



Retirement Portfolios in a Changing World

Allianz Retire+
POWERED BY PIMCO

Agenda

- + The Reality of Retirement
- + The Retirement Efficient Frontier
- + Unique Retirement Risks
- + Robust Retirement Portfolios



Allianz Retire+
POWERED BY PIMCO

+ The Reality of Retirement

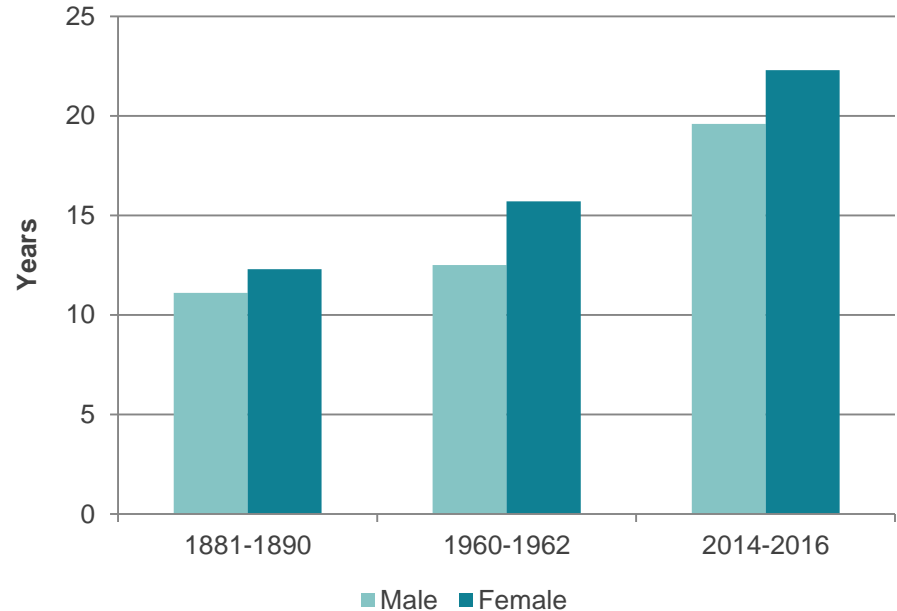


Allianz Retire+
POWERED BY PIMCO

Retirees fear running out of money

- 61% of people fear running out of money in retirement more than they fear death.¹
- 60% of 50-70 year olds fear running out of money.²
- For a 65 year old couple, there is a 1-in-4 chance that one of them will still be alive after 30 years.³

Life Expectancy Beyond 65⁴



1. Allianz Life – Reclaiming the Future Study (2010)

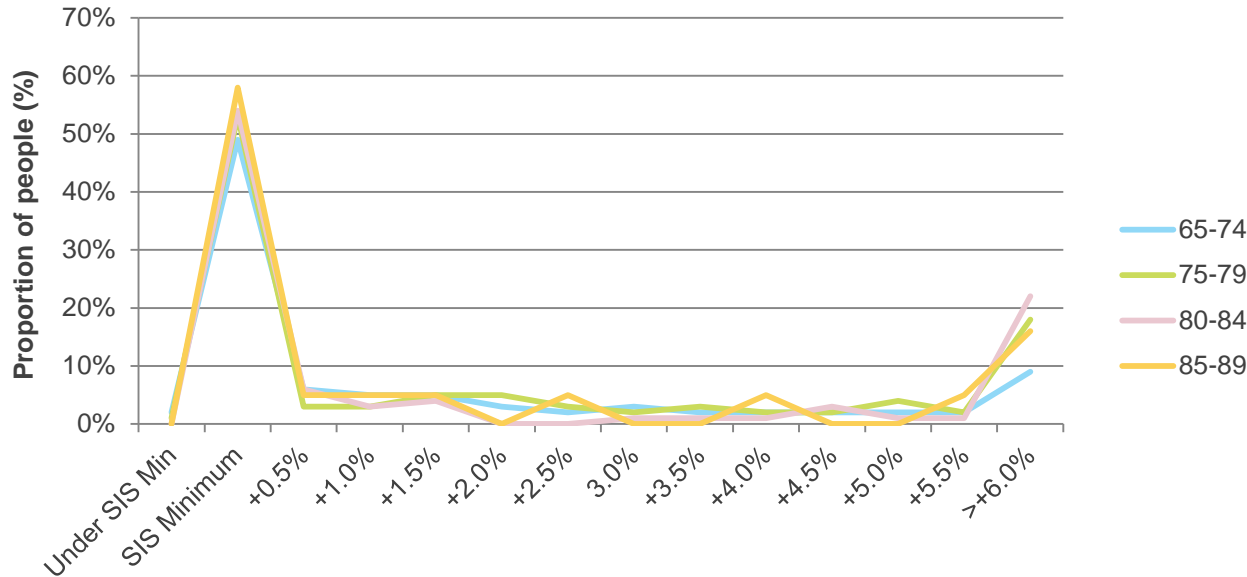
2. National Seniors Australia – Feeling Financially Comfortable: What Retirees Say (March 2019)

3. Australian Bureau of Statistics – Australian Mortality Tables

4. Australian Institute of Health and Welfare (AIHW) 2017. Life expectancy and disability in Australia: expected years living with and without disability. Cat. no. DIS 66. Canberra: AIHW

Retirees respond with frugal living

Superannuation Drawdown Rates¹



More than half of Australian retirees are spending less than the Age Pension each year.²

A 65 year old male taking SIS minimum payments will only use 69% of his super.³

1. Analysis conducted by Centreport Alliance

2. Milliman – Retirement Expectations and Spending Profiles (2018)

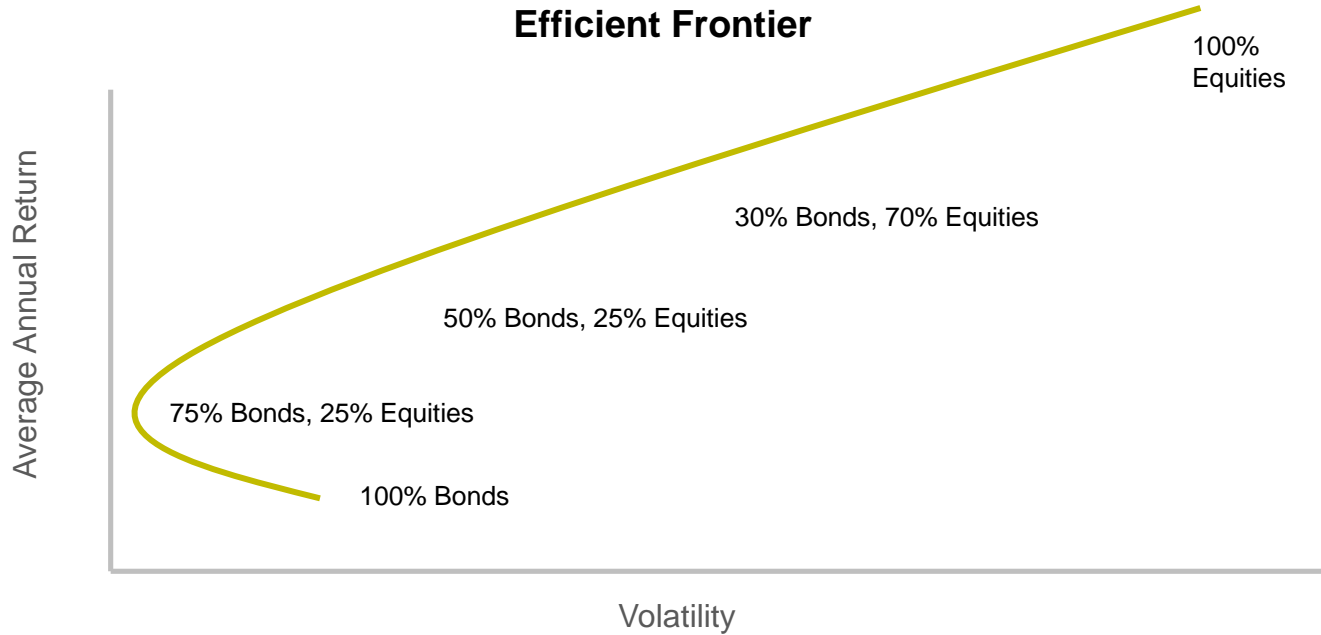
3. Australian Government Actuary, Towards more efficient retirement income products, 2014

+ The Retirement Efficient Frontier

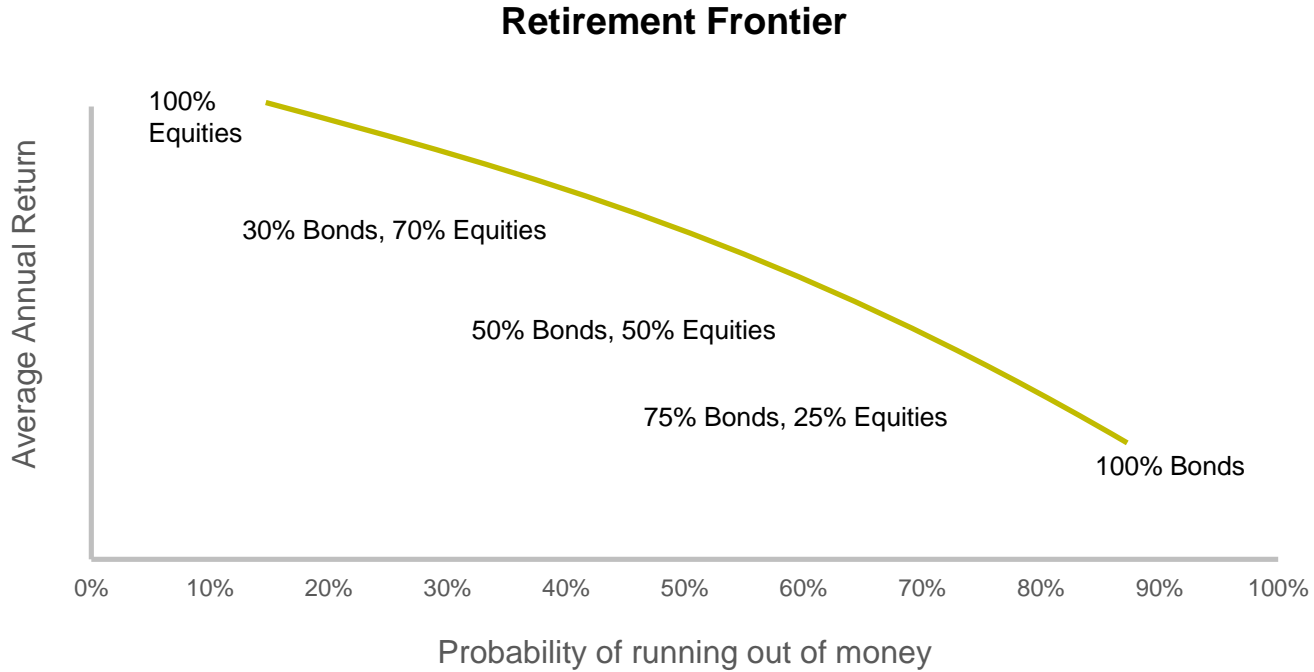


Allianz Retire+
POWERED BY PIMCO

Efficient Frontier

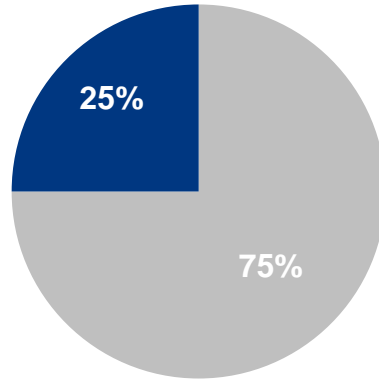


Retirement Frontier



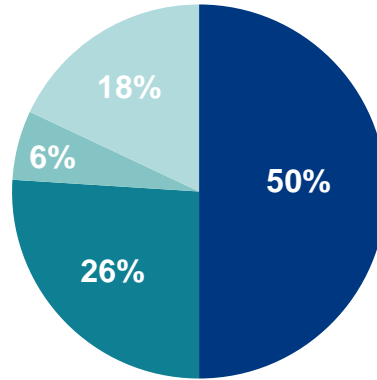
Expected Returns Through Time

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



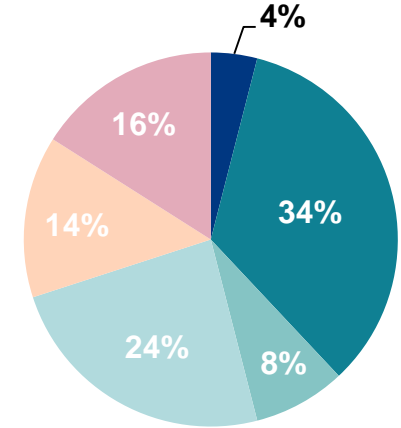
1989

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

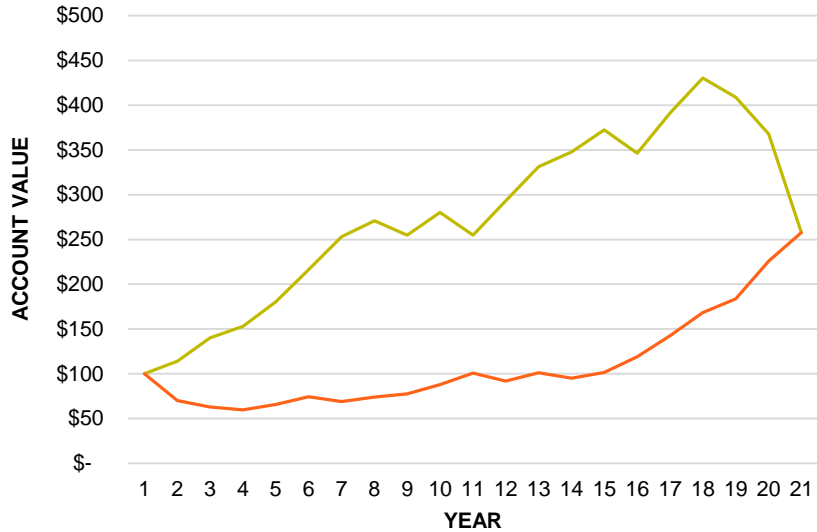
+ Unique Retirement Risks



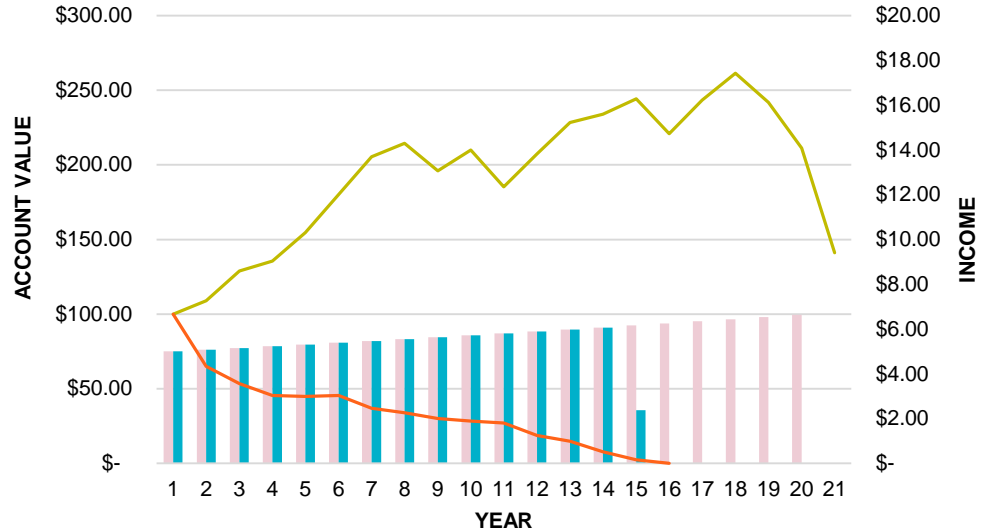
Allianz Retire+
POWERED BY PIMCO

Sequencing Risk

Accumulation

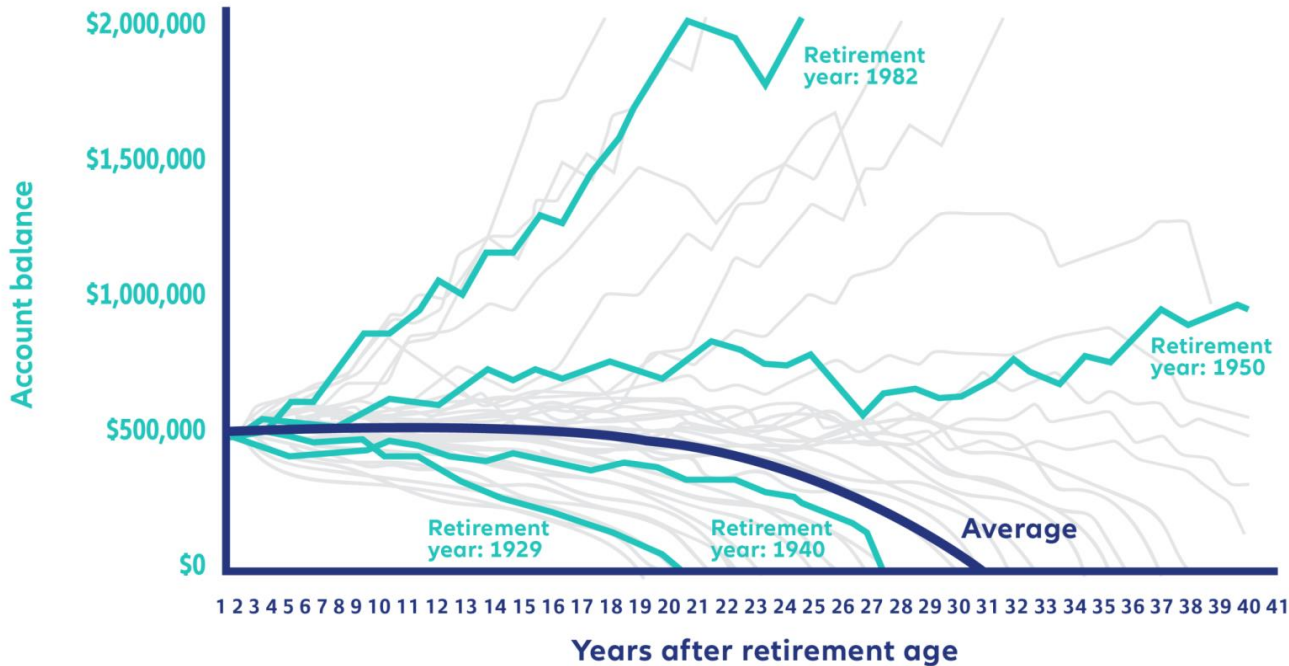


Drawdown



1. Sourced from Lonsec. Illustrative purposes only. Starting balance of \$100. Drawdown equal to 5% of starting balance indexed to inflation at a rate of 1.50%

Sequencing Risk – Birthday Lottery



Half of current retirees were forced into an unplanned retirement because of:

- health problems
- disabilities
- taking care of a loved one
- layoffs²

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%

2. Employee Benefit Research Institute - Retirement Confidence Survey, 2013

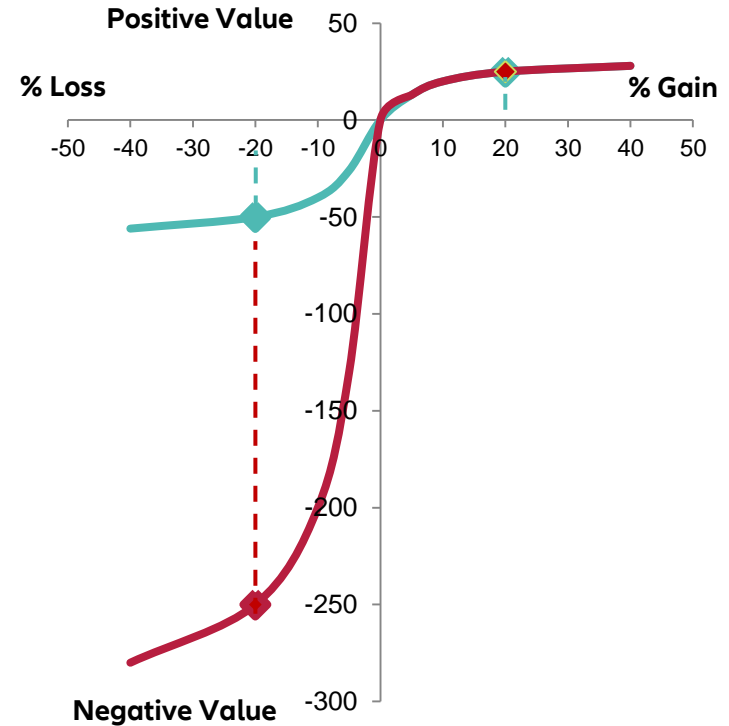
© Copyright Allianz Australia Life Insurance Limited

Hyper Loss Aversion

Lonsec

Individuals feel the pain of a loss **2x** as much as they feel the joy of a gain.¹

Retirees feel the pain of a loss **10x** as much as they feel the joy of a gain.¹



1. AARP and the American Council of Life Insurers – How Retirees Manage Money to Make it Last Through Retirement (2007)

Hyper Loss Aversion

Option 1

Guaranteed \$150

$$E(R) = \$150$$

OR

Option 2

80% chance of winning
\$200

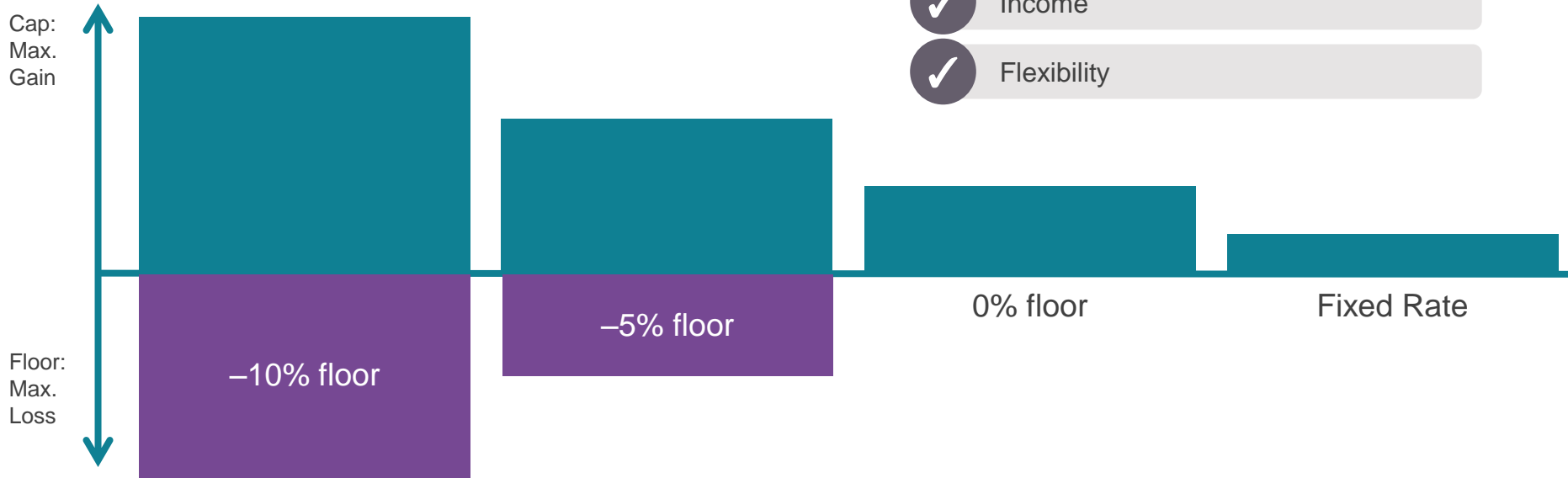
$$E(R) = \$160$$

+ Robust Retirement Portfolios



Allianz Retire+
POWERED BY PIMCO

Future Safe

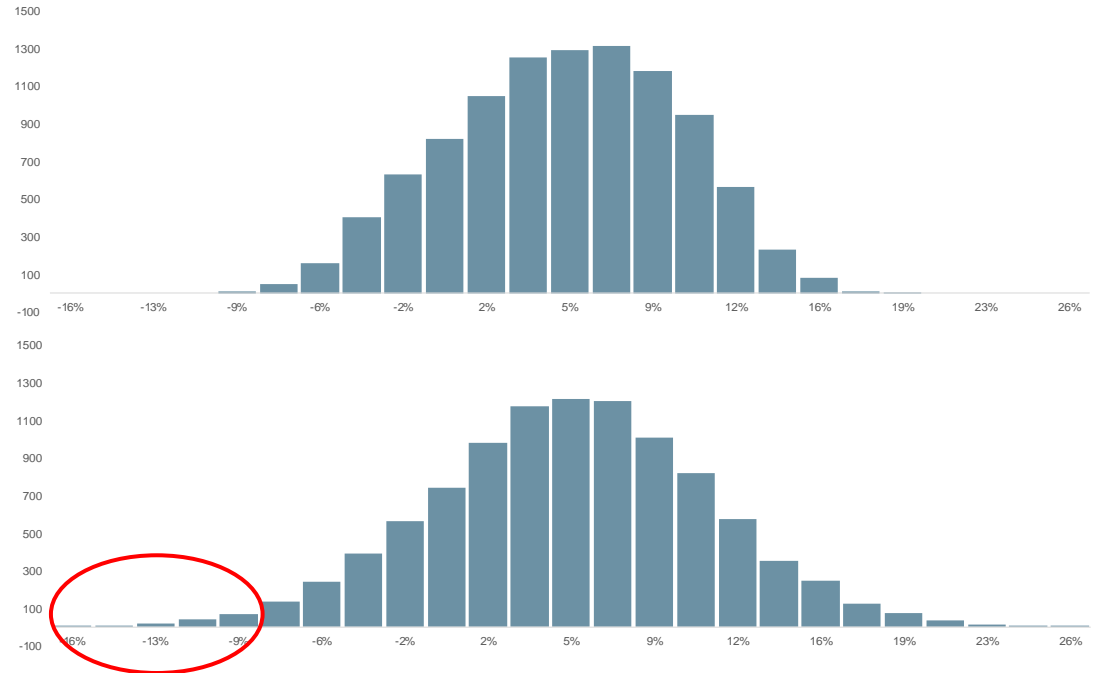


1. Illustrative purposes only

Lonsec Research – Sequencing Risk

ASSET CLASS	BALANCED PORTFOLIO WITH 30% FUTURE SAFE
AUSTRALIAN EQUITIES	8%
GLOBAL EQUITIES	11%
AUST LISTED PROPERTY	5%
GLOBAL LISTED PROPERTY	3%
GLOBAL LISTED INFRASTRUCTURE	3%
AUSTRALIAN BONDS	22%
GLOBAL BONDS	13%
CASH	5%
FUTURE SAFE	30%

ASSET CLASS	BALANCED PORTFOLIO
AUSTRALIAN EQUITIES	23%
GLOBAL EQUITIES	26%
AUST LISTED PROPERTY	5%
GLOBAL LISTED PROPERTY	3%
GLOBAL LISTED INFRASTRUCTURE	3%
AUSTRALIAN BONDS	22%
GLOBAL BONDS	13%
CASH	5%
FUTURE SAFE	0%



Lonsec Research – Loss Aversion

PROBABILITY OF LOSING MORE THAN 5% OF A PORTFOLIO'S VALUE		
	WITHOUT FUTURE SAFE	WITH FUTURE SAFE
BALANCED PORTFOLIO	3.1%	0.9%
GROWTH PORTFOLIO	6.8%	4.5%

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 April 2020 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 \(www.allianzretireplus.com.au\)](#).

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.

Disclaimer

Important Notice: This presentation is given by representatives of Lonsec Investment Solutions Pty Ltd ACN: 608 837 583, a Corporate Authorised Representative (CAR number: 1236821) (LIS) of Lonsec Research Pty Ltd ABN: 11 151 658 561 AFSL: 421 445 (Lonsec Research) to wholesale clients only (within the meaning of section 761G of the Corporations Act 2001 (Cth)). By attending this presentation you are representing that you are a wholesale client. This presentation has been prepared without taking account your objectives, financial situation or needs. Before making any investment decisions you should read the relevant product disclosure statement and obtain advice from an appropriate financial adviser. LIS creates the model portfolios it distributes using the investment research provided by Lonsec Research but has not had any involvement in the investment research process for Lonsec Research. LIS and Lonsec Research are owned by Lonsec Fiscal Holdings Pty Ltd ACN: 151 235 406. Please read the following before making any investment decision about any financial product mentioned in this presentation.

Disclosure at the date of publication: Lonsec Research receives a fee from the relevant fund manager or product issuers for researching financial products (using objective criteria) which may be referred to in this presentation. Lonsec Research may also receive a fee from the fund manager or product issuer(s) for subscribing to research content and other Lonsec Research services. Lonsec Research receives fees for providing investment consulting advice approved product lists and other advice, to clients. LIS receives a fee for providing the model portfolios to financial services professionals. LIS' and Lonsec Research's fees are not linked to the financial product rating(s) outcome or the inclusion of the financial product(s) in model portfolios. LIS and Lonsec Research may hold any financial product(s) referred to in this presentation. Lonsec Research's representatives and/or their associates may hold any financial product(s) referred to in this presentation, but details of these holdings are not known to the analyst(s).

Warnings: Past performance is not a reliable indicator of future performance.

Disclaimer: This presentation is not intended for use by a retail client or a member of the public and should not be used or relied upon by any other person. No representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this presentation, which is drawn from public information not verified by LIS. Financial conclusions, ratings and advice are reasonably held at the time of completion (refer to the date of this presentation) but subject to change without notice. LIS assumes no obligation to update this presentation following publication. Except for any liability which cannot be excluded, LIS and Lonsec, their directors, officers, employees and agents disclaim all liability for any error or inaccuracy in, misstatement or omission from, this presentation or any loss or damage suffered by the reader or any other person as a consequence of relying upon it.

Copyright © 2018 Lonsec Investment Solutions Pty Ltd ACN: 608 837 583

Allianz Retire+
POWERED BY PIMCO