

# REDEFINING DEFENSIVE ASSETS



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8 June 2021

**Allianz Retire+**  
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- + How big is the problem?
- + What is the solution?
- + How easy is it to use?
- + Case study examples

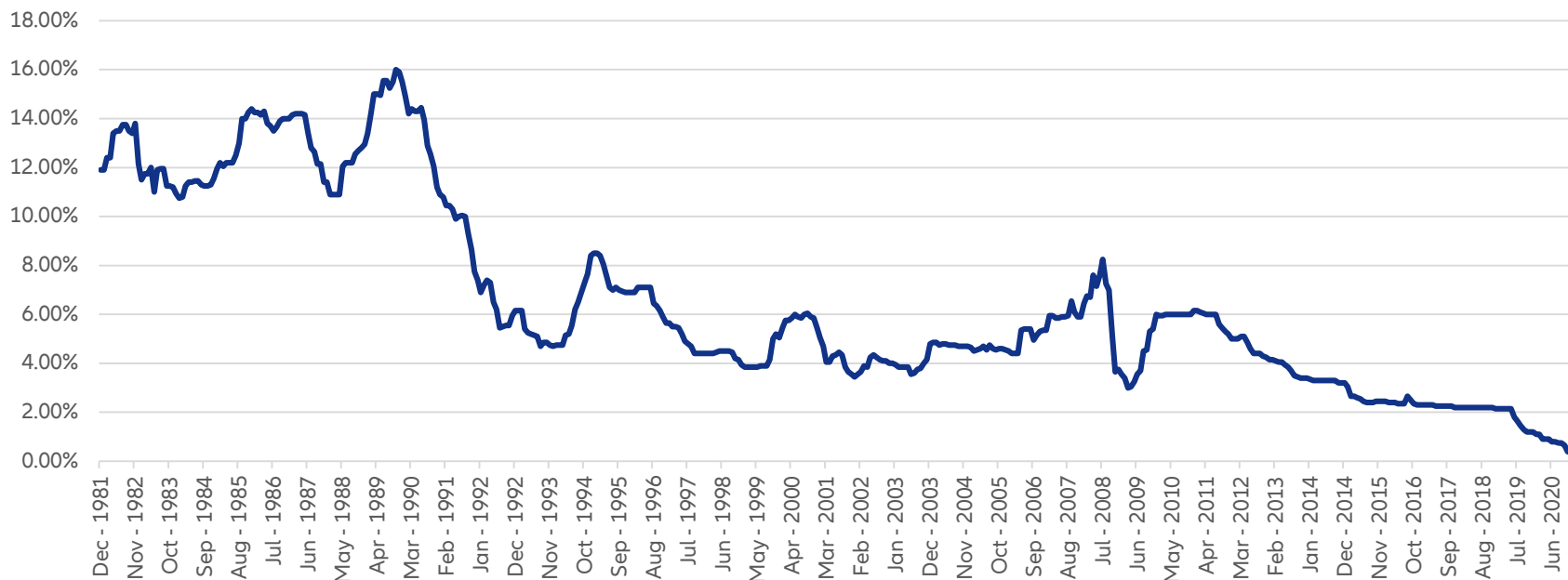


How big is the  
problem?



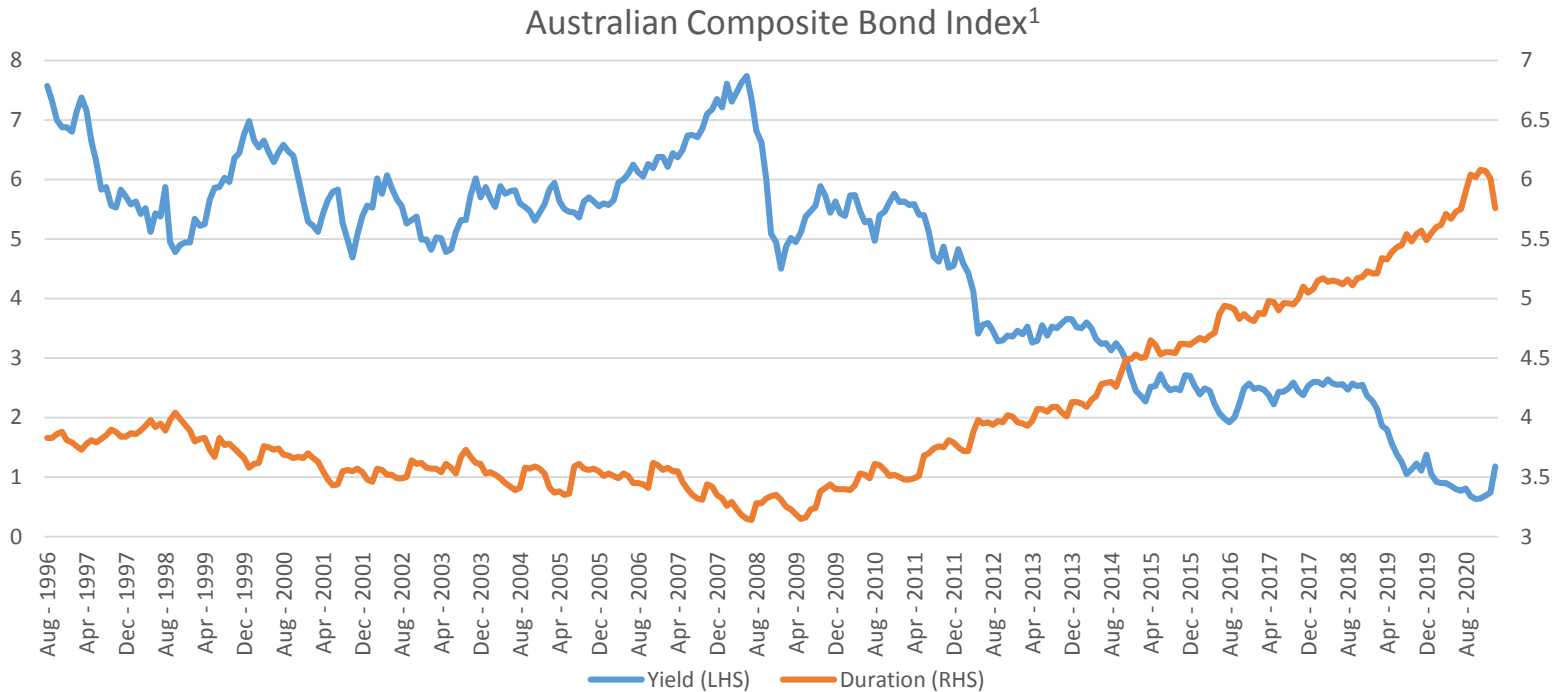
# Term Deposit Rates Have Fallen 96% since GFC<sup>1</sup>

1 Year Term Deposit Rates, before inflation<sup>1</sup>



1. Reserve Bank of Australia: Retail deposit and investment rates; Banks' term deposits (\$10000); 1 year, as at 2 March 2021

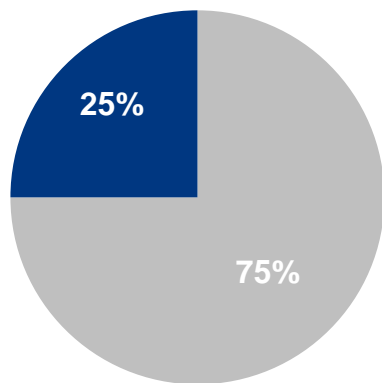
# Duration Risk has Doubled<sup>1</sup>



1. Source: Bloomberg. The index is Bloomberg AusBond Composite 0+ Yr Index. Yield is the Mid Yield to Maturity. Duration is Modified Duration. Modified Duration increased 94% or 1.94 times between July 2008 and November 2020.

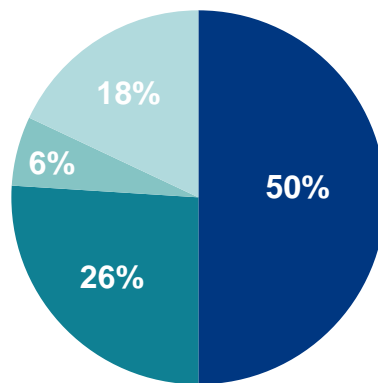
# Impact to Portfolio Construction<sup>1</sup>

- Cash
- U.S. Fixed Interest
- U.S. Large Cap
- U.S. Small/Mid Cap
- Non-U.S. Equity
- Real Estate
- Private Equity



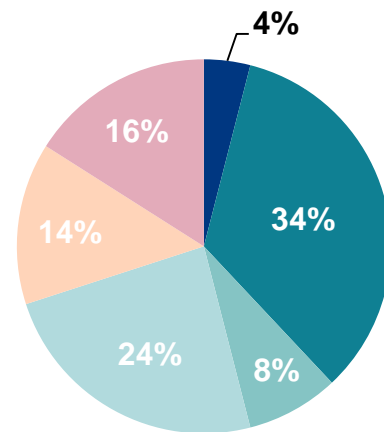
**1989**

Expected Return: 7.5%  
Standard Deviation: 3.1%



**2004**

Expected Return: 7.5%  
Standard Deviation : 8.9%



**2019**

Expected Return: 7.5%  
Standard Deviation : 18.0%



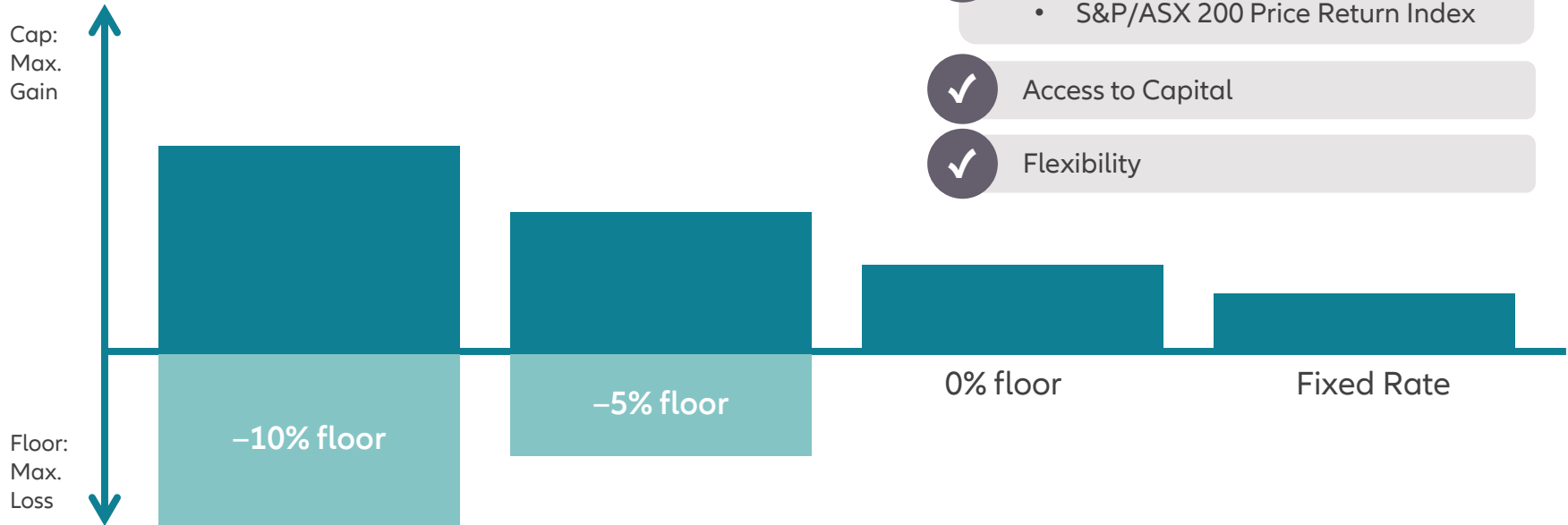
1. Callan Associates – Risky Business 2018



What is the  
solution?



# Future Safe



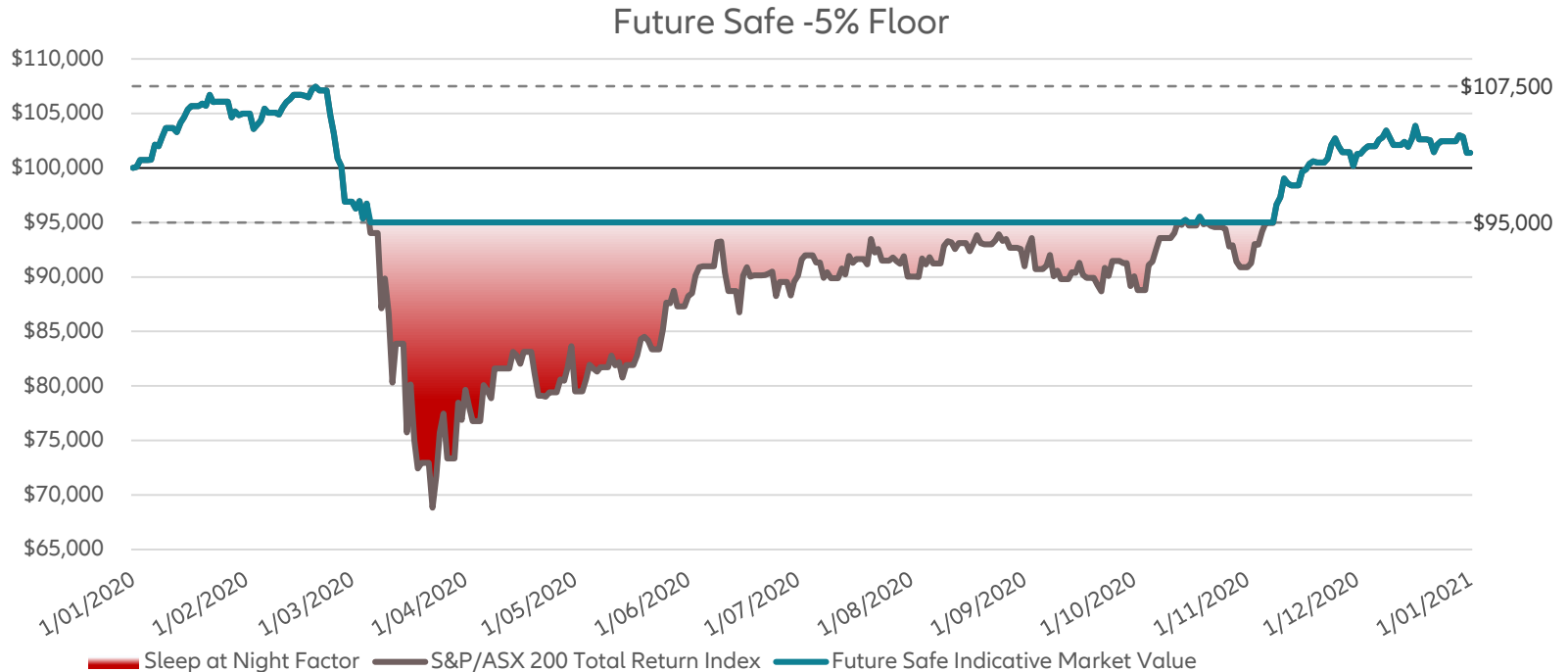
1. Illustrative purposes only. Floors and caps are prior to fees and taxes.

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# Future Safe Through COVID



1. Historical performance: ASX 200 Total Return index from 01/01/2020 – 01/01/2021. Future Safe -5% floor with the historical cap of 7.50%. Past performance is not a reliable indicator of future performance. Floors, caps and performance are prior to fees and taxes.



How easy is it  
to use?



# We've Made It As Easy as Possible...

- We've used well known brands that your clients will recognise
- We've built the innovative new retirement solution, Future Safe
- We've ensured this solution fits into the annual advice process
- We've provided the ability to charge upfront and ongoing adviser service fees
- We've secured recommended research house ratings
- We've supplied SOA text, integrated into XPlan and created an online application form
- We've landed on the HUB24 platform to meet valuation and reporting needs



# Case study examples



# Advice Triggers



Downsizing



Redundancy



Inheritance



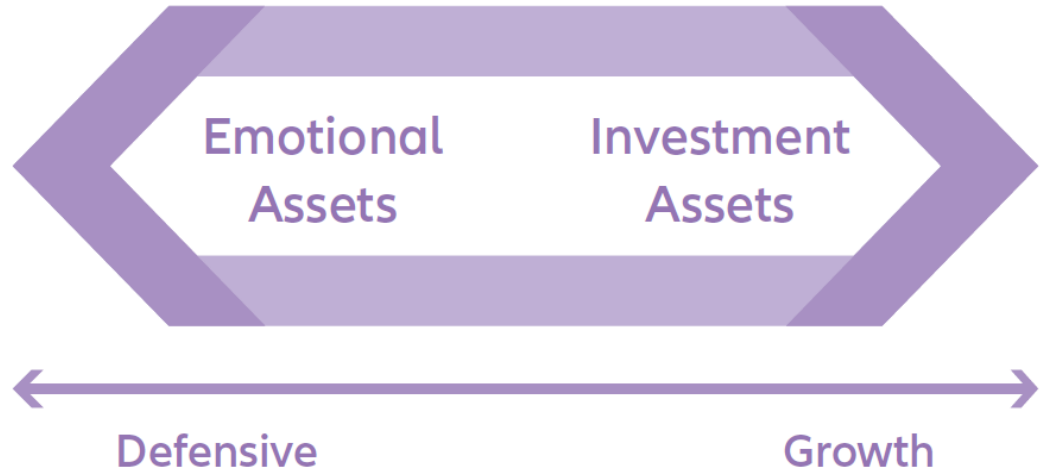
Sale of Business

When clients need you most!

# Emotional Assets

## Mental Accounting

A behavioural finance phenomenon where clients place different values on their assets, depending on its source



# Advice Triggers

OPTION A  
**Term Deposit**

OR

OPTION B  
**Future Safe**

**0.30%**

Maximum potential return<sup>1</sup>

**2.15%**

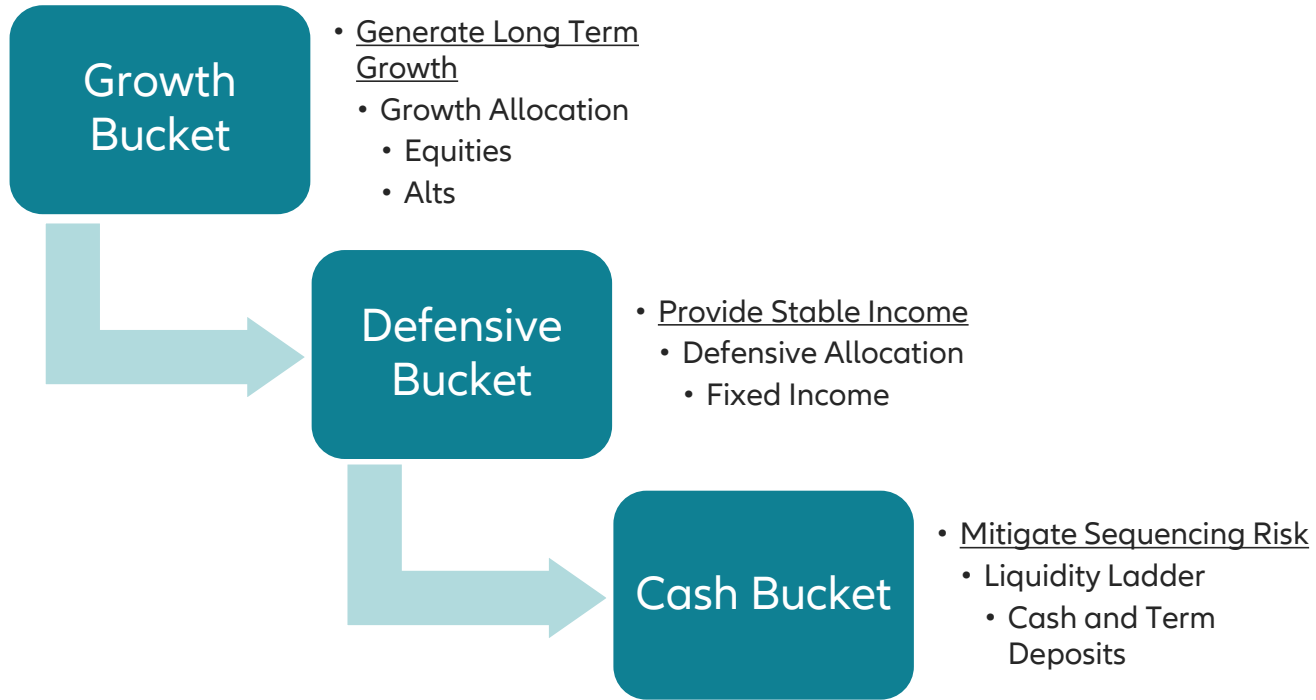
Maximum potential return<sup>2</sup>

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

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.

# Bucketing Approach



1. Hypothetical scenario for illustrative purposes only.



# Bucketing Approach

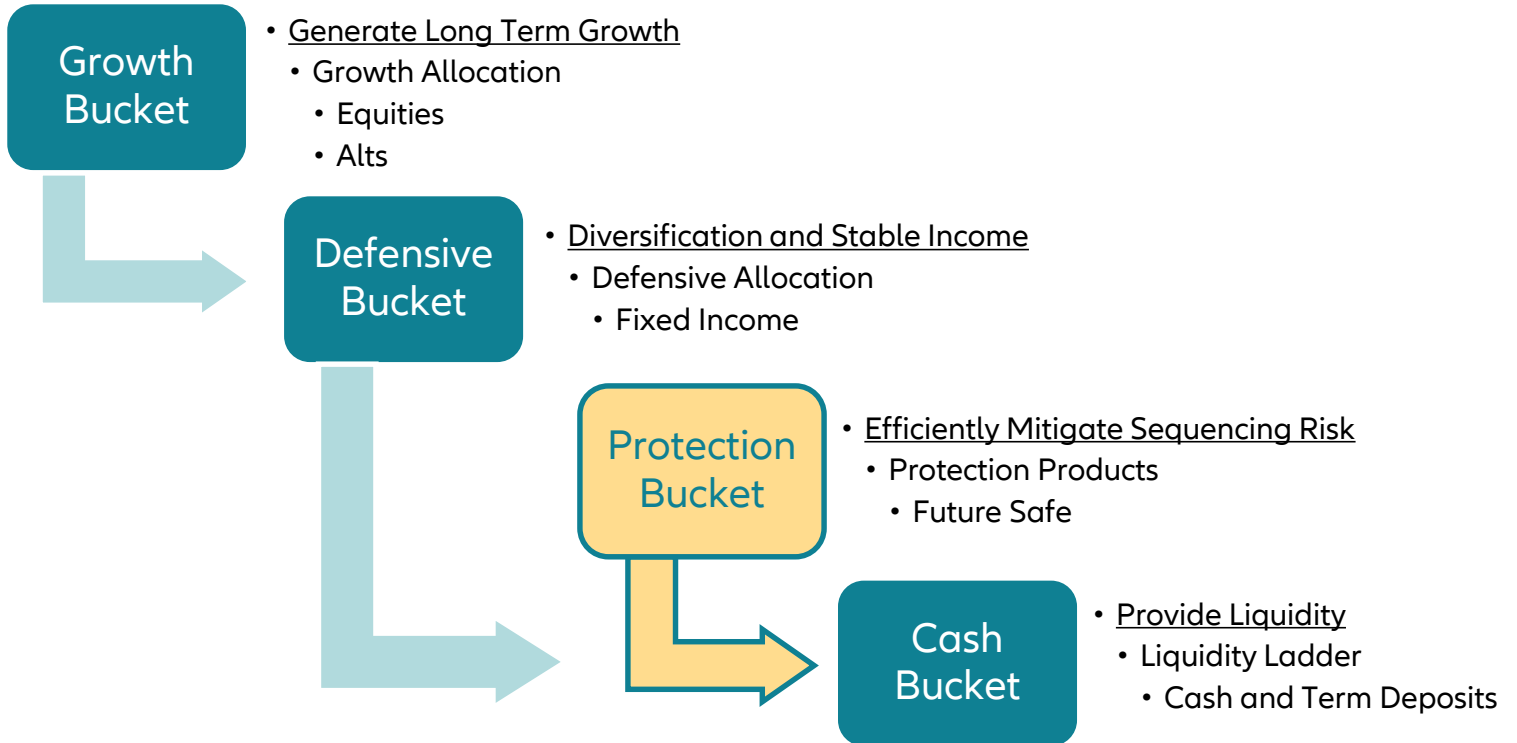
Bucket	Allocation	Assets	Expected Return <sup>1</sup>	Earnings
Cash	3 years of income in liquidity ladder	\$180,000	0.30%	\$540
Defensive	Remainder of 50% defensive budget	\$220,000	1.50%	\$3,300
<b>Total</b>		<b>\$400,000</b>	<b>0.96%</b>	<b>\$3,840</b>

1. Defensive return as per Blackrock Capital Market Assumptions December 2020. Cash return as per Reserve Bank of Australia:

Retail deposit and investment rates; Banks' term deposits (\$10000); 1 year, as at 2 March 2021.

2. Hypothetical scenario for illustrative purposes only.

# Building a Better Bucket



1. Hypothetical scenario for illustrative purposes only.

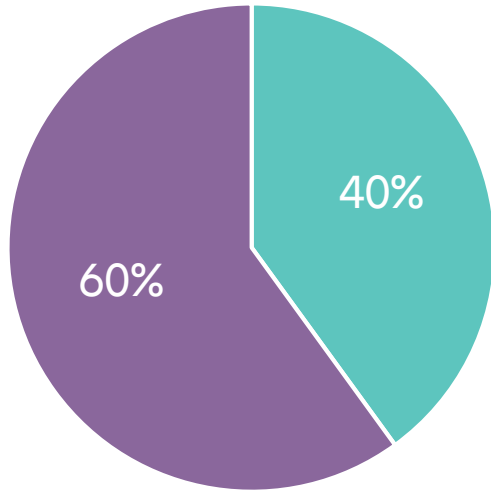
# Bucketing Approach

Bucket	Allocation	Assets	Expected Return <sup>2</sup>	Earnings
Cash	2 years of income	\$120,000	0.30%	\$360
<b>Protection</b>	Return with protection (-2.50% floor)	\$200,000	3.38%	\$6,760
Defensive	Remainder of 50% defensive budget	\$80,000	1.50%	\$1,200
<b>Total</b>		<b>\$400,000</b>	<b>2.08%</b>	<b>\$8,320</b>
<b>Difference</b>		<b>-</b>	<b>+1.12%</b>	<b>+\$4,470</b>

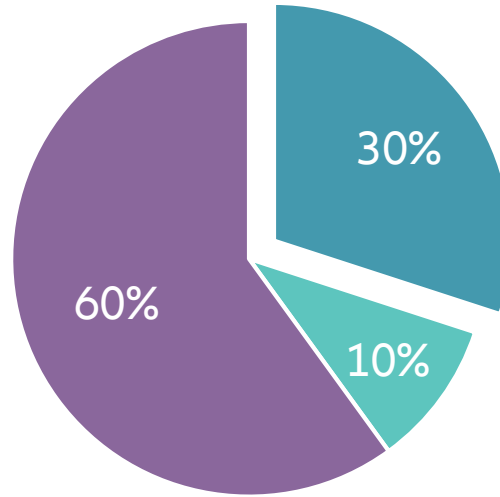
1. Defensive return as per Blackrock Capital Market Assumptions December 2020. Future Safe maximum potential return with 50% into 0% floor, 25/25 investment into S&P/ASX 200 Total Return (3% Cap) and MSCI World Net in AUD (2.9% Cap) indexes and 50% into -5% floor, 25/25 investment into S&P/ASX 200 Total Return (5.7% Cap) and MSCI World Net in AUD (5.1% Cap) indexes. Net of 0.80% fee. Cash return as per Reserve Bank of Australia: Retail deposit and investment rates; Banks' term deposits (\$10000); 1 year, as at 2 March 2021.

2. Hypothetical scenario for illustrative purposes only.

# Enhancing Model Portfolios



54% Chance of Success



73% Chance of Success  
19% increase

- Growth
- Defensive
- Future Safe (Defensive)

Assets allocation outside of Future Safe is 85/15

1. Assumptions: 65 year old couple with \$800,000 in superannuation, a target income of \$62,000 p.a. indexed to inflation and a time horizon of 30 years. This simulation has been generated with the use of Allianz Retire+ OpenMarkets Advice stochastic modelling tool. For full details of the tool and the underlying assumptions please contact the Allianz Retire+ team.

# Examples using Future Safe

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**FUTURE SAFE CASE STUDY**

## Advice Triggers and Emotional Assets

- Term deposit rates have fallen by 96% since the GFC to only 0.30%<sup>1</sup>.
- 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%<sup>2</sup>.

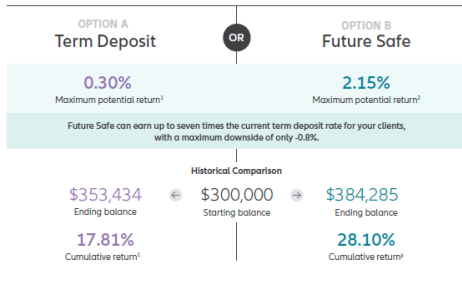
### Meet Ross



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.



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**FUTURE SAFE CASE STUDY**

## Building a Better Bucket

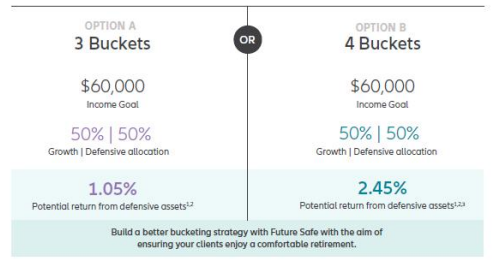
- Record low interest rates and increasing risks in defensive assets means the traditional bucketting approach needs to be improved.
- The inclusion of a 4th "protection" bucket may enhance your current bucketting approach; increasing return potential and reducing downside risk.
- Build a better bucketting strategy with Future Safe with the aim of ensuring your clients enjoy a comfortable retirement.

### Meet John & Lorna



Retired couple John (67) and Lorna (66) are excited about their future. They own their own home and a diligent savings plan has resulted in a meaningful combined superannuation balance.

After running through a budgeting session, you work out that their combined annual expenses are about \$60,000 per annum. Meanwhile, their risk profile is conservative, so their growth/defensive allocation is 50/50.



Will be made available to all attendees after the webinar.

# Adviser Essentials *NEW*

- A new hub with a range of essential resources to help you construct and manage retirement portfolios more effectively.
- You'll find research and insights, education resources and webinars, modelling tools and calculators.
- To access, you need to have registered to our Adviser Portal

[www.allianzretireplus.com.au/adviser-portal/login.html](http://www.allianzretireplus.com.au/adviser-portal/login.html)

The screenshot displays the Allianz Retire+ Adviser Essentials website. At the top, there is a navigation bar with the Allianz Retire+ logo (powered by PIMCO) and a search bar. Below the navigation bar, a banner features a smiling woman and the text "ENSURE THE COMFORT OF TODAY, TOMORROW. Flexible financial solutions for Australian retirees." The main content area is titled "Investing in Retirement is Different" and contains four modules:

- Module 1: Retirement Risks and Challenges** - Sequencing risk, low yields, low growth and longer life expectancies. What are the risks in retirement and how do you manage them to avoid costly consequences?
- Module 2: Building Portfolios for Retirees** - Retirement portfolios need to address the unique risks of retirement. How do you provide exposure to growth assets while ensuring retirement savings last?
- Module 3: Modelling Retirement Portfolios** - Learn how next-gen stochastic modelling tools can help advisers construct and evaluate high-confidence retirement portfolios.
- Module 4: Retirement Tools and Solutions** - Not all retirement solutions are created equal. We look at some of the solutions available and which may be more appropriate for today's conditions.



For more information about Future Safe, our defensive alternative, and how to achieve sustainable retirement strategies, speak to our team of retirement experts.

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