

Case Studies



CASE STUDY 01

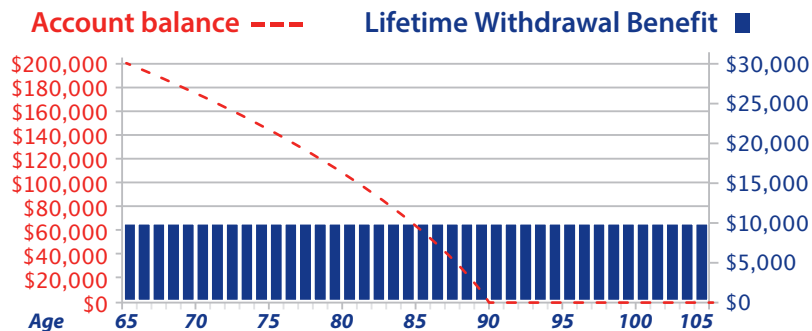
Dave, 65

Dave has just retired with savings of \$350,000. He is still fit and active so feels like NZ Super won't be enough to meet his needs. He wants to invest \$200,000 in the Lifetime Income Fund and start drawing a retirement income immediately to supplement his NZ Super.

The blue bars on the graph below represent Dave's retirement income of \$10,000 per annum. The red line illustrates how Dave's investment account balance may change from year to year. In any year, the account balance is equal to the original investment plus net (of fees and tax) investment returns, less income payments.

In some years, Dave's investment returns may be less than his retirement income payments. When this happens, his capital is used to make up the difference. Even if his regular retirement income payments eventually deplete his savings, this doesn't mean he'll run out of retirement income. Lifetime's longevity insurance makes sure he'll always receive \$10,000 per annum, paid at a rate of \$384 every fortnight, for life.

Protected Income Base **\$200,000**
 x **Lifetime Withdrawal Benefit rate at age 65** **5.00% p.a.**
 = **Lifetime Withdrawal Benefit at age 65** **\$10,000 p.a.**
(\$384 per fortnight)

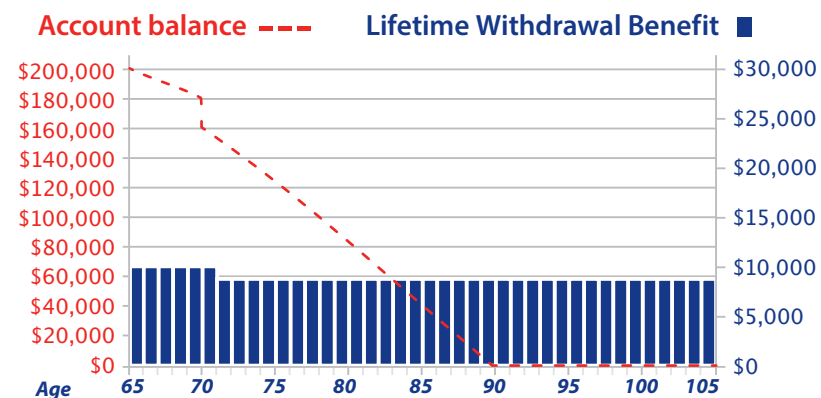


This graph shows Dave's regular income payments and account balance over time.

What happens if Dave's hip becomes a serious problem when he's 70?

Rather than go on a waiting list for an operation, Dave decides to take \$20,000 out of his account and pay for private treatment.

He withdraws the money and has the operation. As you can see in the graph below, the account balance falls by \$20,000 and his Lifetime Withdrawal Benefit is reduced proportionately by 10% – which is the withdrawal (\$20,000) divided by his Protected Income Base (\$200,000).



This graph shows Dave's regular income payments and account balance over time.

If Dave's account balance runs out by the time he turns 89 then Lifetime's insurance means he'll continue receiving his regular retirement income of \$9,000 per annum until he passes away.



CASE STUDY 02

Deborah, 65

Deborah is 65 and has saved \$250,000 over her working life. She intends to keep working part time so there's no pressing need for extra income just now. She's decided to invest \$150,000 in the Lifetime Income Fund but defer her retirement income until she turns 71.

At first, markets rise and on the anniversary of her initial investment (Year 1) her account balance has grown to \$156,000 and then to \$163,000 in Year 2. However, following this, markets perform poorly so her account balance drops to \$155,000 in Year 3 and then to \$152,000 in Year 4.

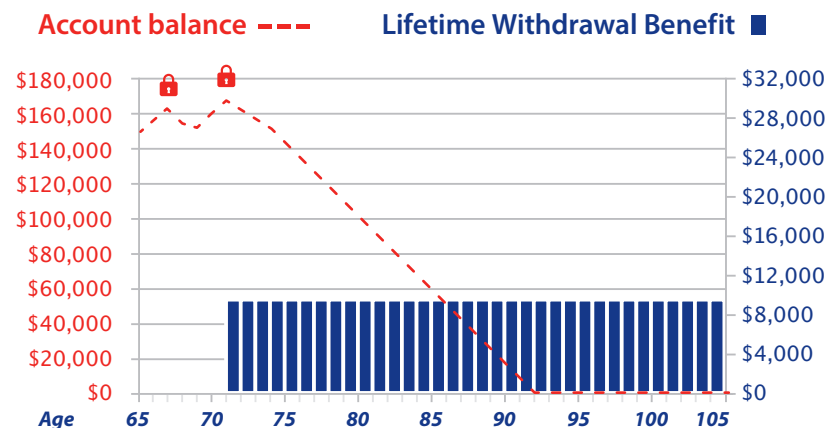
Although her account balance has fallen, the Fund locked in her Protected Income Base at \$163,000 in Year 2. This means that her future retirement income payments are permanently based on this higher level despite a fall in her account balance.

In Years 5 and 6 the markets recover, sending her account balance up again to \$160,000 in Year 5 and then to \$168,000 by the time Deborah turns 71. Her Protected Income Base has increased to \$168,000.

Deborah's eventual retirement income is based on this latest and highest account balance of \$168,000. At 71, her Lifetime Withdrawal Benefit rate is 5.60% per annum after fees and tax and she starts receiving her retirement income payments of \$9,408 per annum paid into her bank account at a rate of \$361 per fortnight, for life.

The red line illustrates how her investment account balance may change from year to year.

Protected Income Base	\$168,000
x Lifetime Withdrawal Benefit rate at age 71	5.60% p.a.
= Lifetime Withdrawal Benefit	\$9,408 p.a.
	(\$361 per fortnight)



This graph shows Deborah's regular income payments and account balance over time.

What happens if, unfortunately, Deborah dies at 74?

At age 74, Deborah's account balance is \$151,311. This money is paid to her estate.



The Lifetime Income Fund is an investment option in the Britannia Retirement Scheme. Britannia Financial Services Limited is the issuer of the Britannia Retirement Scheme. You can get a copy of the product disclosure statement for the Britannia Retirement Scheme from our website www.britanniafinancial.co.nz