

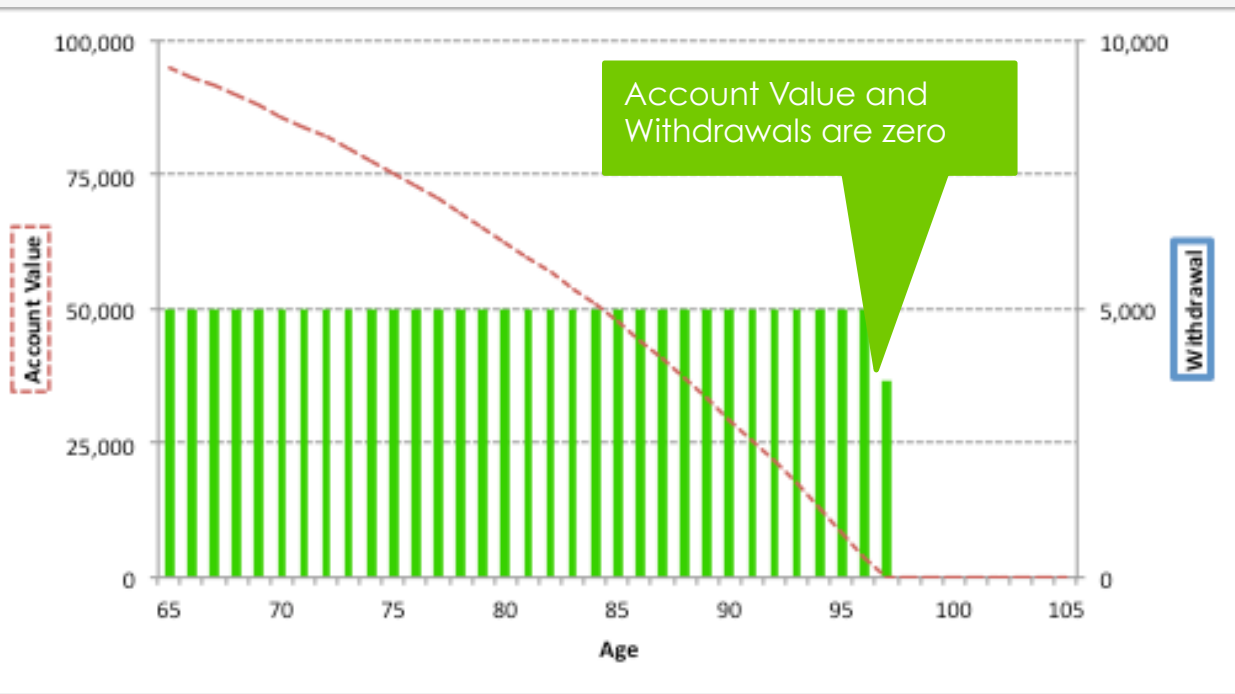
Developing LifeTime Income Products

Ralph Stewart

Lifetime Income is NOT a traditional annuity

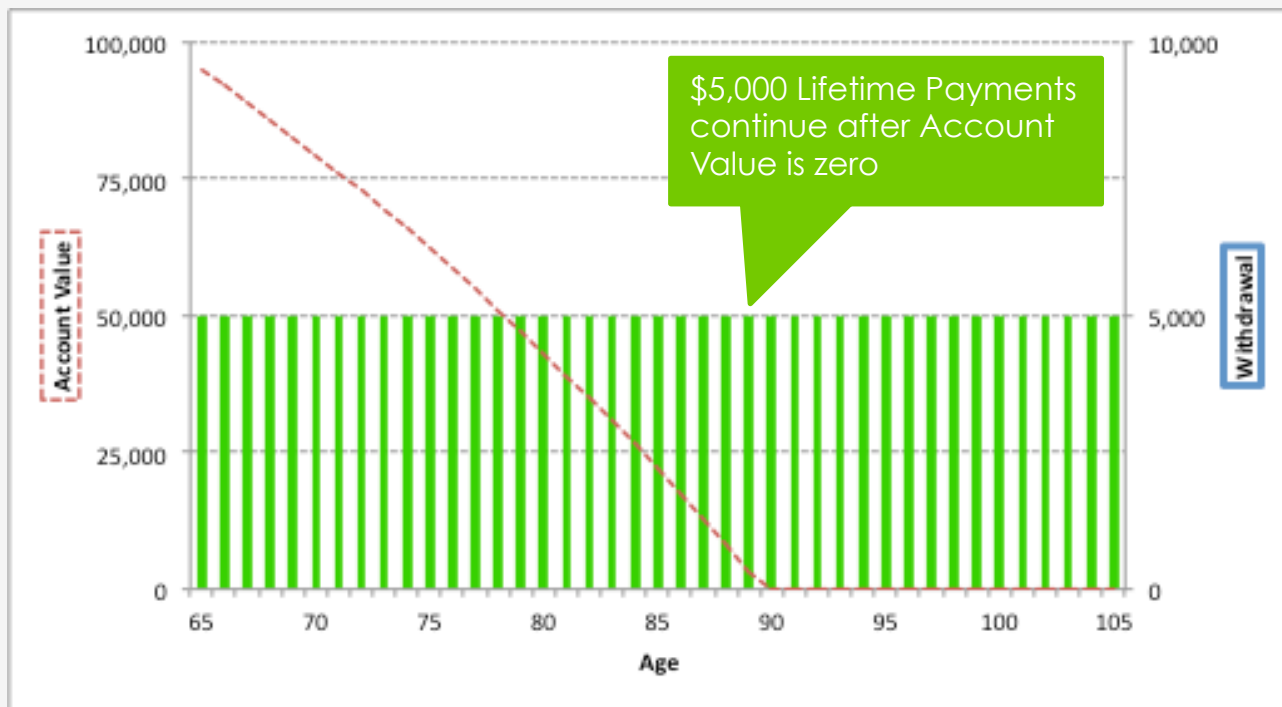
- **Passive balanced fund – 55/45**
- **Longevity rider**
 - **Minimum age 65 years**
 - **Minimum guarantee 5%**
 - **Cancellable at any time**
 - **Capital less withdrawals plus net investment earnings = account balance**
 - **Up to 20% available for life event drawdown**
- **Active asset allocation management**
- **Active index hedging**
- **Minimum solvency capital ~2%**

Naked Capital Drawdown



- Existing KiwiSaver Scheme
- \$100k balance at 65
- 5.00% annual drawdown
- 55/45 Asset allocation
- 3.70% net of fees & taxes
- Capital depleted at 96

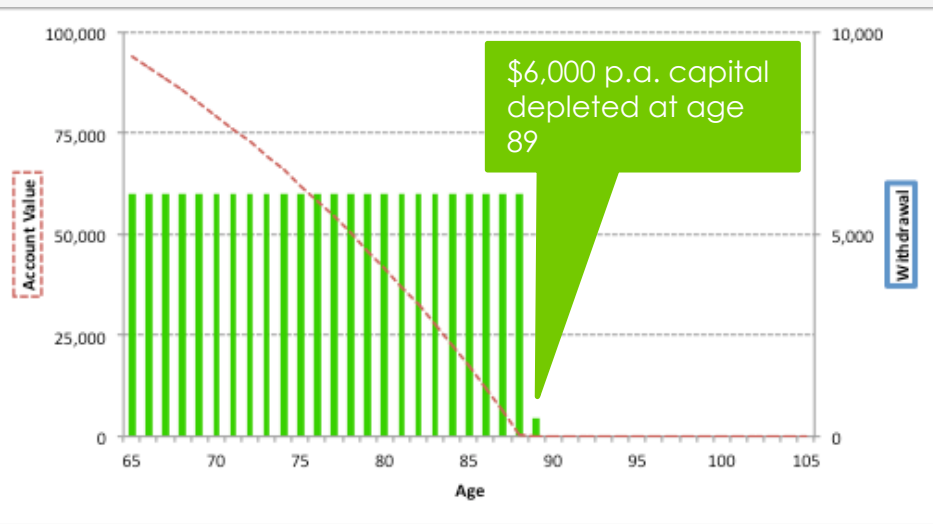
Capital Drawdown with Guarantee



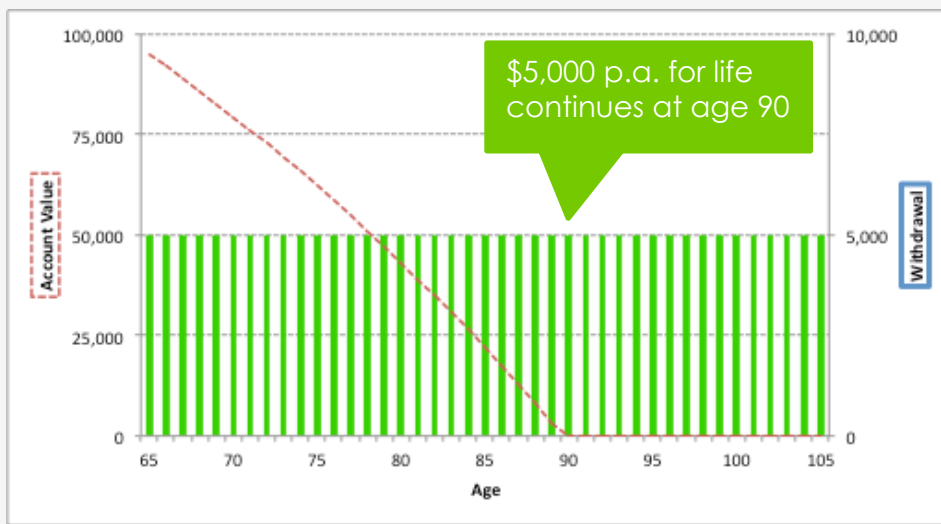
- Same KiwiSaver Scheme
- \$100k balance at 65
- 5.00% annual drawdown
- 55/45 asset allocation
- Guarantee fee 1.50%
- 2.20% net fees & taxes
- Capital depleted at 91
- Guarantee for life

Naked Drawdown + Guarantee = Interesting

Naked Drawdown



Guarantee



Deferral – Even More Interesting

- **Lifetime Income at age 67 – 5.40%**
- **Lifetime Income at age 70 – 6.00%**
- **Defer from age 60, Lifetime Income at age 65 - 5.25%**
- **Insure initial capital for life ~35 bps**
- **Inclusion of ratchit**
- **OECD features – endless...**

Next Steps

- **Insurance Prudential Supervision Act 2010**
- **Inland Revenue Department**
- **Remaining Capital**
- **.....Q2 2014**

NZIG

New Zealand Income Guarantee

The graphic element to the right of 'NZIG' features a series of overlapping, curved rectangular shapes in shades of blue and grey, with a black curved line passing through them.