



INVESTMENT MAGAZINE | PROFESSIONAL PLANNER |  
FINANCIAL PLANNING ASSOCIATION OF AUSTRALIA

# RETIREMENT DIGITAL CONFERENCE

MARCH 31, 2020

conexus*financial*  
FINANCIAL

Investment Magazine

Professional  
PLANNER



FINANCIAL PLANNING  
ASSOCIATION OF AUSTRALIA

CLASSIFICATION: **INTERNAL**

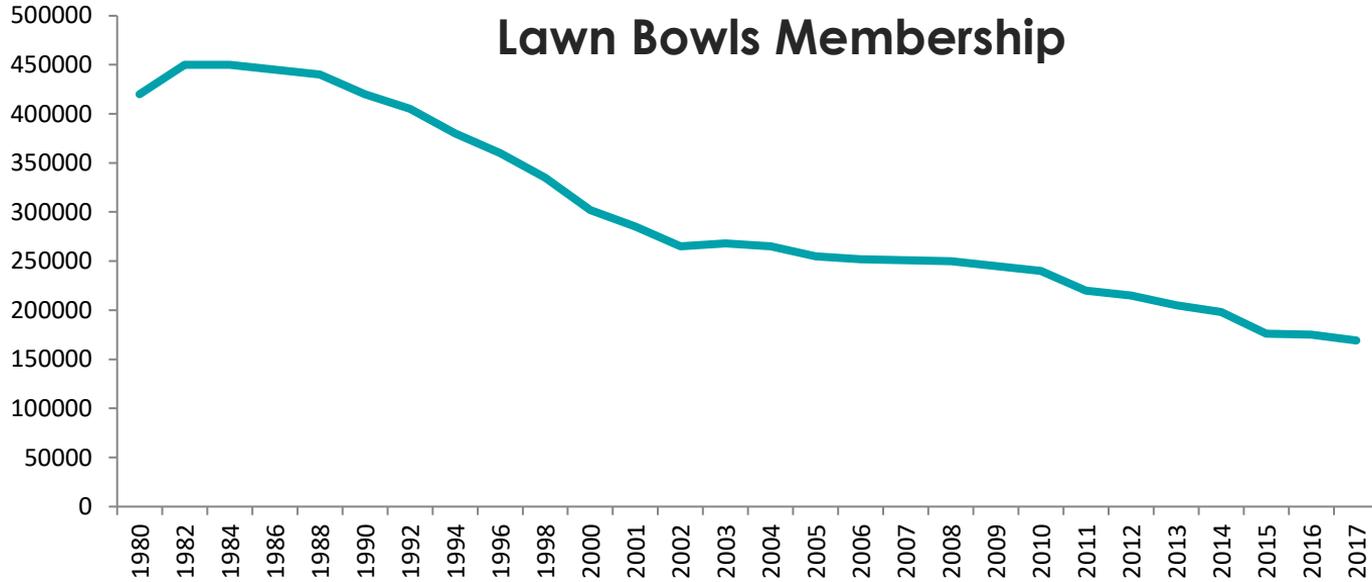
# THE FLAW OF AVERAGES

Jacqui Lennon

Head of Product and Customer Experience

---

# Retirement isn't what it used to be



Lawn bowls 2017 census report

## Staying active



Top 10 activities for women – organised\*



23%  
Fitness/Gym



7%  
Swimming



5%  
Yoga



4%  
Pilates



4%  
Golf



3%  
Walking  
[recreational]



3%  
Tennis



2%  
Bowls



2%  
Dancing  
[recreational]



2%  
Martial Arts



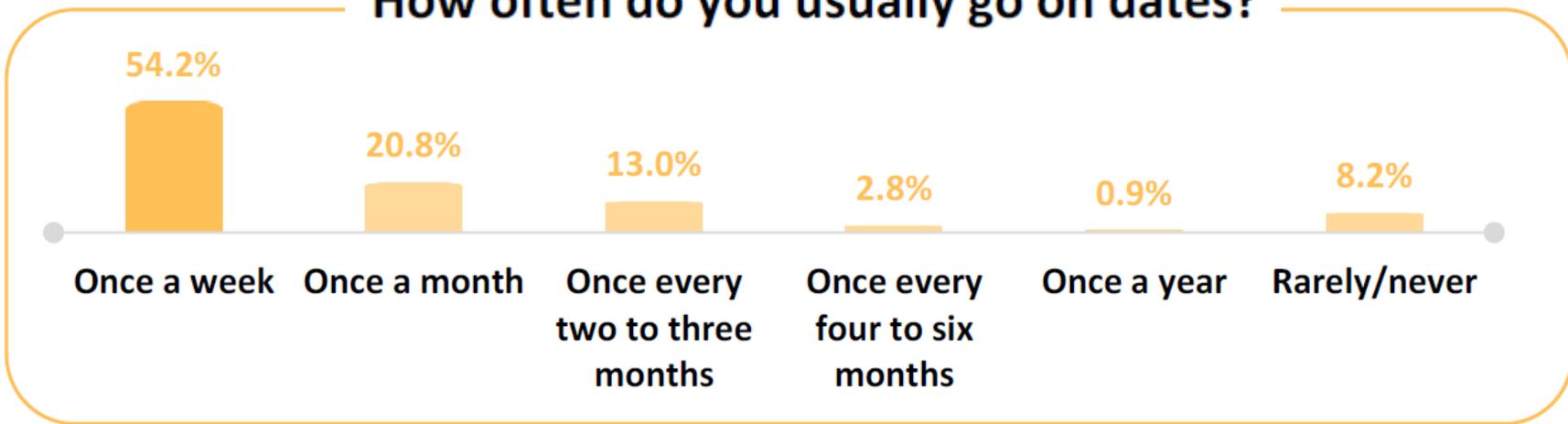
### FREQUENCY

44% of Older Australians aged 55 and over are active 5 times or more per week.

*"Older Australian Participation in Sport and Physical Activity" October 2018 Sportaus.gov.au*

# Dating more often

## How often do you usually go on dates?



Source: CoreData – Dating and Romance Survey (November 2018)

# Quiz question



Which country has the **MOST** people aged over 100

# Number of centenarians

|                      | Total  | Rate per 100,000 |
|----------------------|--------|------------------|
| <b>China</b>         | 48,000 | 0.3              |
| <b>Japan</b>         | 61,000 | 4.8              |
| <b>United States</b> | 72,000 | 2.2              |
| <b>Italy</b>         | 25,000 | 4.1              |
| <b>Australia</b>     | 4,800  | 1.7              |

Pew Research Center 2015, and <https://www.msn.com/en-au/news/australia/number-of-centenarians-rises-sharply-in-australia/ar-AAK78zl>, .

# Quiz question



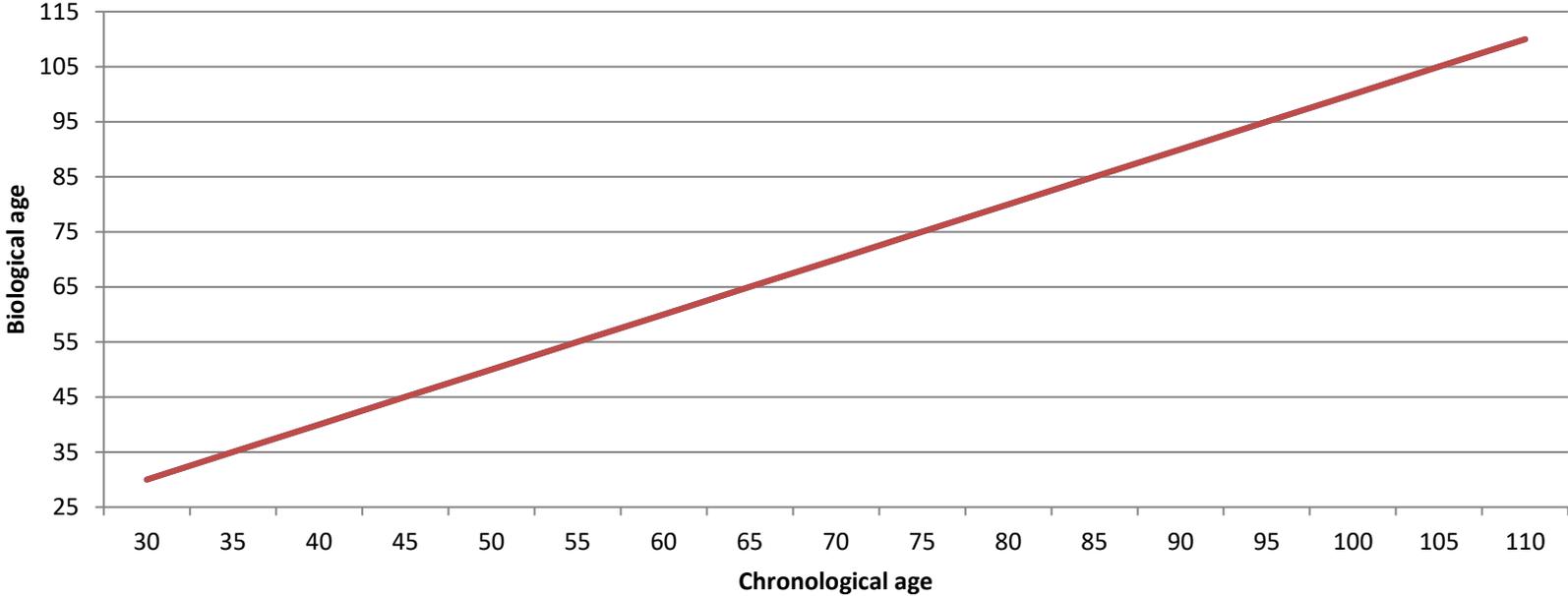
**What are the chances of one of a couple being alive over age 100**

# Probability of survival

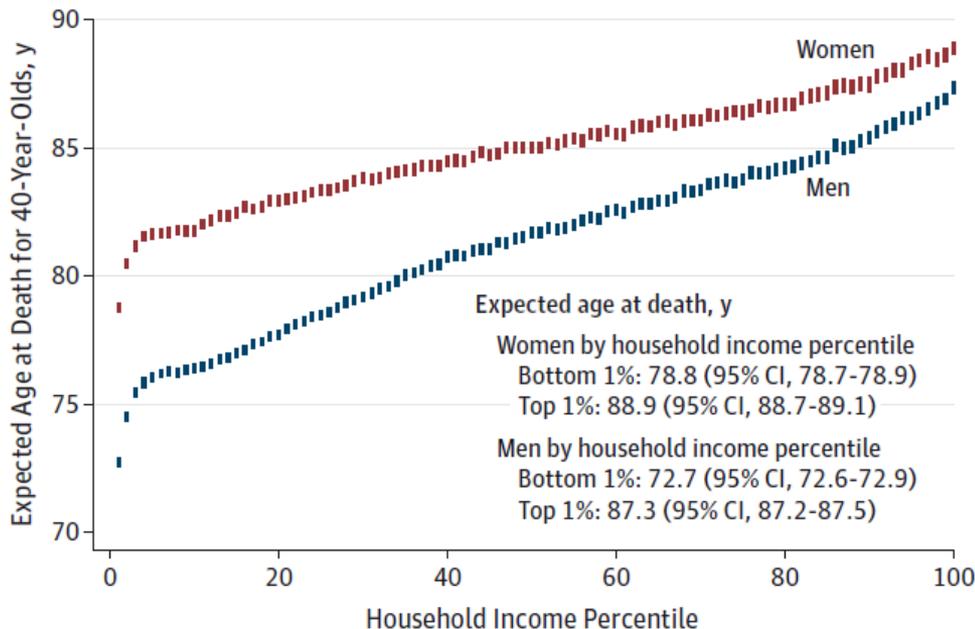
| Age        | Males | Females | At least one of a couple |
|------------|-------|---------|--------------------------|
| <b>85</b>  | 54    | 67      | 84                       |
| <b>90</b>  | 30    | 43      | 60                       |
| <b>95</b>  | 11    | 18      | 28                       |
| <b>100</b> | 3     | 5       | 7                        |

*7% of couples will have at least one person alive at age 100 if they are 65 today!*

# Two types of ages



# Life expectancy and income

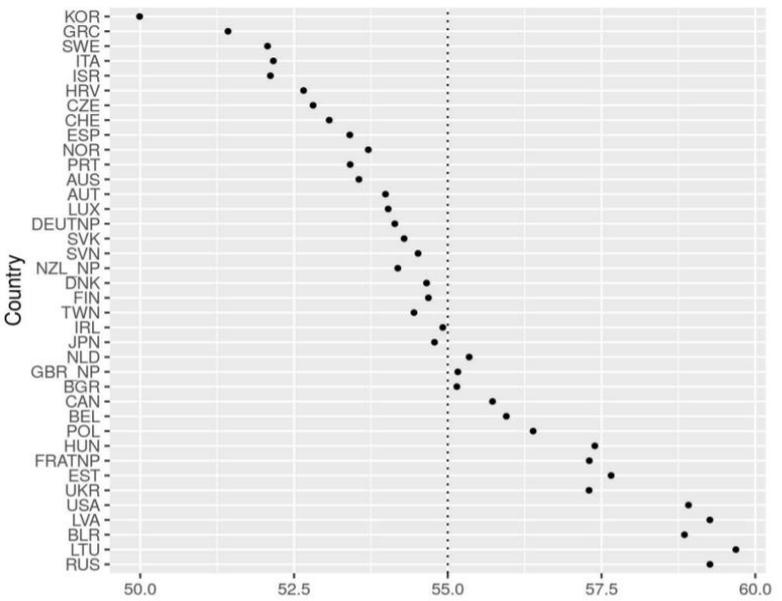


10-15 year gap in life expectancy at age 40 based on income

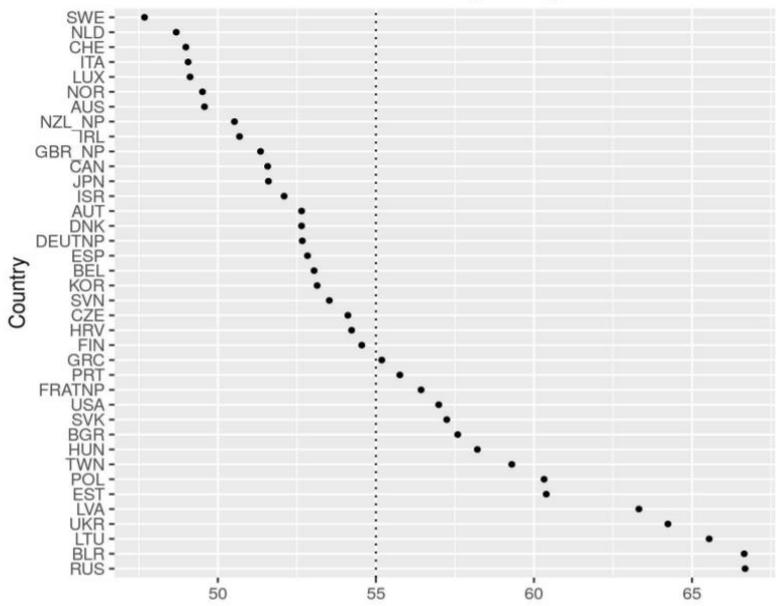
*The Association Between Income and Life Expectancy in the United States, 2001-2014, Raj Chetty, PhD; Michael Stepner, BA; Sarah Abraham, BA; Shelby Lin, MPhil; Benjamin Scuderi, BA; Nicholas Turner, PhD; Augustin Bergeron, MA; David Cutler, PhD*

## Biological age varies per country

FEMALE: Chronological Age 55

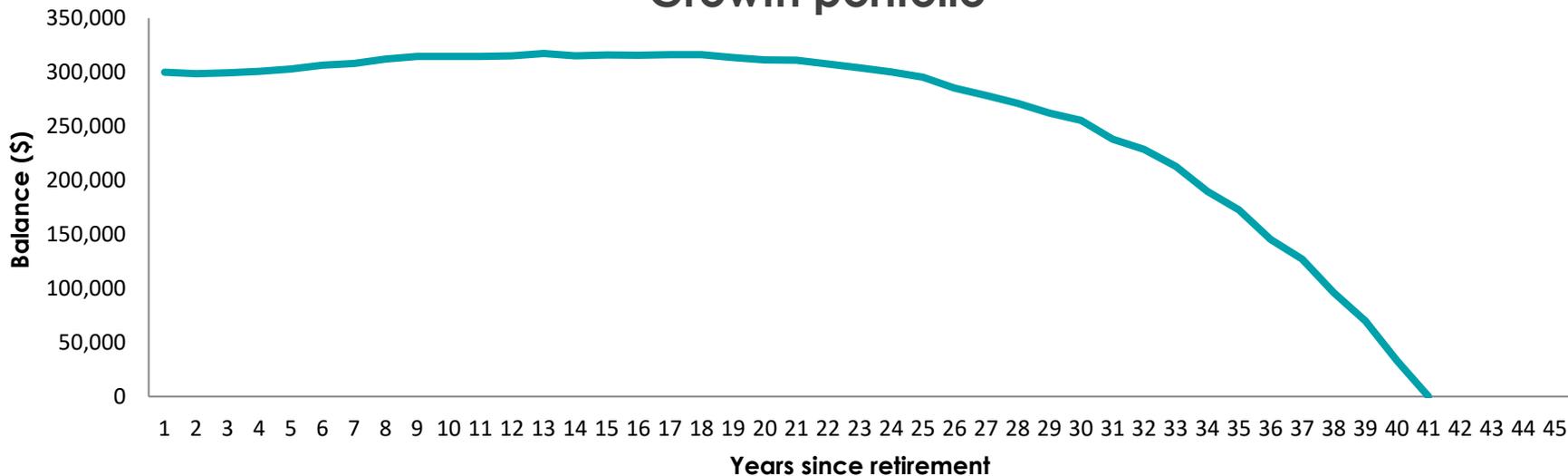


MALE: Chronological Age 55



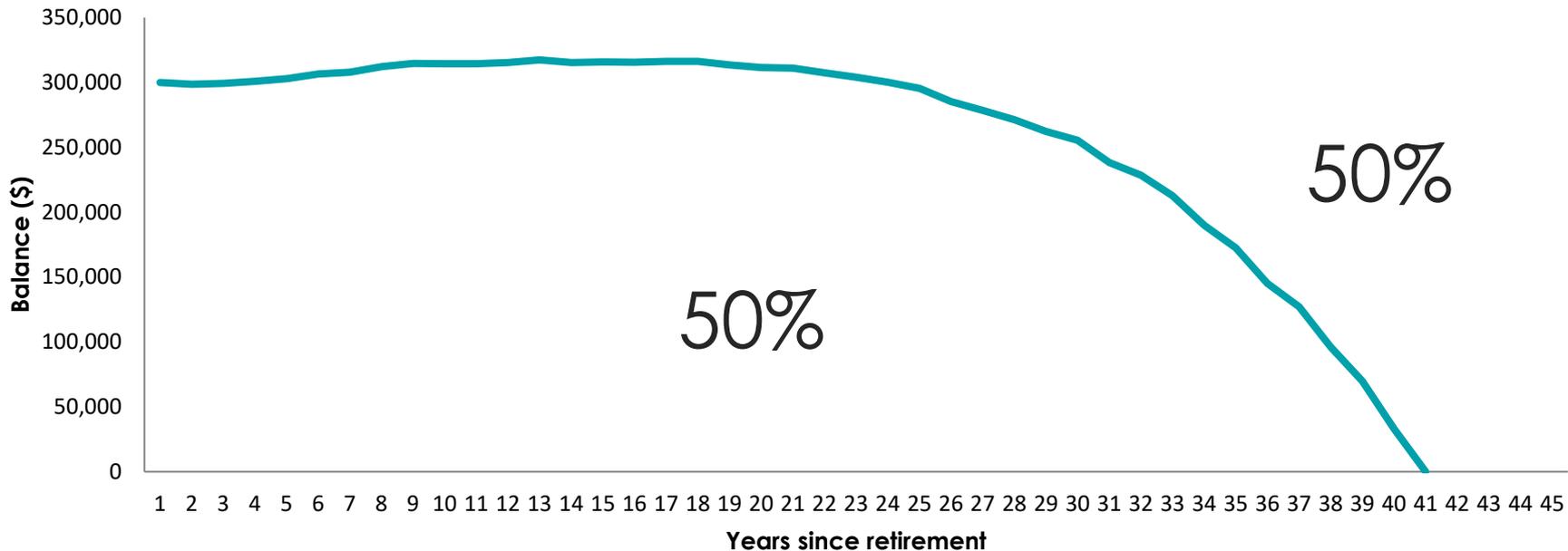
# Growth portfolio – average returns

## Growth portfolio



The above portfolios represent the 50<sup>th</sup> percentile of the 5,000 portfolio simulations conducted by Milliman.. It assumes a starting balance of \$300,000 and a 5% withdrawal rate (indexed to inflation). The calculations are based on various portfolio allocation and financial assumptions that are predictive in nature. The outcomes actually achieved may differ materially from these projections. Past performance is not a reliable indicator of future performance.

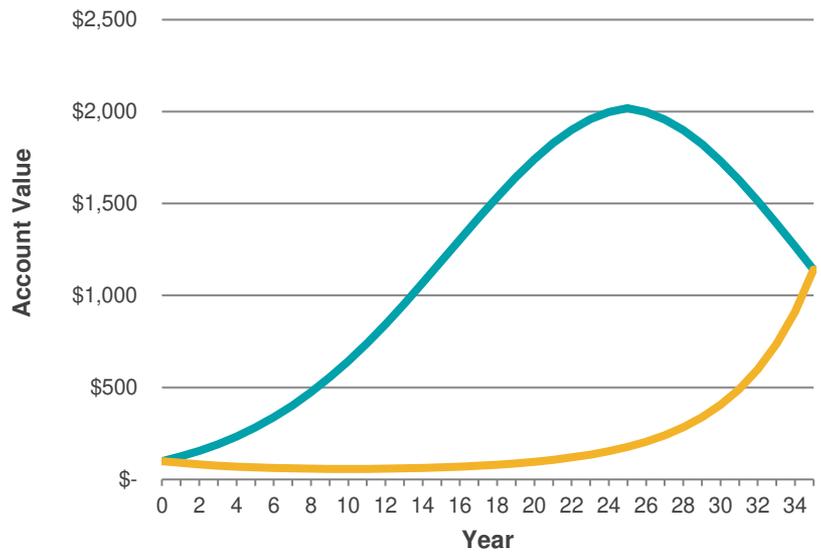
# Growth portfolio – average returns



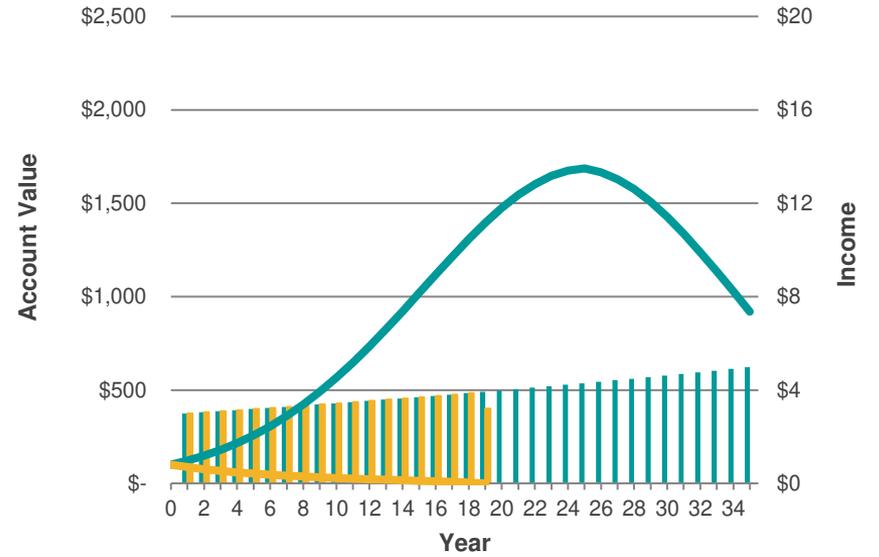
The above portfolios represent the 50<sup>th</sup> percentile of the 5,000 portfolio simulations conducted by Milliman.. It assumes a starting balance of \$300,000 and a 5% withdrawal rate (indexed to inflation). The calculations are based on various portfolio allocation and financial assumptions that are predictive in nature. The outcomes actually achieved may differ materially from these projections. Past performance is not a reliable indicator of future performance.

# Sequencing Risk

## Accumulation

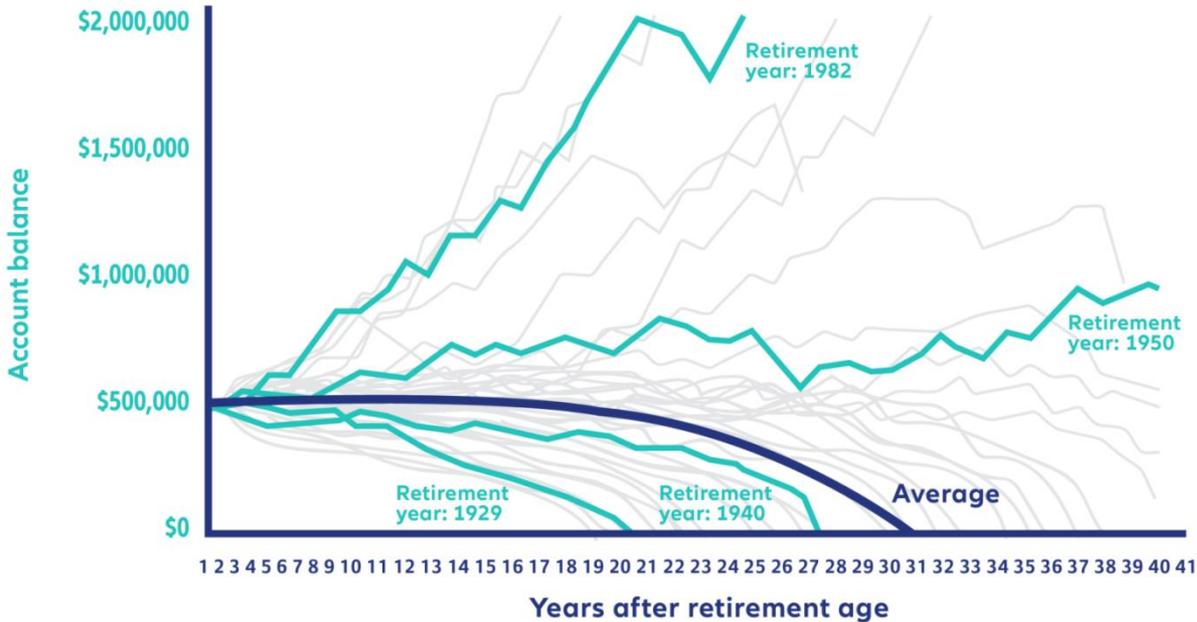


## Drawdown



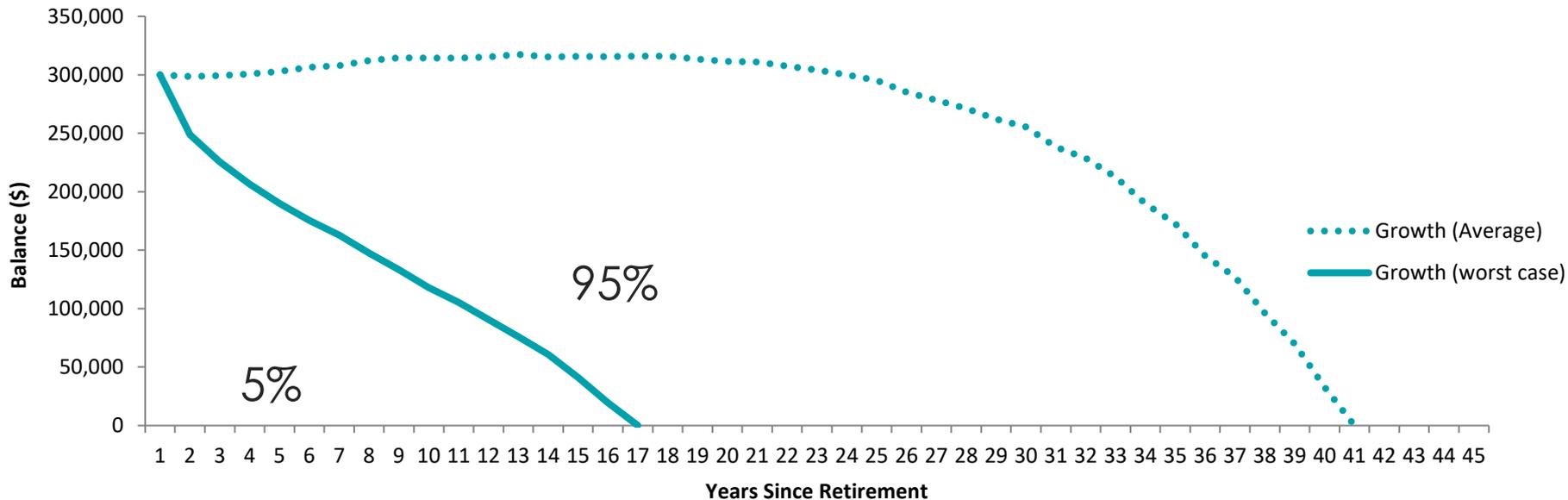
1. Illustrative purposes only. Starting balance of \$100. Drawdown equal to 3% of starting balance indexed to inflation at a rate of 1.50%

# Birthday lottery



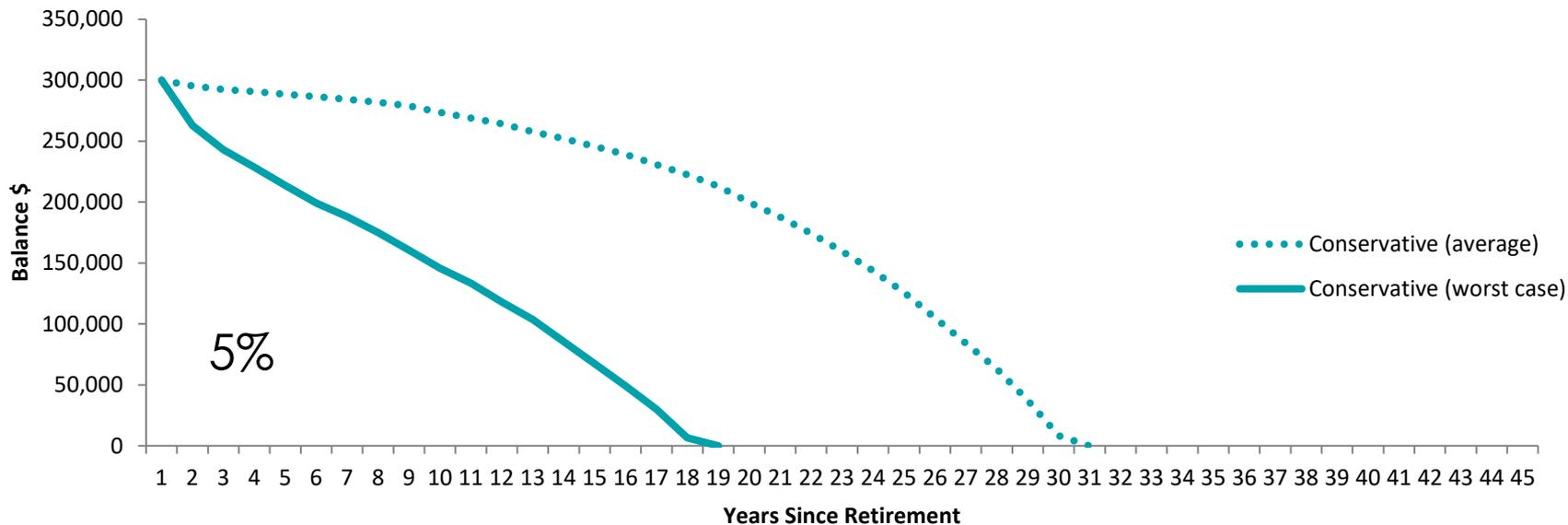
Source: Wealth Benchmarks™  
1. \$500,000 invested in a diversified, multi-sector 60/40 balanced portfolio – rebalanced annually. Drawdown equal to 5% of starting balance indexed to inflation at a rate of 3%

## Growth portfolio – worst case



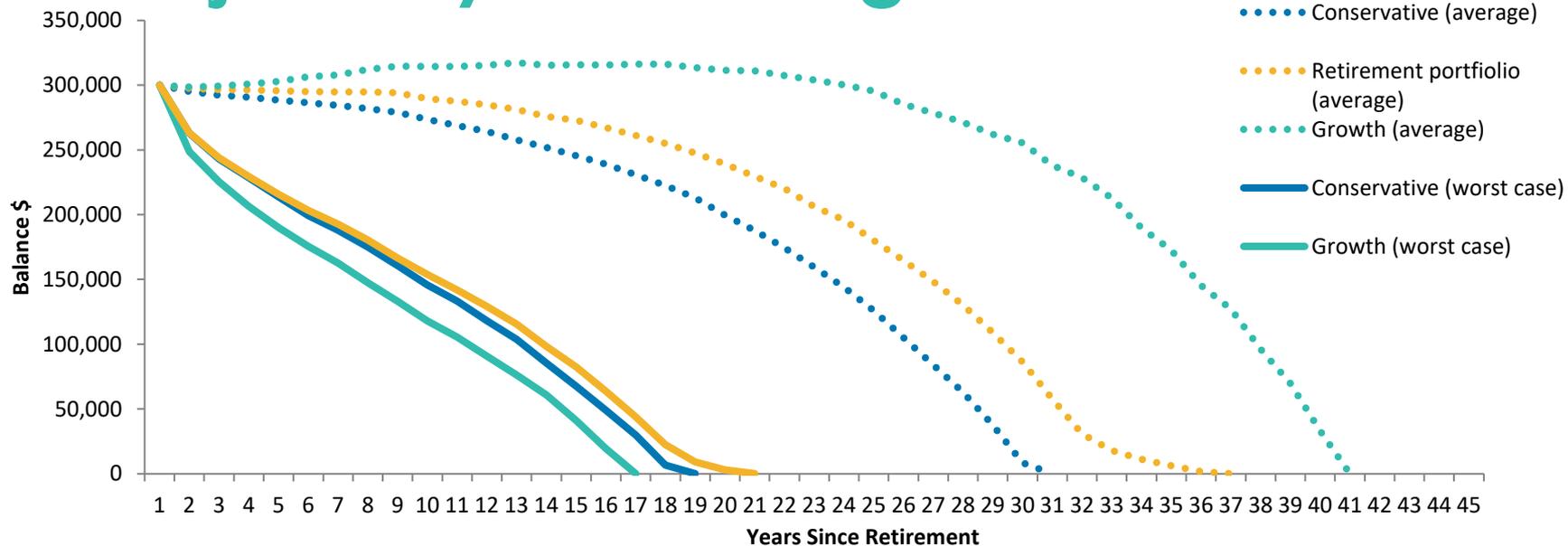
The above portfolios represent the 50<sup>th</sup> and 5<sup>th</sup> percentile of the 5,000 portfolio simulations conducted by Milliman. It assumes a starting balance of \$300,000 and a 5% withdrawal rate (indexed to inflation). The calculations are based on various portfolio allocation and financial assumptions that are predictive in nature. The outcomes actually achieved may differ materially from these projections. Past performance is not a reliable indicator of future performance.

## Conservative portfolio



The above portfolios represent the 50<sup>th</sup> and 5<sup>th</sup> percentile of the 5,000 portfolio simulations conducted by Milliman. It assumes a starting balance of \$300,000 and a 5% withdrawal rate (indexed to inflation). The calculations are based on various portfolio allocation and financial assumptions that are predictive in nature. The outcomes actually achieved may differ materially from these projections. Past performance is not a reliable indicator of future performance.

## Can't just rely on average



The above portfolios represent the 50<sup>th</sup> and 5<sup>th</sup> percentile of the 5,000 portfolio simulations conducted by Milliman, with 30% of the equity allocation in the retirement portfolio invested in Future Safe. It assumes a starting balance of \$300,000 and a 5% withdrawal rate (indexed to inflation). The Future Safe performance shown is hypothetical/non-actual performance information that shows results based on stochastic model simulations constructed by commissioned research houses. The calculations are based on various portfolio allocation and financial assumptions that are predictive in nature. The outcomes actually achieved may differ materially from these projections. Past performance is not a reliable indicator of future performance. The simulated results assume the same caps at outset over the life of the 7 year or longer projections while actual caps may move each year. The caps used are an average of estimated historical caps. To calculate these historical caps, we have estimated the average yield for a selection of quarters over the period 1 January 2006 through to 30 April 2019 and used these yields to estimate the caps we could afford for those quarters. The cap used on the 0% floor is 8.9%.

Not  
average  
activities

Not  
average life  
expectancy

Not  
average  
returns

# Disclaimer

This material is issued by Allianz Australia Life Insurance Limited, ABN 27 076 033 782, AFSL 296559 (**Allianz Retire+**). Allianz Retire+ is a registered business name of Allianz Australia Life Insurance Limited.

The information contained in this material is current as at August 2019 unless otherwise specified. The information in this publication has been prepared specifically for authorised financial advisers in Australia, and is not intended for retail investors. It does not take account of any person's objectives, financial situation or needs. Before acting on anything contained in this material, you should consider the appropriateness of the information received, having regard to your objectives, financial situation or needs. This information is for illustrative purposes only and does not constitute financial advice. The returns on the Future Safe product are subject to a number of variables including investor elections, market performance and other external factors, and may differ from the information contained herein. Past performance is not a reliable indicator of future performance.

No person should rely on the content of this material or act on the basis of anything stated herein. Allianz Retire+ and its related entities, agents or employees do not accept any liability for any loss arising whether directly or indirectly from any use of this material.

Allianz Retire+ is the issuer of Future Safe. Prior to making an investment decision, investors should consider the relevant [Product Disclosure Statement and Policy Document](#) which are available on our website ([www.allianzretireplus.com.au](http://www.allianzretireplus.com.au)).

PIMCO provides investment management and other support services to Allianz Australia Life Insurance Limited but is not responsible for the performance of any Allianz Retire+ product, or any other product or service promoted or supplied by Allianz. Use of the POWERED BY PIMCO trade mark, or any other use of the PIMCO name, is not a recommendation of any particular security, strategy or investment product.

The products referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such products or any index on which such products are based. The PDS contains a more detailed description of the limited relationship MSCI has with Allianz Retire+ and any related products.

# Questions