

Enhancing Retirement Confidence:

The impact of lifetime income on drawdown behaviour

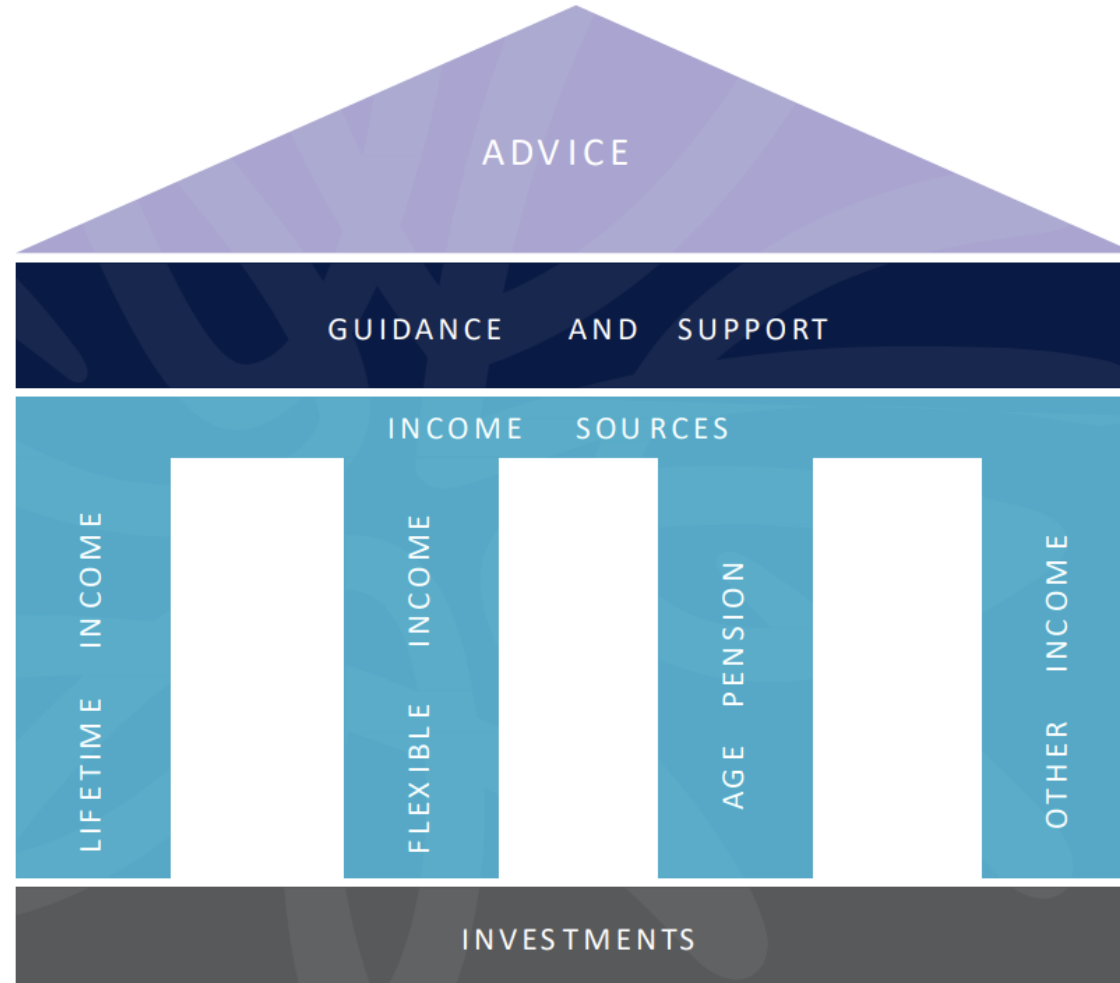
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North

AMP Retirement Income Strategy



Focusses on four key categories: Investments, Income sources, Guidance and support, and Advice



Winning in retirement depends on leading the market in areas where we can sustain a competitive advantage

The new shape of retirement income

★ MyNorth Lifetime
Launched late 2022

2017

New Innovative Retirement Income Streams (IRIS)

"These new rules remove taxation barriers to the development of new products that will provide greater flexibility in the design of income stream products to give more choice to consumers, while ensuring income is provided throughout retirement"
- Minister O'Dwyer

2019

Concessional assets test discounts

Retirement income streams are assessed differently by Centrelink and can be used to access or increase the amount of Centrelink payments a client is entitled to.

2022

Retirement Income Covenant

Passed through Parliament and requires super trustees to develop a **retirement income strategy** to improve their members' retirement outcomes through balancing between (1) maximising income, (2) reducing longevity and inflation risks, and (3) provide flexible capital access.

2023+

Products start to land

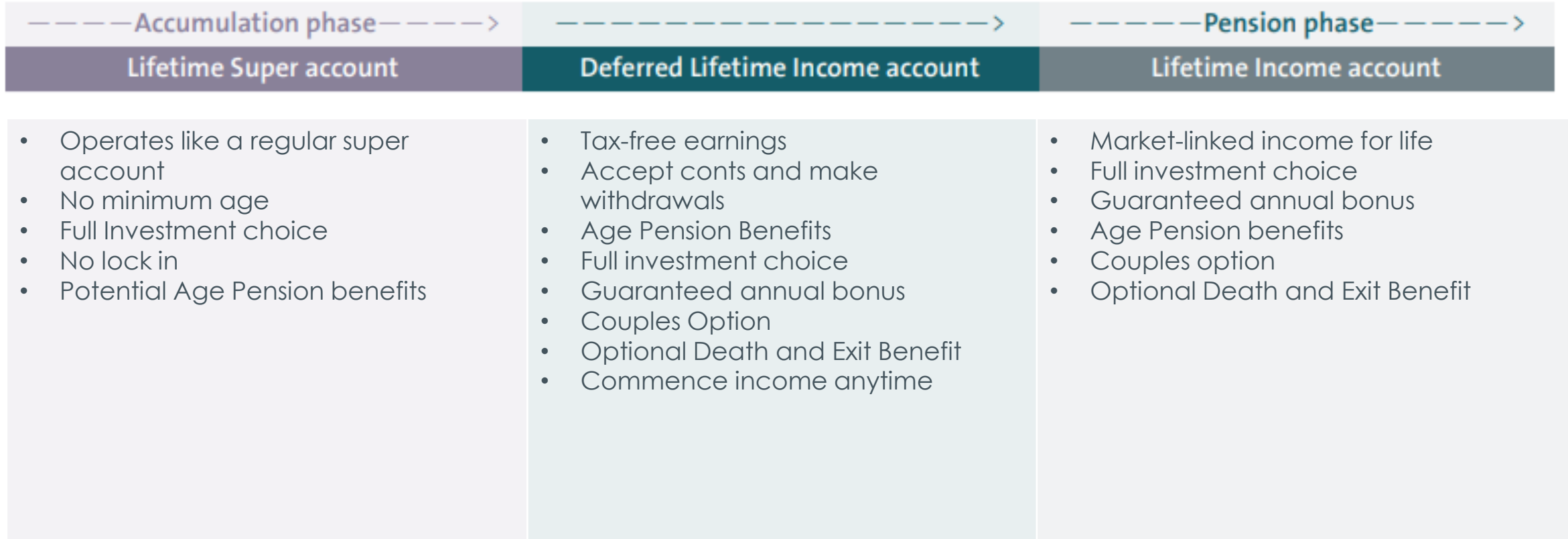
Competition heats up, fuelled by recent legislation changes.

Exciting plans to continue enhancing MyNorth retirement offerings and developing AMP Super retirement offerings

The Opportunity

Superannuation environment circa 2021	Findings/Problems to solve for	Opportunity
<p>Allocated Pension with minimum drawdown rates.</p> <p>Traditional annuities with minimal flexibility and investment choice.</p>	<p><u>Retirement Income Review</u> Majority of retirees drawdown at minimum level, leaving behind large account balance</p> <p><u>AMP historical data:</u> 50% of retirees drawing down at the minimum.</p> <p><u>Consumer research:</u> Majority of retirees:</p> <ul style="list-style-type: none"> • don't intend to leave behind superannuation to estate. • Unsure how much they can afford to draw down. • Experience FORO which results in living below means. 	<p>Solve for FORO (Fear of Running Out) by addressing the growing need for flexible, secure, and comprehensive retirement income solutions that provide income for life and access to capital, giving retirees the comfort and confidence to live the retirement they can afford.</p>

Introducing MyNorth Lifetime



An award-winning retirement solution helping clients live better in retirement



MyNorth Lifetime take-up to date



Accounts

Approx. **1,500** accounts held



FUM

Over **\$300m** invested



Advisers

Over **300** financial advisers recommended MyNorth Lifetime



Income

Improves by **>50%** through higher Lifetime rates, higher Centrelink eligibility & increased drawdown from ABP



Centrelink

Approx. **90%** of them will be benefited from Centrelink uplift



Sal & Tom, 70, Deferred Lifetime

"We're spending 50% more in retirement than we used to, confident we'll never run out"



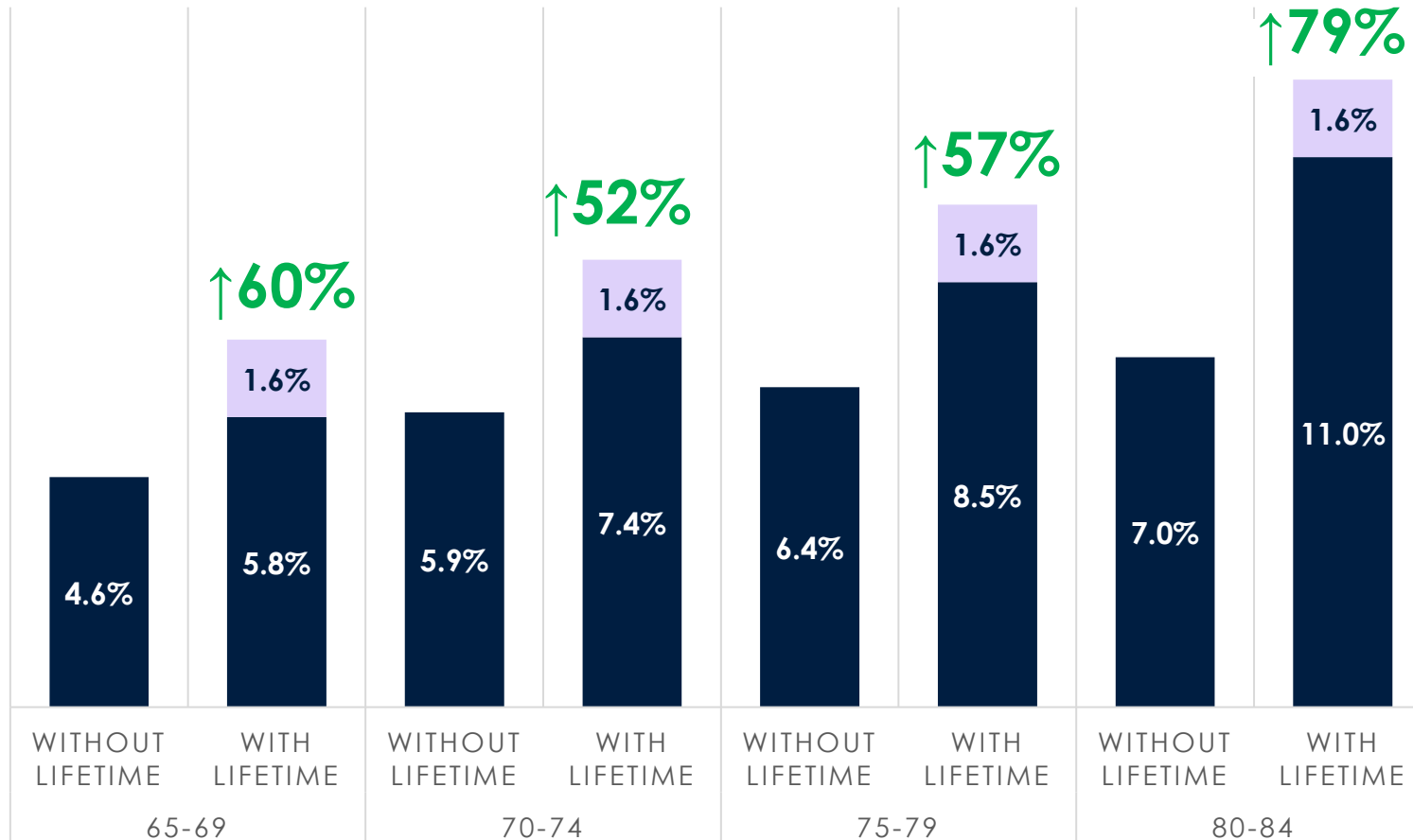
Chen, 61, Lifetime Income

"I've retired six years earlier from a job I no longer enjoyed, and I'm more confident in my financial future"

>50% uplift on total income

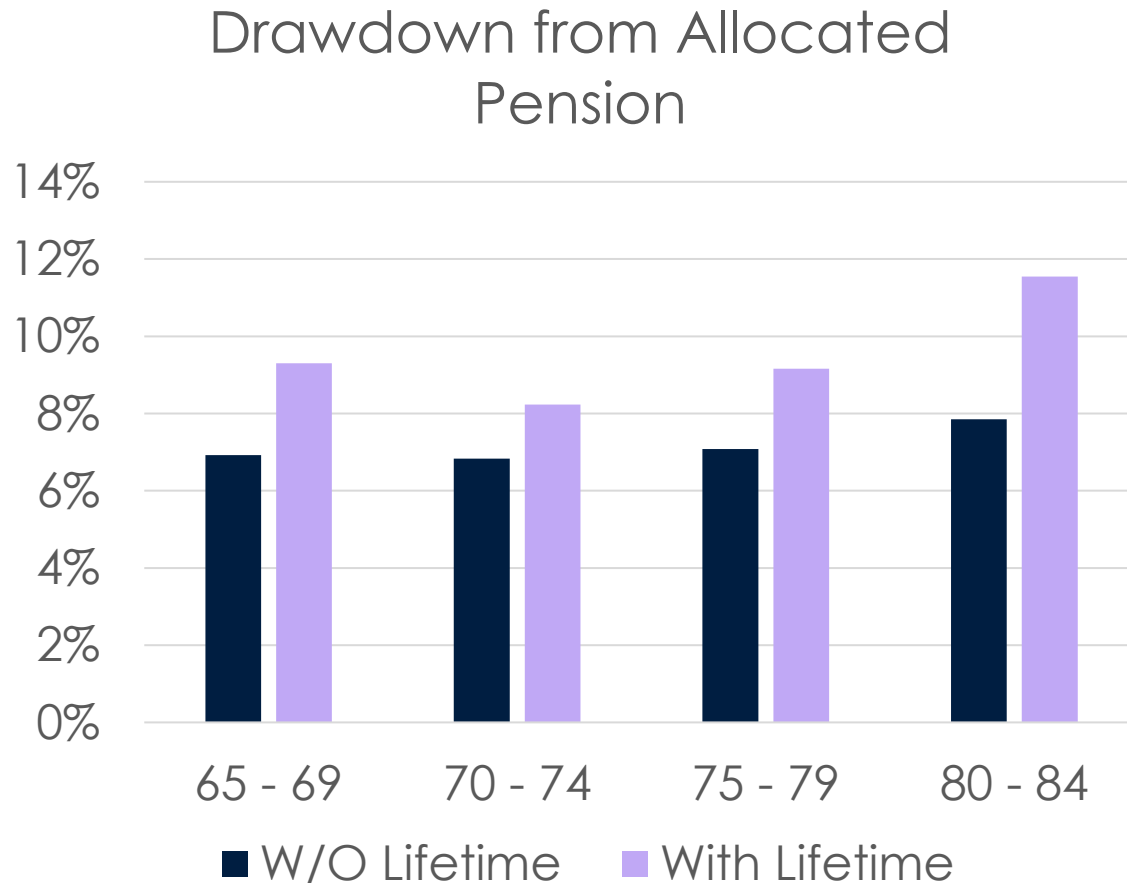
AVERAGE MYNORTH INCOME RATES

■ MyNorth Income ■ Estimated Age Pension Uplift



Improves by **>50%** through higher Lifetime rates, higher Centrelink eligibility & increased drawdown from ABP

Greater confidence to drawdown from allocated pension



The average Lifetime member drawdowns

28% more income
from their Allocated Pension than
a non-Lifetime member

Giving members the confidence to

Time



retire

5

years earlier

Income



spend

50%

more income

Tax



pay

0%

tax while still
accumulating

Bequests



leave

100%

higher death
benefits

Centrelink



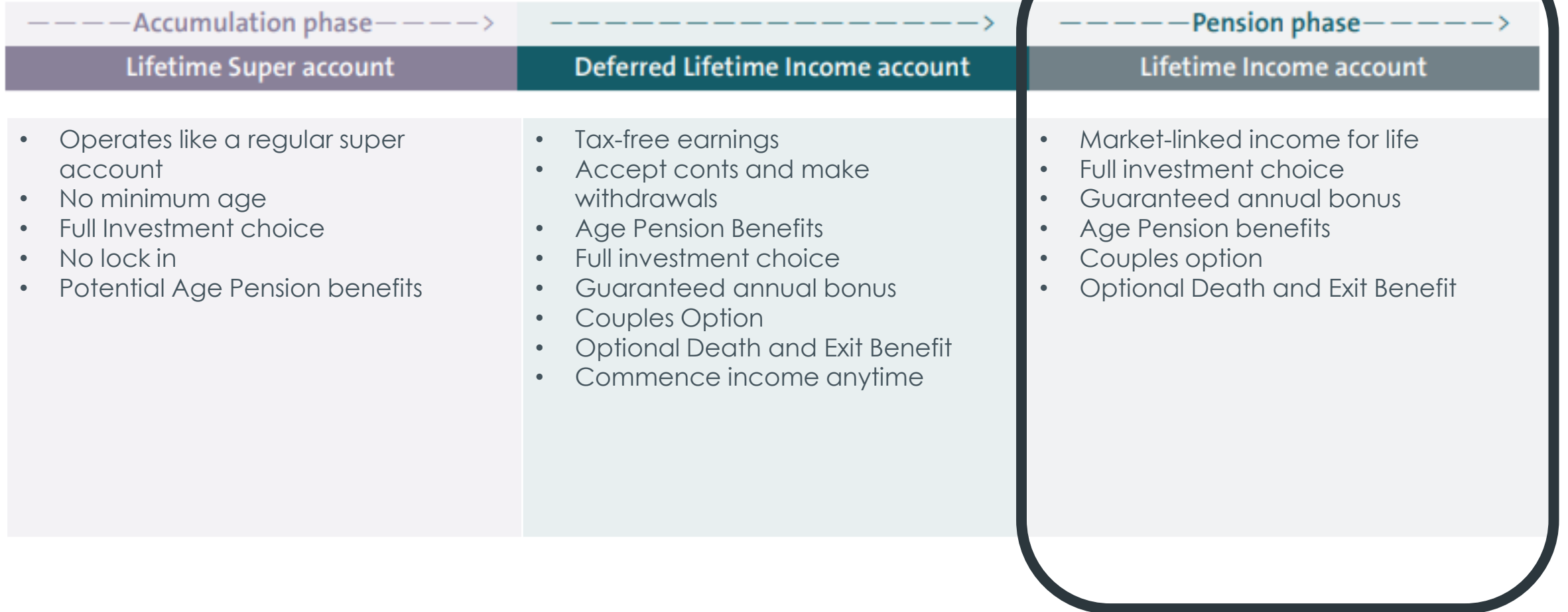
hold

100%

more under the
assets test

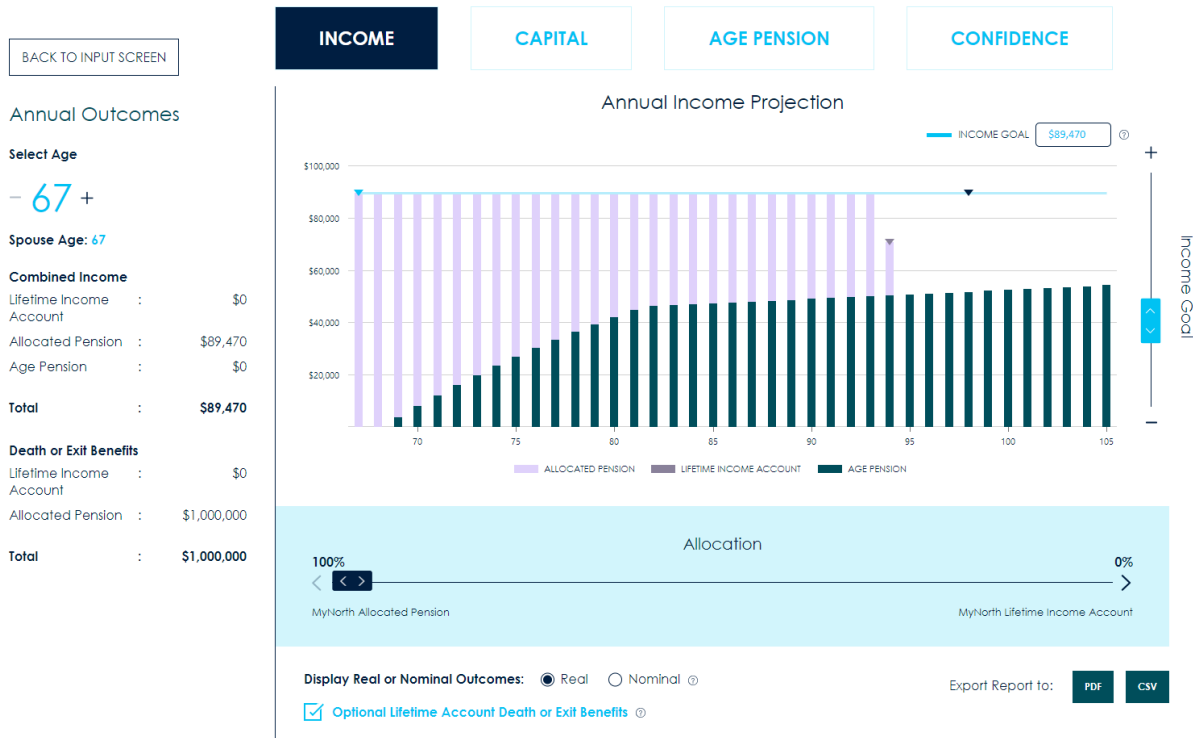
These may be potential outcomes for clients who use MyNorth Lifetime, but individual results will depend on individual circumstances.

Introducing MyNorth Lifetime

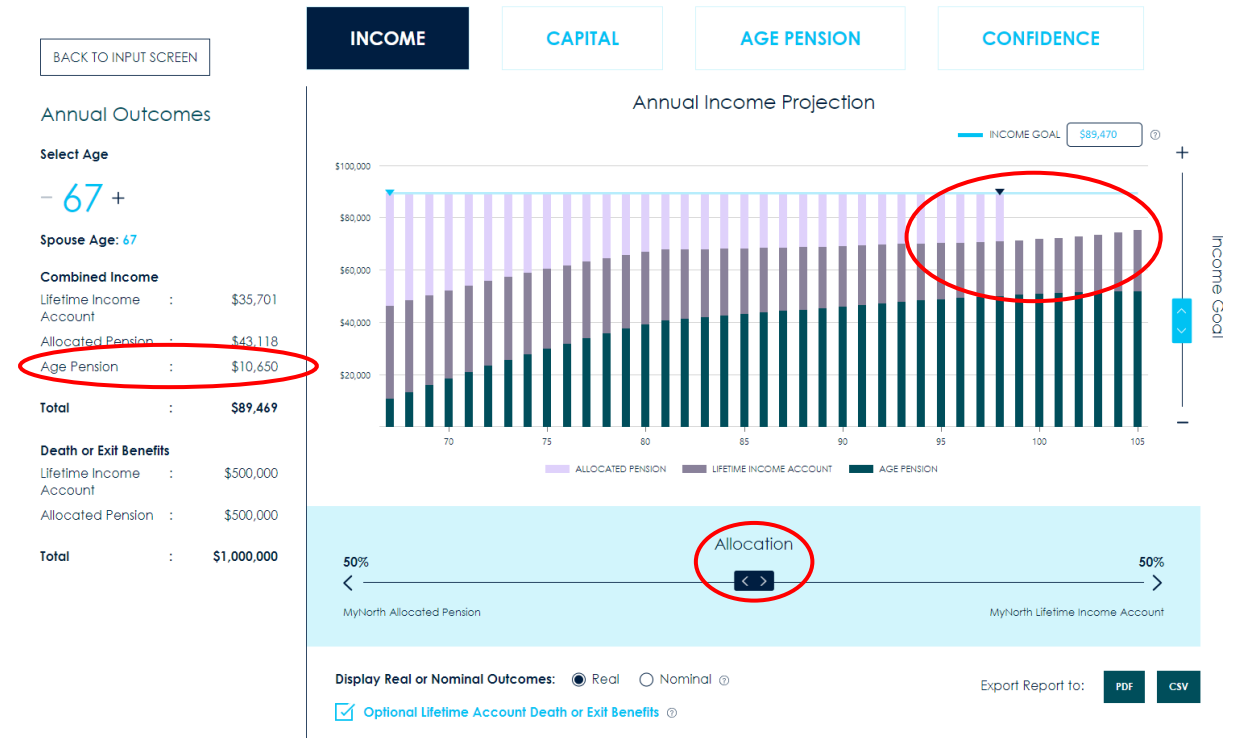


How it works

67-year-old retirees with \$1m



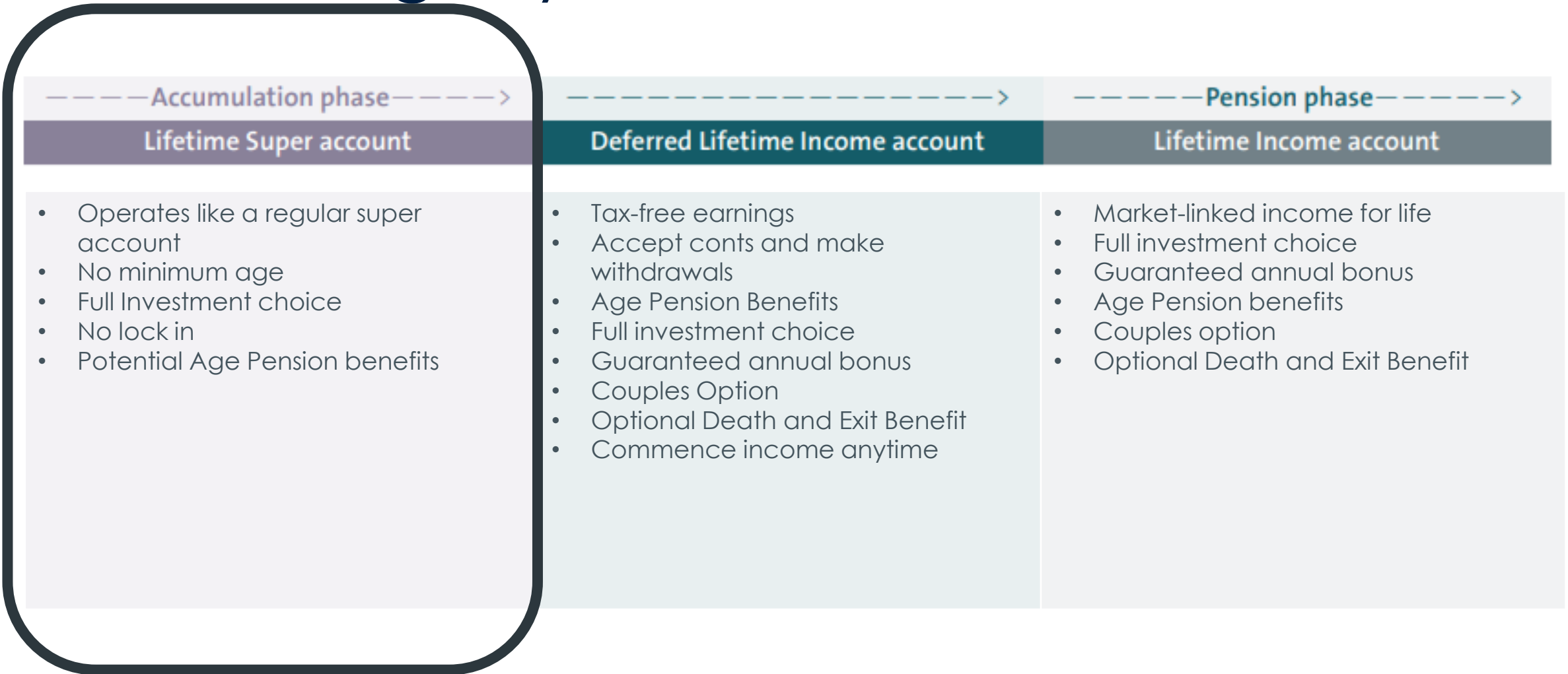
Without MyNorth Lifetime



With MyNorth Lifetime

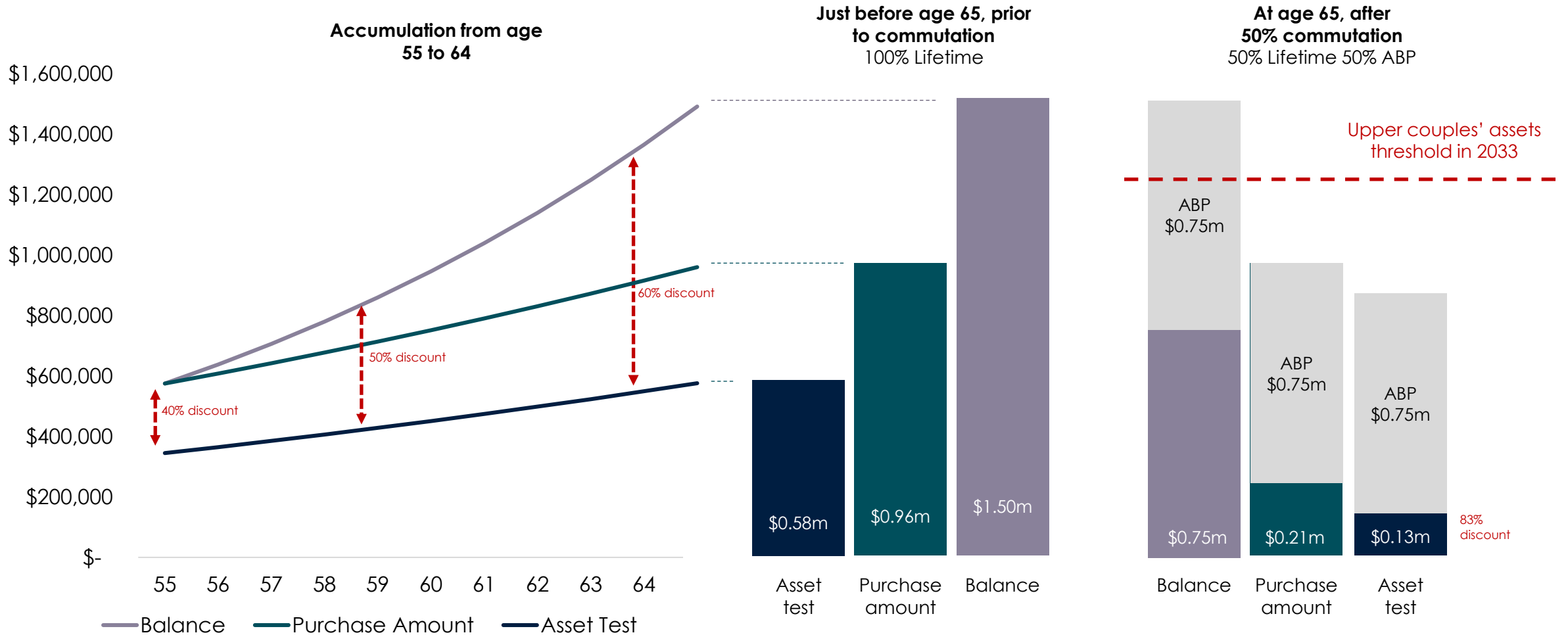
These examples are illustrative only.

Introducing MyNorth Lifetime



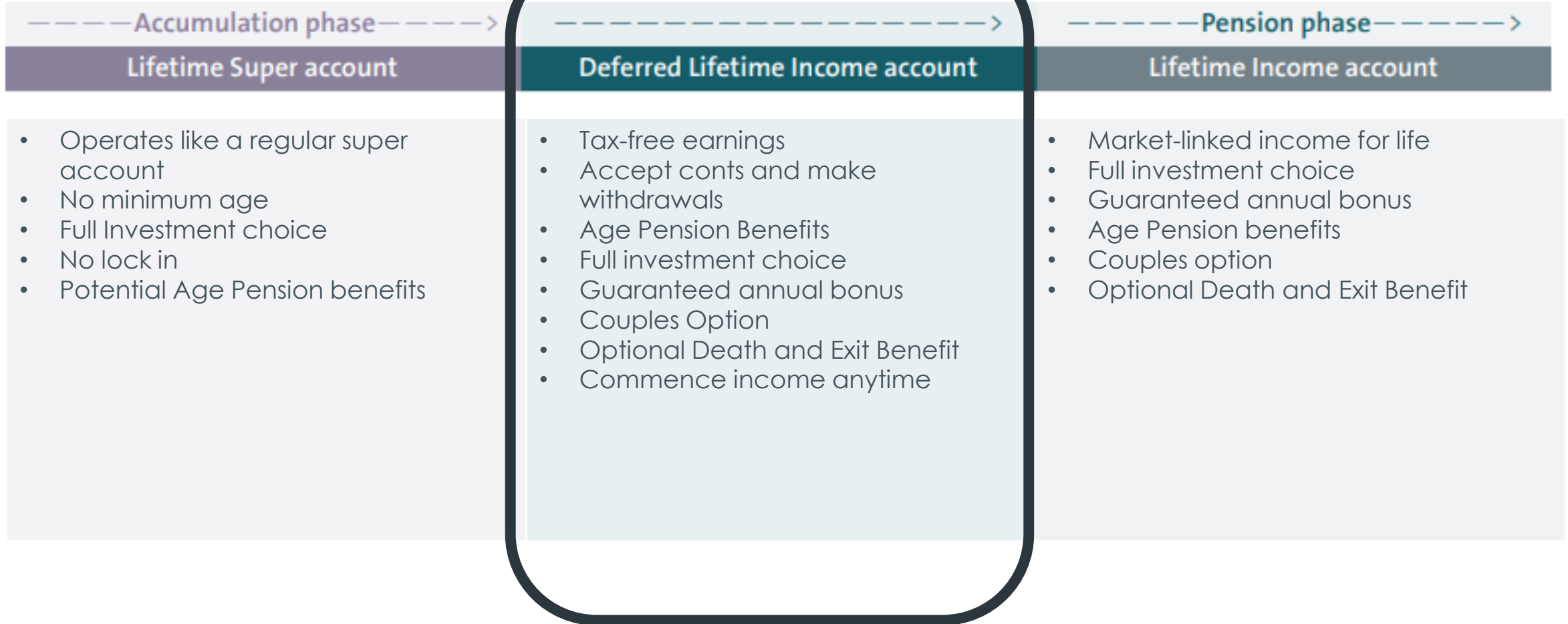
How it works

\$25,613 extra age pension entitlement (today's dollars)



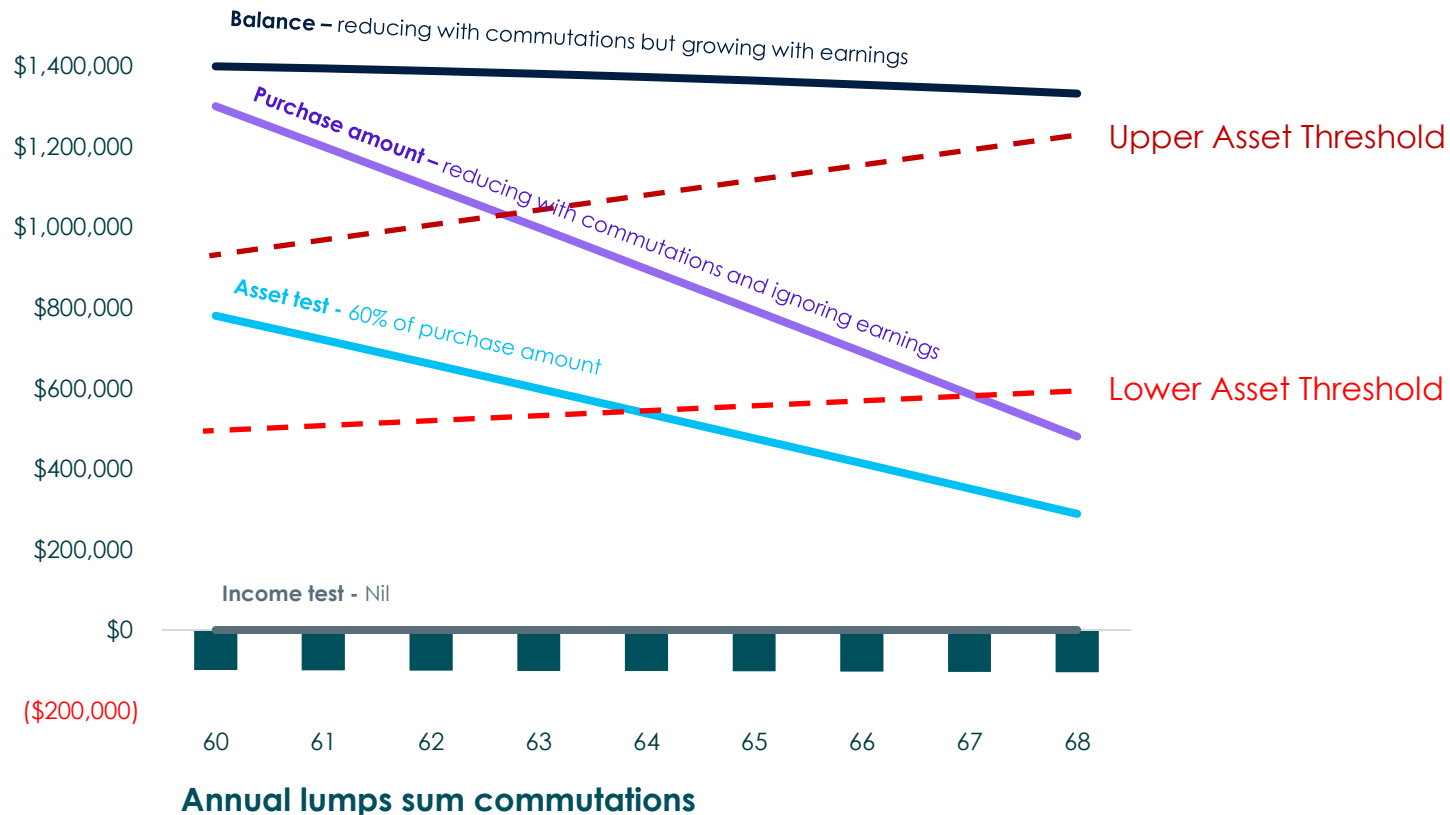
Assumptions: starting balance of \$575,000 at age 55, \$20,000 contributions p.a. and growing by 2% p.a., 7.5% investment earnings and 2.25% deeming rate. Age pension entitlement is theoretical at age 65, actual entitlement when they reach age pension age will depend on investment and product choices until that point. This example is illustrative only.

Introducing MyNorth Lifetime



How it works

60-year-old retiree with \$1.4m, drawing ~\$100k p.a.



\$42k extra age pension entitlement (today's dollars)
From zero pension to full pension

This is not a complete strategy and is illustrative only – it is a demonstration of what can be achieved with the MyNorth Deferred Lifetime Income account. You will need to consider additional needs such as further access to capital.

Assumptions: couple homeowner with 6% investment returns and 100% of retirement balance in a Deferred Lifetime Income account. Note that this strategy cannot be used indefinitely as the legislated maximum level of commutations will be reached and no further commutations will be permissible, even at death.

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Leveraging the complete MyNorth Lifetime Suite



Meet Allan and Rachel

Situation

Age – both 50

Balance \$300k each

Homeowners

Earning \$100k each

Contributing 12% p.a.



Goals

Retire at 67

Income target ~\$100k

Never rely *solely* on
age pension

This case study is illustrative only and not to be relied upon.

Case study results

No Lifetime

50 – super
67 – allocated pension

Basic Lifetime

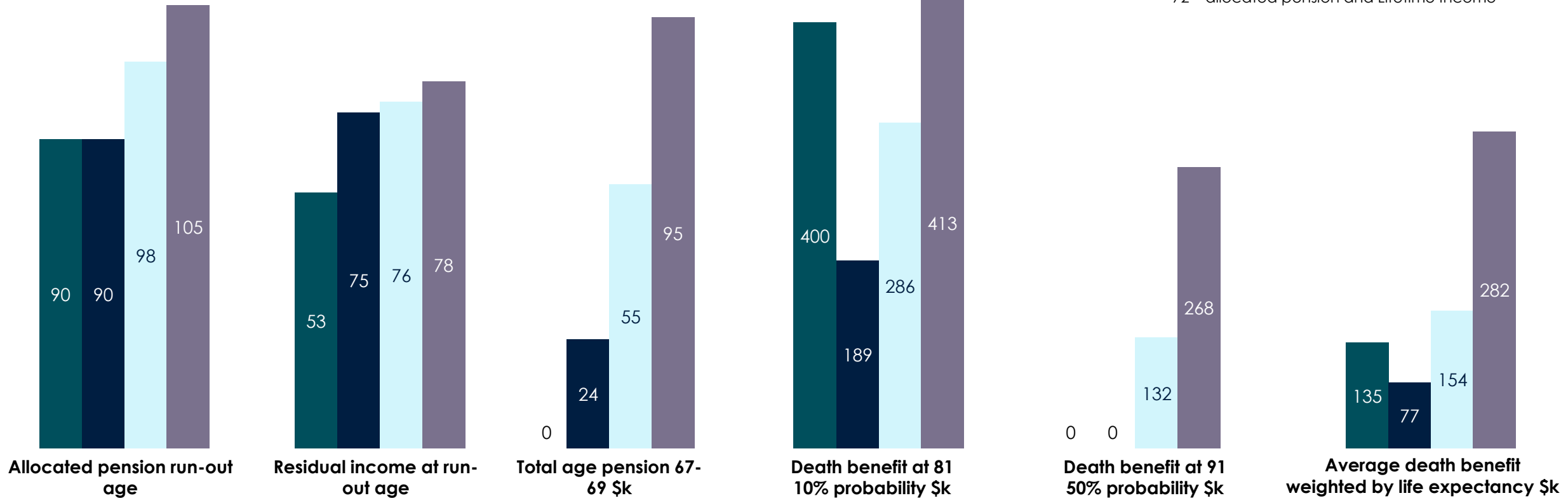
50 – super
67 – allocated pension and Lifetime Income

Intermediate Lifetime

50 – super
60 – super and Deferred Lifetime
67 – allocated pension and Lifetime Income

Advanced Lifetime

50 – Lifetime Super
60 – super and Deferred Lifetime
67 – allocated pension and Deferred commutations
72 – allocated pension and Lifetime Income



These examples are illustrative only. Basic Lifetime assumes a 50% allocation to Lifetime Income from age 67 with the remainder in an account-based pension. Intermediate Lifetime assumes a 50% allocation to Deferred Lifetime from age 60 converting to Lifetime Income from age 67, with the remaining 50% in super and an account-based pension. Advanced Lifetime assumes a 100% allocation in Lifetime Super till age 60, then a 50% allocation to Deferred Lifetime converting to Lifetime Income from age 72, with commutations instead of income from age 67 to 72. Assumes earnings of 6.97% p.a. before retirement and 6.48% p.a. after retirement, an upper deeming rate of 2.25%, and condition of release met at age 60. All income and death benefits in today's dollars assuming 2.5% CPI and 3% wage inflation. Death benefit probability is the probability of both spouses dying by this age from the Australian Life Tables.

Giving account holders the confidence to

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THANK YOU

