Allianz Retire+
POWERED BY PIMCO

FUTURE SAFE CASE STUDY

Advice Triggers and Emotional Assets

- Term deposit rates have fallen by 96% since the GFC to only 0.30%[1].
- Future Safe is a powerful new defensive alternative for financial advisers and their clients.
- Take the opportunity to potentially earn seven times the current term deposit rate with a maximum downside of only -0.8%[2].

Meet Ross

68 year old retiree Ross recently lost his mother and inherited a total cash payment of $300,000. He requests that the money is protected and kept separate from his other assets.

"It's a lot of money and my parents worked hard to save it. I can't gamble it in the sharemarket."

As Ross' adviser, you know that it is in his best interests to be earning a return on this money, as it will make a significant difference to his retirement lifestyle. However, you also know that Ross cannot emotionally accept his parents' savings being invested in volatile markets or riskier assets.

OPTION A		OPTION B
Term Deposit	OR	Future Safe
0.30%		**2.15%**
Maximum potential return[1]		Maximum potential return[2]

Future Safe can earn up to seven times the current term deposit rate for your clients, with a maximum downside of only -0.8%.

Historical Comparison

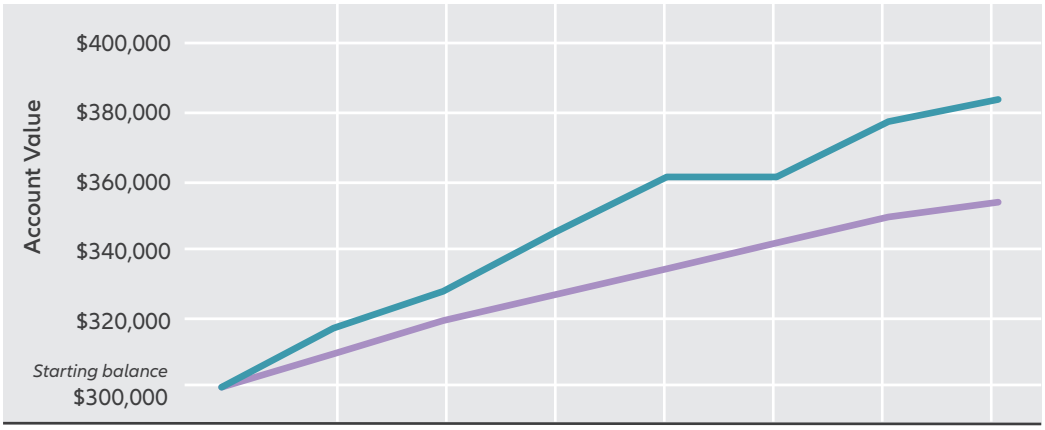
$353,434	$300,000	$384,285
Ending balance	Starting balance	Ending balance
17.81%		**28.10%**
Cumulative return[1]		Cumulative return[3]

Future Safe as a Solution

By combining the downside protection of the 0% floor with the upside potential of market-linked returns (up to a cap), Future Safe can help you meet Ross' exact needs – capital preservation and investment growth.

It's important to note that this indicative example utilises past performance data which is not a reliable indicator of future performance.

Safely Growing Emotional Assets[1,3]



	Year	2014	2015	2016	2017	2018	2019	2020
	Future Safe	5.76%	3.49%	5.05%	4.70%	-0.09%	4.53%	1.90%
	Term Deposit	3.35%	3.05%	2.45%	2.30%	2.20%	2.15%	1.10%
	Difference	*2.41%*	*0.44%*	*2.60%*	*2.40%*	*-2.29%*	*2.38%*	*0.80%*

Using Future Safe results in an account balance which is 8.73% higher, or more than $30,000 greater, after just 7 years.

Emotional Assets

Downsizing **Redundancy** **Inheritance** **Sale of Business**

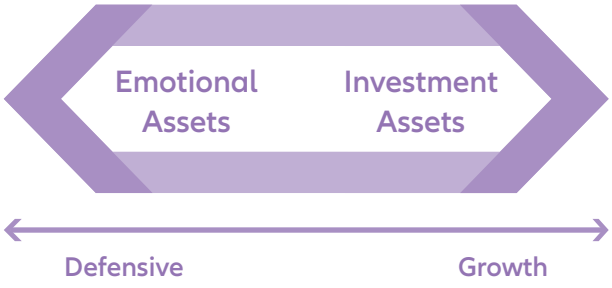
It's during significant life events such as these that the value of financial advice is properly appreciated.

These 'advice triggers' result in clients reaching out for your much needed guidance and support. It's a rewarding opportunity to help your clients in their time of need. However, they can also create challenges for what to do next.

Mental Accounting

The windfalls received by clients through these significant life events often come with an additional emotional connection. In behavioural finance, this is known as *Mental Accounting* and refers to the different values a client places on their money, depending on its source.

As a result, there is often a requirement from the client to treat assets received via a significant life event separately and more conservatively than their risk tolerance would suggest. They feel as though the assets should not be put at risk.



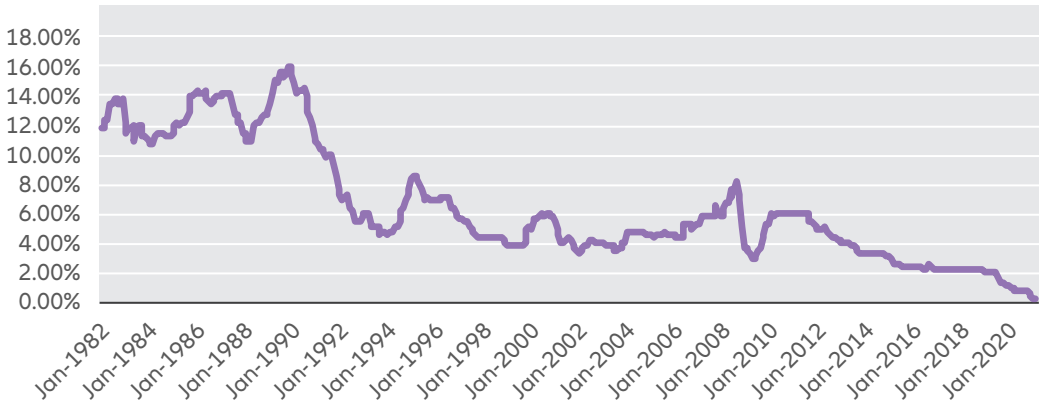
Cash is No Longer King

The record low interest rate environment is reducing the attractiveness of cash and other capital protected solutions, punishing clients who require a greater level of stability and safety.

Cash holdings and term deposits, while offering certainty in both return and protection, are now promising one more thing: to go backwards in real terms[4].

The cost of certainty has never been greater.

1 Year Term Deposit Rates, before inflation[1]

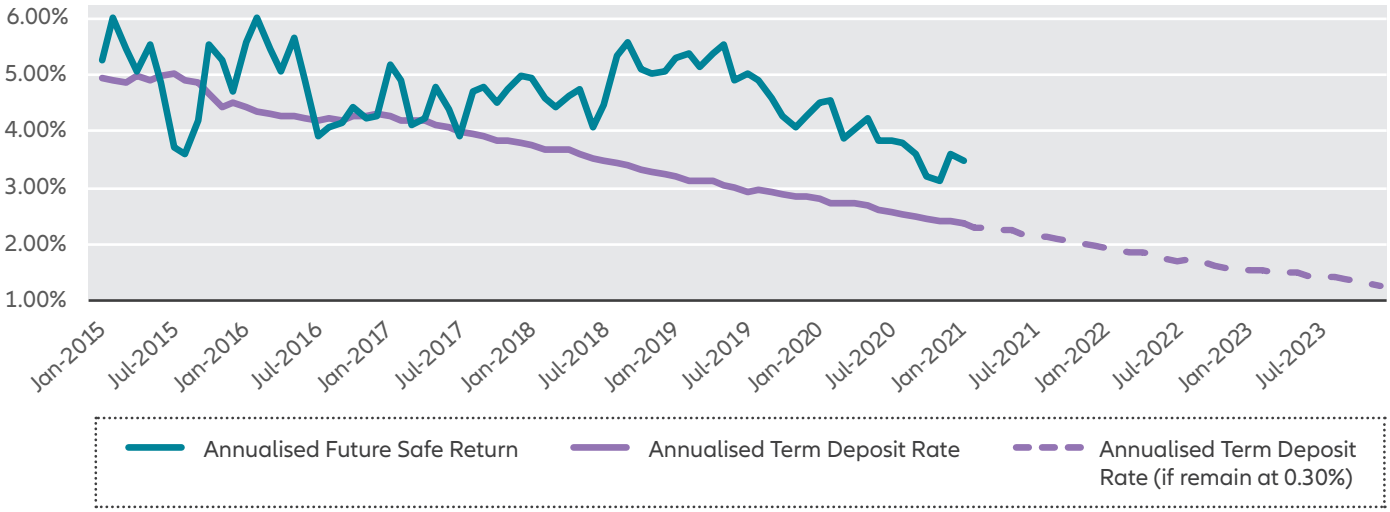


The term deposit rate has fallen by 96% since the GFC, from a high of 8.25% to an insignificant 0.30%.

This is compounded by the fact that clients who utilise term deposits will often roll expiring investments into new one-year terms.

The following chart shows the historical seven-year annualised rate of return for an investor who has rolled into one-year term deposits, seven times. The trend is clear, and assuming term deposit rates stay stable at 0.30%, or indeed continue to deteriorate, investors who persist with this strategy may be in for further pain.

7 Year Annualised Monthly Rolling Returns[1,3]



A Smarter Solution

Future Safe, with its downside protection and upside potential, offers your clients a safe way to grow their wealth; and in recent years (as shown above), has provided a far more attractive outcome when compared to term deposit returns.

We don't know where markets will go from here, but with a maximum net of fees return of 2.15%, Future Safe has the potential to earn seven times the current term deposit rate with a maximum downside of only -0.8% (after fees).

For a discussion on how you might use Future Safe with your clients, contact either your business development manager or phone 1300 421 060.
Further information can be found at **allianzretireplus.com.au**

1. *Reserve Bank of Australia: Retail deposit and investment rates; Banks' term deposits ($10000); 1 year, as at 2 March 2021.*
2. *Future Safe seven-year investment interval, 0% floor, 50/50 investment into S&P/ASX 200 Total Return (3% Cap) and MSCI World Net in AUD (2.9% Cap) indexes as at March 2021. Net of 0.80% fee.*
3. *Historical Future Safe performance. Shows the annualised seven-year return subject to the historical cap for the 0% floor option, rolling monthly. 50/50 investment into S&P/ASX 200 Total Return and MSCI World Net in AUD indexes. Net of 0.80% fee.*
4. *Reserve Bank of Australia: (Retail deposit and investment rates; Banks' term deposits [$10000]; 1 year, as at 2 March 2021) – (Consumer Price Inflation, as at 28 January 2021).*

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