

Macquarie Longevity Solutions



Macquarie Lifetime Income Guarantee

A key concern for the majority of Australians today who are in or approaching retirement is the risk that they will outlive their retirement savings. Macquarie Lifetime Income Guarantee (MLIG) is a solution to help retirees navigate through the challenges they face in the current economic climate.

Longevity Risk

Many retirees in or nearing retirement cannot afford to experience any further deterioration in their savings, and with life expectancy now nearing 90 years they also cannot afford to miss any market recovery if they are to live comfortably.

Longevity Risk presents two key challenges:

1. Managing Market Risk

Retirees currently face the real risk of outliving their savings. The challenges faced during the “decumulation” or “pension” phase are fundamentally different from the accumulation phase.

Studies show that significant market corrections can reduce the longevity of a pension by around 10 years[^]. We need new thinking and new solutions.

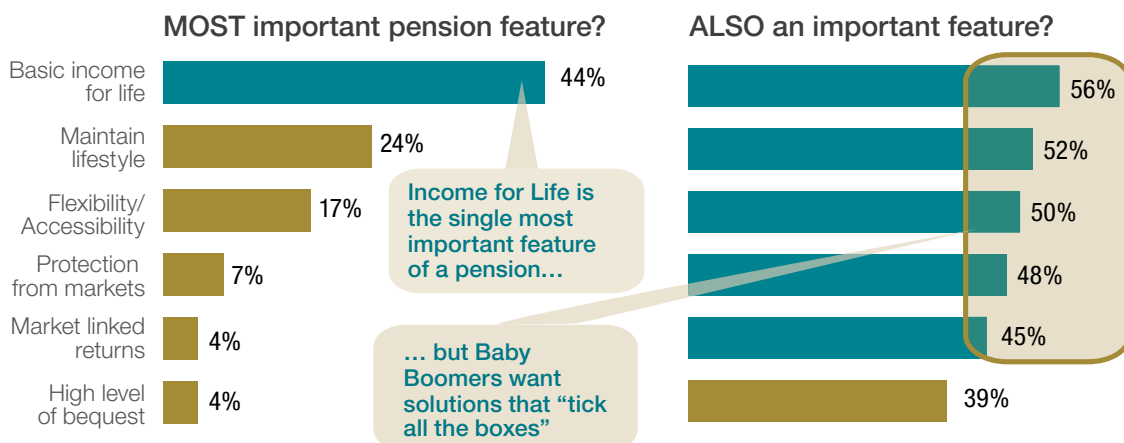
2. Planning Life Expectancy

“Baby Boomers” are living longer than previous generations and attempting to predict how long retirees will live is of the utmost importance.

Many planners use a “Life Expectancy” of 85 as the typical measure, but we know that 50% of clients will live beyond this point. “Life Potentiality” is a measure of how long a retiree might live and this is shown to be closer to 100.*

What do retirees want?

When surveyed, Baby Boomers agreed that the most important feature of any pension is “basic income for life”. However it is also clear that there were many other features that were almost as important to them. Traditional lifetime annuities provide security but not flexibility. MLIG aims to address Longevity Risk by adding security to account based pensions and closing the gap between what retirees need and what they want.



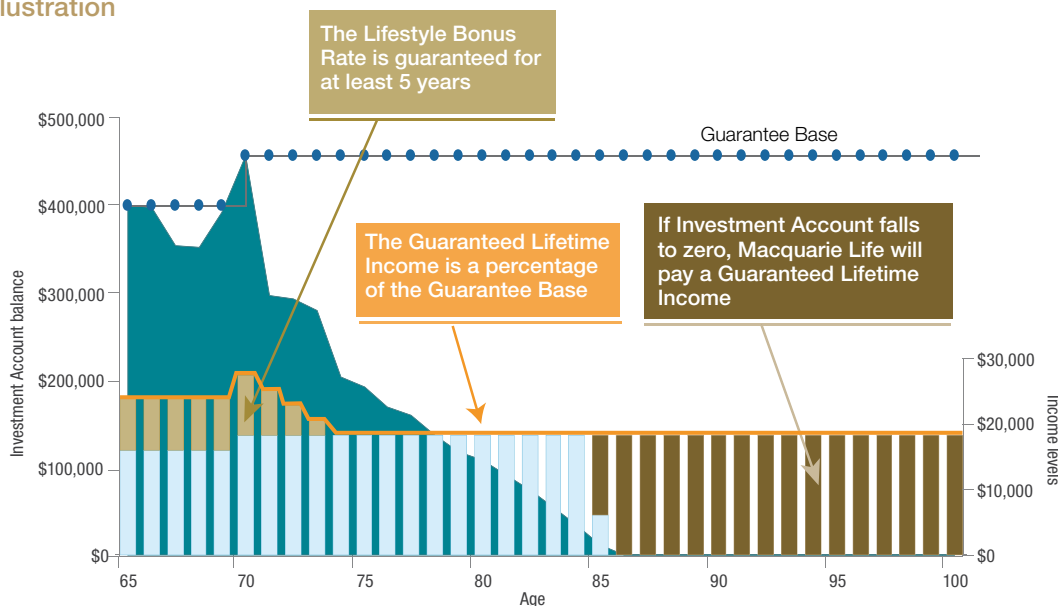
[^] Assumes Account Based Pension, 70/30 growth/defensive asset mix, 5% initial balance annual pension, standard fees. If growth assets fall in value by 35% in year one, pension runs out 10 years earlier. Source: Macquarie Life Analysis.

* Based on Australian Life Tables 2005-2007. Age at which a 65 year old retiree is expected to only have a 10% chance of survival.

How does the Macquarie Lifetime Income Guarantee work?

The Macquarie Lifetime Income Guarantee provides retirees with a flexible, low cost investment which guarantees they will receive at least a minimum level of income for the remainder of their life without locking away their savings.

MLIG product illustration



The Guaranteed Lifetime Income level for a 65 year old retiree starts at 6.0% p.a. – this comprises a Base Rate of 4.0% which is guaranteed for life, and a 2.0% p.a. Lifestyle Bonus Rate for at least the first 5 years. The Guarantee Premium is either 1.10% or 1.60% p.a. depending on whether the Spouse Option is elected or not.

Macquarie Longevity Solutions - Our Credentials

Longevity Solutions was created to identify the best international thinking in the area of pensions and Longevity Risk and to tailor it for delivery into Australian markets utilising the expertise, resources and capabilities of the Macquarie Funds Group. As such we are able to work across a broad range of markets, including retail financial products, wholesale financial products, investment funds and capital markets.

Expertise

- Specialty expertise in longevity risk product development for the Australian superannuation market
- Deep derivatives trading and dynamic hedging expertise
- Market-leading risk management processes and functions
- One of Australia's largest wholesale funds managers with both passive and active management expertise
- Retail and wholesale financial product manufacturing and operations
- Retail and wholesale sales and distribution capabilities

Resources

- Macquarie Longevity Solutions is a team of dedicated personnel who are able to draw on the resources of the broader Macquarie Funds Group organisations (including Macquarie Life Limited)
- Custom-built pricing and hedging application
- Advanced, robust administration platform
- Sophisticated purpose-built dynamic hedging risk management platform

Important information

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