

# STRATEGY 3 INVESTING FOR THE LONG HAUL.

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## CommInsure Guaranteed Annuity Strategy Series

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### AT A GLANCE

This strategy focuses on:

- The need to plan for the long term
- How lifetime annuities can support retirement.

**Longevity risk is a growing concern. Many baby boomers, who are getting older and living longer, are now in retirement with others also on their way to reaching this stage of their lives. The number of people in retirement, as a percentage of the total population has increased and this trend is set to continue. Additionally, people now live longer than in the past, therefore the retirement population is larger than at any other time in Australia's history.**

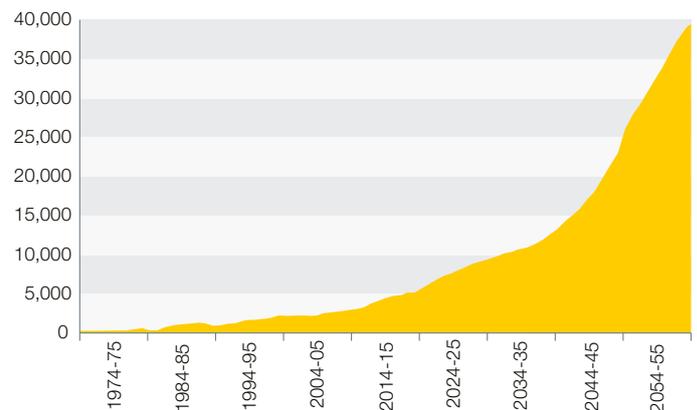
- A male's life expectancy is projected to increase from 91.5 years today to 95.1 years in 2055<sup>1</sup>.
- A woman's life expectancy is projected to increase from 93.6 years to 96.6 in 2055<sup>1</sup>.
- In 2055, it is projected there will be 40,000 people aged 100 and over living in Australia. This is over 300 times more people than the 122 Australians who were 100 years of age in 1975<sup>1</sup>.

Studies show that Australians will continue to live longer and have one of the longest life expectancies in the world.

In Australia today, there are 4.5 people of working age to support every person aged 65 and over. By 2055, that number will reduce to 2.7 people of working age to support each person aged 65 and over<sup>1</sup>.

The reliance on Australia's social security and health resources will increase the longer we live and without a similar increase in productivity, or changes to fertility and immigration balances, a "net drain" will occur on the country's resources.

Number of people aged 100+1



### The solution

#### A lifetime annuity... investing in guaranteed income for the long term

A lifetime annuity is guaranteed to be payable for life, even if your client lives beyond 100 years of age. In some cases, it's even possible to pay income for the lifetime of another person, usually a spouse.

Lifetime income streams offer a high level of security and certainty. In exchange for a lump sum of money<sup>2</sup>, your client receives guaranteed income payments for the rest of their life, reducing some of the future risks associated with investing retirement savings.

Designed to provide an income for life, clients choose if they want the income to increase annually, in line with inflation, meaning the income can retain its real value and keep pace with general increases in living costs and everyday expenses.

Income from a lifetime annuity can depend on a number of factors, such as:

- amount invested
- frequency of payments
- interest rates at the time of investment
- the age of the person(s) receiving the income, and
- whether any specific options have been chosen (e.g. inflation protection or payment for a guaranteed period).

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## MEET JIM (73) AND BETTY (70)



Jim officially retired from his small business five years ago and handed responsibility for it over to his son, David and daughter-in-law, Megan. Throughout their working lives, Jim and his wife Betty were financially secure, owning their home outright and holding other investments which helped them to live comfortably in retirement. They still live in their own home and are both in excellent health. They also enjoy an overseas holiday each year.

Given Jim and Betty's current circumstances and the prospect for a long and healthy retirement their financial adviser has suggested they think about investing in a lifetime annuity. This would ensure they receive a regular, guaranteed income for the rest of their lives.

Their adviser showed the payments for both indexed and non-indexed annuities, with Jim and Betty deciding to go with the indexed option. If they invest \$250,000 in a lifetime annuity for a guaranteed period of 12 years (with Betty as the reversionary beneficiary), based on three percent indexation, no adviser service fee and zero percent reduction on first death, their income payment in the first year would be \$9,856<sup>3</sup>, with each subsequent year indexed at three percent. If Jim dies, the annuity payment would continue to be paid to Betty. Alternatively she has the option of receiving a lump sum payment.

### Summary

Lifetime annuities can be suitable for clients wanting the security and certainty of having a regular income for the rest of their life. This can help clients in retirement manage their finances and sustain their lifestyle for as long as they live.

In addition, if a Guaranteed Period is selected, the Death Benefit Guarantee allows retirees to provide for their loved ones in the event of their untimely death. For more information refer to the Death Benefit Guarantee brochure.

## For more information please contact our Retirement Business Development Managers.

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1. 2015 Intergenerational Report – [www.treasury.gov.au](http://www.treasury.gov.au)

2 From 1 July 2017 the total amount of superannuation that can be transferred into retirement phase will be capped at \$1.6 million. The cap will be indexed in \$100,000 increments in line with the consumer price index (CPI).

3. Projected income is illustrative only. For current rates please call us on 1800 624 100 between 8.30 am and 6 pm (Sydney time), Monday to Friday.

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