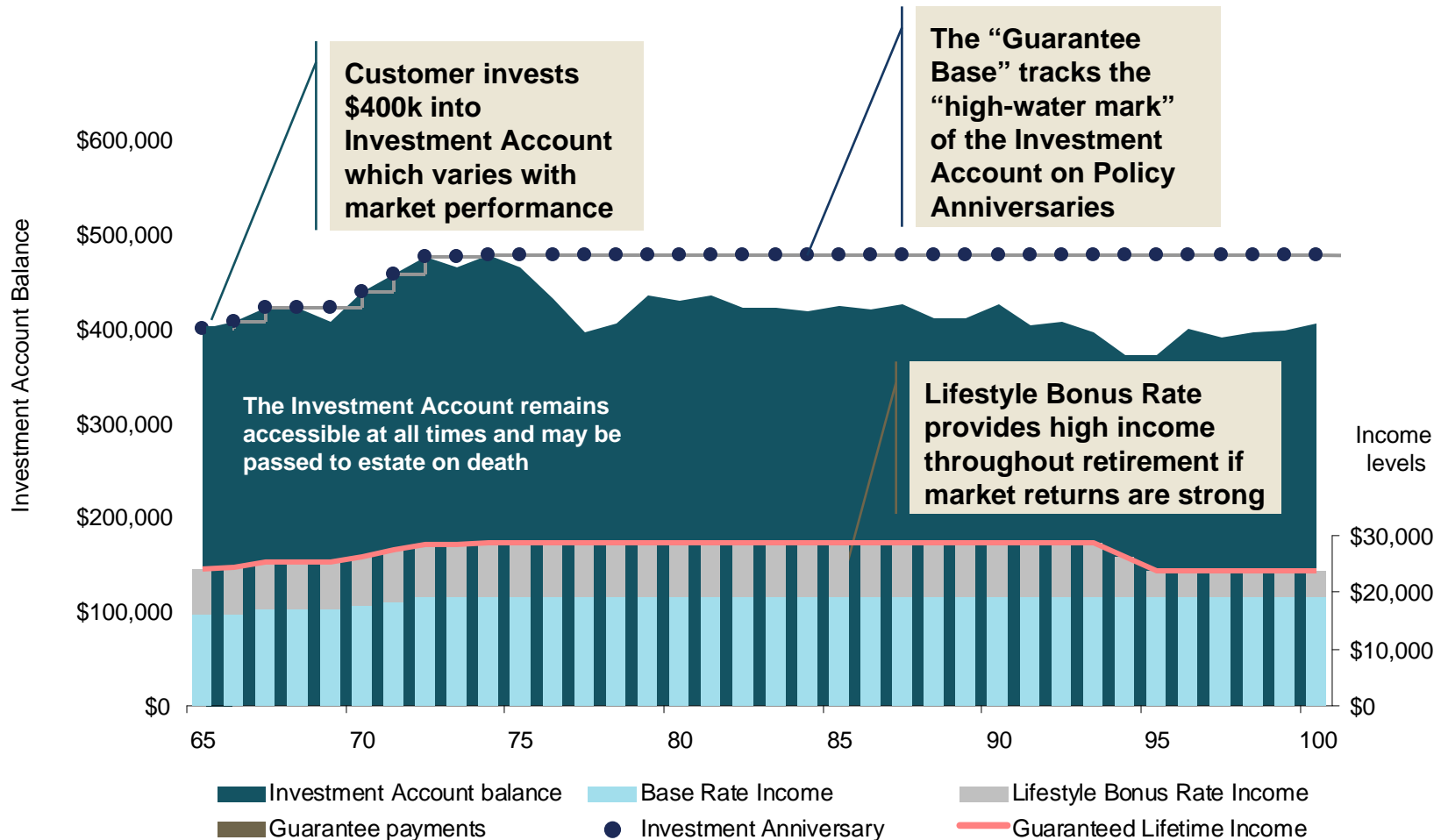
Income for Life is the single most important feature of a pension...

... but Baby Boomers want products that "tick all the boxes"

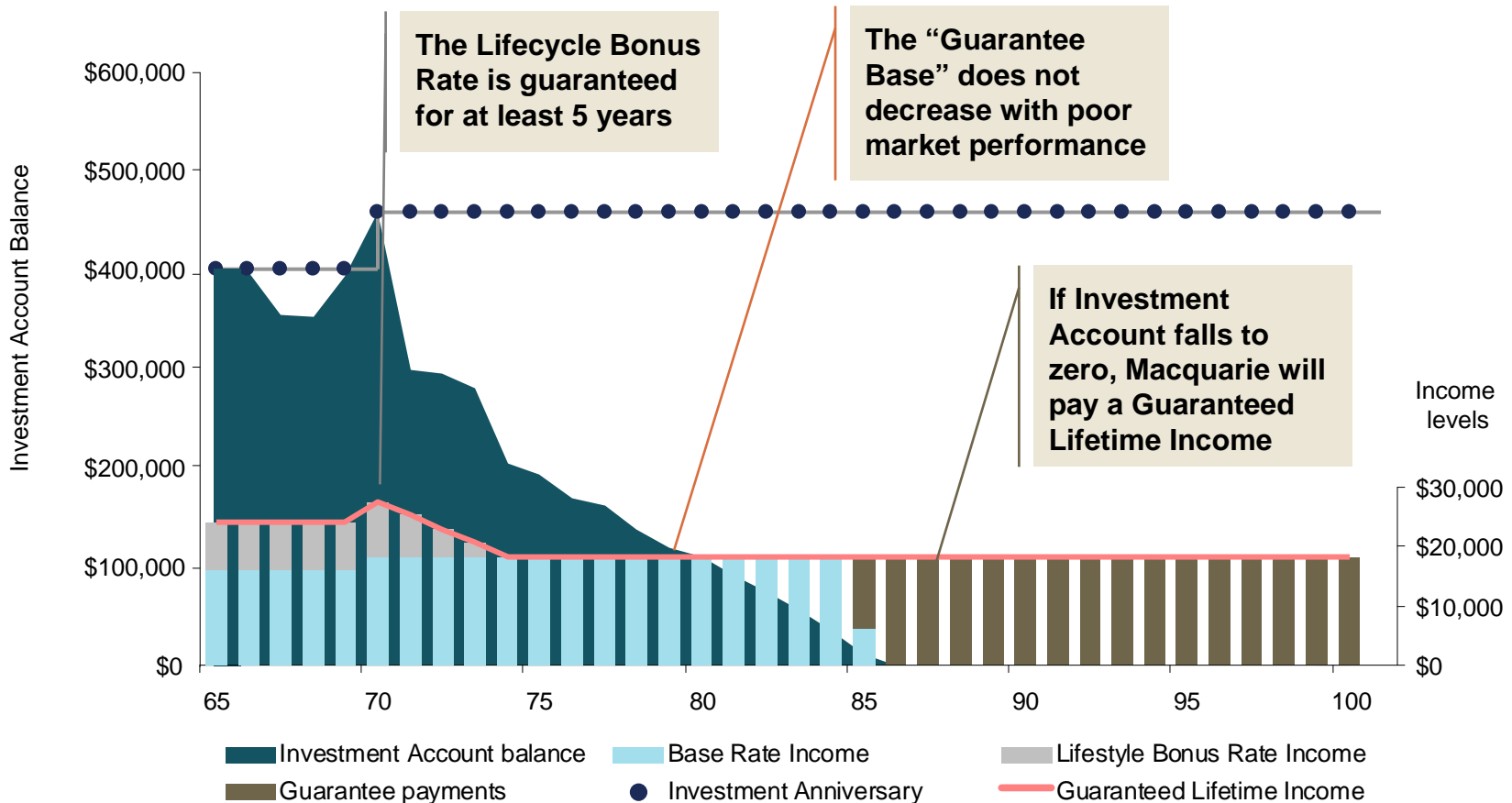
ALSO an important feature?



How MLIG works – if funds perform well



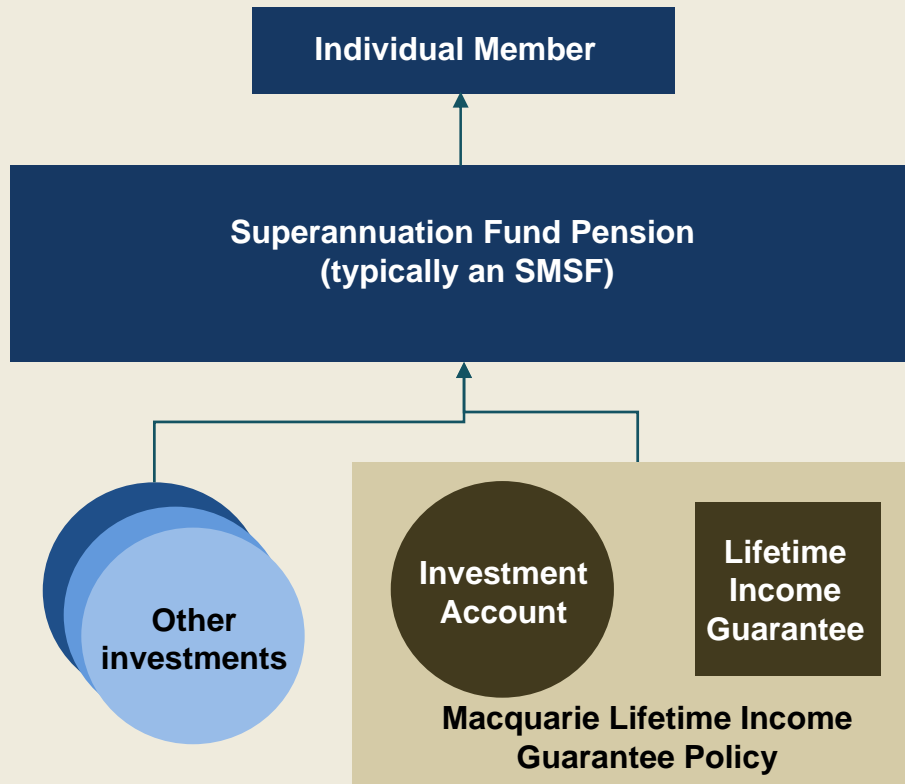
How MLIG works – if funds performs poorly



How is MLIG structured?



Overview of MLIG structure



MLIG – key points

- > MLIG is a **Life Insurance Policy** regulated by APRA
- > It is offered to the trustees of superannuation funds including SMSF's
- > Trustees hold it as an asset supporting a current superannuation pension
- > The trustee may hold other assets within the same pension
- > All pension payments and earnings on the Investment Account are tax exempt

MLIG – key information



High income rates

- > High initial income rates –
60-64: **5.5%** 65-69: **6.0%** 70+: **6.5%**
- > Includes bonus rate of 2.0% that is guarantee for at least 5 years

Low Premiums

- > Base Guarantee Premium: **1.1% p.a.**
- > Option premiums:
 - Estate Protection Option: **+0.35% pa**
 - Spouse Option: **+0.50% pa**

Tailored Investment Menu

- > Investment Management Fee: **1.0% p.a.**
- > **Volatility Managed**
- > “Set & forget” **Lifestages fund** or “custom” **Asset Class Funds**

Other fees and costs apply. Additional details available on request

Key Risks

- > An investment in the Policy has a number of key risks including:
 - > Macquarie Life credit risk
 - > Change of law risk
 - > Investment Fund performance risk
 - > Volatility management process
 - > Inflation risk
 - > Excess withdrawal risk
- > Please refer to the PDS for a full description of the risks. All investments involve a degree of risk. Please ensure you consider all the risks of investment in the Policy set out in the PDS carefully and seek financial, legal and taxation advice before making a any decision about investing in the Policy.

Retirement planning under uncertainty



Let's consider three potential retirement strategies and evaluate how they would perform under the four scenarios

Account Based Pension

> Pension invested into a 60/40 equities/cash Balanced Fund

Cash account

> Pension invested into a Cash Fund

MLIG

> Pension invested into an MLIG Policy with 60/40 equities/cash asset allocation

The following key assumptions have been made in the analysis:

- Balanced Fund - 2%pa fee
- Cash Fund - 1%pa fee
- MLIG -Initial Investment of \$500,000. Premium of 1%pa, Policy Fee of 1%pa and Management Fee of 2%pa. No Spouse Option or Estate Protection Option. No ongoing adviser fee.
- Long term average equity return of 9%pa applied."

Retirement planning under uncertainty



Worst

Early run-out, low income and bequest

Best

High income, high bequest

<p>Bubble and Bust</p>	<p>Policy remains stimulatory for too long and eventually policy makers forced to slam on brakes</p> <p>Historical Example US S&P: Oct 1996 – Oct 2006</p>
<p>Goldilocks</p>	<p>No residual effects of GFC, China manages expansion cleanly. Policy authorities successfully manage removal of stimulus</p> <p>Historical Example ASX30: Apr 1991 – Apr 2001</p>
<p>Forgotten Years</p>	<p>Policy makers take away stimulus too quickly because they either misread economy or are forced to tighten earlier than desired</p> <p>Historical Example NKY: Jul 1990 – Jul 2005</p>
<p>Muddle-Through</p>	<p>After effects of GFC hold back growth Sovereign debt concerns prevent further stimulus</p> <p>Historical Example Dow Jones: Jan 1964 – Jan 1979</p>

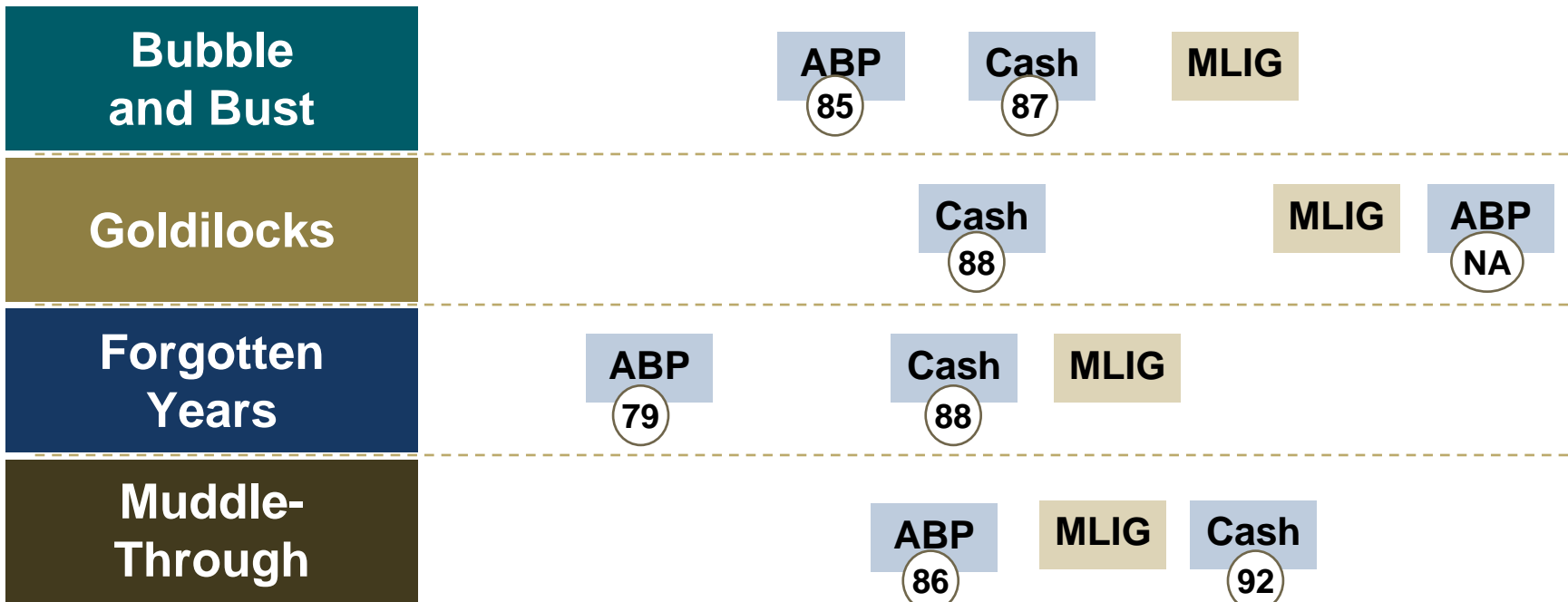
MLIG is an “all-weather” strategy – performing well when markets grow *and* relatively well when performance is poor

Retirement planning under uncertainty



Worst
Early run-out, low income and bequest

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MLIG is an “all-weather” strategy – performing well when markets grow *and* relatively well when performance is poor