

October 2022

North

MyNorth Lifetime

For financial advisers only

A new choice to maximise retirement income that offers:



Flexibility



Choice



Security



Longevity

What is MyNorth Lifetime?

MyNorth Lifetime is a new suite of solutions available through North that Financial Advisers can use to help clients retire comfortably and confident in the knowledge they will have a lifetime of retirement income.

MyNorth Lifetime features three account options

- **The MyNorth Lifetime Income account**
(Lifetime Income account): A flexible pension account that provides a high-rate market-linked income stream that never runs out, because it is topped up by annual bonuses.
- **The MyNorth Lifetime Super account and Deferred Lifetime Income account:**
Both can be opened before clients move into a Lifetime Income account. These additional solutions provide enhanced tax and Centrelink benefits, and provide greater opportunities for long-term client engagement with significantly enhanced retirement outcomes.

Unlike many existing retirement income options, MyNorth Lifetime puts financial advisers in control and includes the following:

- full investment choice from North's extensive menu, including managed portfolios and ESG options;
- eligibility for at least a 40% discount on the age pension assets test;
- ability to retire with pension assets above the Transfer Balance Cap, and;
- opportunities to enhance the above benefits before retirement with super and deferral options.

MyNorth Lifetime allows financial advisers to reconnect regularly with clients and maintain control of important portfolio decisions like investment strategy, asset allocation and security selection.

The only way to access MyNorth Lifetime is through a financial adviser.

Why we created MyNorth Lifetime

We created MyNorth Lifetime to put financial advisers at the forefront of Australians' retirement needs, allowing the creation of innovative pension strategies that give clients greater income for life.

Our development of MyNorth Lifetime is consistent with the Government's aim of better managing longevity through Innovative Retirement Income Streams. We have created a new tax-free category of pensions not subject to the minimum draw rules that apply to account-based pensions. This has been supplemented with concessional assets-test treatment for means testing, because the Government is keen to encourage retirees to better convert superannuation savings into retirement income.

How the Lifetime Income account works

The essential insight behind the Lifetime Income account is that while an individual's lifespan cannot be predetermined, the life expectancies of a large cohort of retirees can be accurately predicted.

Using this insight, AMP has designed the Lifetime Income account to insure against the risk of any individual running out of money before they die.

It's analogous to life insurance in reverse.

The annual bonus

Instead of paying annual premiums that rise each year in exchange for a lump sum paid to the estate after death, clients are paid an annual bonus that rises the longer they live. In return, the premium is paid from the client's estate when they die or exit the platform.

The result is a new type of pension account that has similar flexibility to an account-based pension but the certainty of the lifetime cashflows like an annuity. And because the income will never run out, MyNorth Lifetime provides your clients with the confidence to draw higher rates of income than are generally drawn from an account-based pension.

MyNorth Lifetime is not pooled and offers advisers complete control over investment choice and strategy from MyNorth's extensive menu of investment options, an important difference from other lifetime income products.

Clients who achieve higher returns through greater investment risk will be rewarded with larger annual bonuses and incomes. Conversely, clients with a more conservative approach and lower investment returns will typically receive lower ongoing bonuses but less volatile incomes.

This means financial advisers can work with their clients to create the right portfolio mix for the client – and change that allocation over time – making the adviser central to designing, developing, monitoring and adapting strategies.

The annual bonuses start low in early years of retirement and increase year by year until much of the income is funded by bonuses. Bonuses are accrued daily as a percentage of the value of the portfolio and paid to the account by 30 June every year.

Annual bonus payments are backed by TAL, one of Australia's largest insurers. This means that it doesn't matter how long other people live – your clients will receive the guaranteed annual bonus rates for life.

The Lifetime Income account qualifies as a lifetime income stream under the age pension rules.

Assets test benefits

An investment in the Lifetime Income account qualifies for a 40% upfront discount on the age pension assets test for age pension eligibility. Generally, the discount increases the earlier a client opens a Lifetime account, such as where they open a Lifetime Super account before retirement.

The Lifetime Income account also offers an optional money-back Death or Exit Benefit. This means clients can elect to receive their starting balance less income paid back, subject to legislated maximums and their account balance.

Where the Lifetime Income account fits in portfolio construction

The Lifetime Income account is an innovative additional option for client strategy that can help to service clients' retirement needs.

We know that matching asset allocation, investment options and income planning into a bespoke solution that solves precisely for needs of each client's individual circumstances is at the core of good financial advice.

That's why the Lifetime Income account ensures control remains with financial advisers¹.

The benefits of the Lifetime Income account – investment choice, income for life and wider range of accessibility to age pension – are not designed to replace an entire retirement portfolio.

Instead, they simply add an additional option to the financial advice toolkit.

A well-planned retirement is often a mix of an account-based pension, a lifetime income stream and the age pension.

Adding the Lifetime Income account provides additional flexibility, with the ability to manage assets tests, transfer balance caps and total super balance outcomes.

Used in conjunction with this kind of wider portfolio approach, the Lifetime Income account can:

- Enhance the income generated from a portfolio.
- Extend the longevity of the capital in an accompanying account-based pension.
- Provide security for spouses with a 100% reversion rate.
- Maintain an income for life.

¹ Financial advisers are still bound by the requirements of the client relationship.

Using the Lifetime Income account with an Account Based Pension:

Lifetime Income account	Account Based Pension
Provides income for life – money will never run out, but restricts access to capital supporting the income stream	Provides no guarantee of income for life, but enables access to lump sum withdrawals
Has a maximum income, and no minimum income rate	Has a minimum income and no maximum income rate
For the age pension asset test, 60% of purchase amount is assessable until age 84, then 30%	For the age pension asset test, 100% is assessable
For the age pension income test, 60% of income is assessable	For the age pension income test, deemed income is assessable



How the Lifetime Income account compares to other market-linked lifetime income streams

There is not a single solution for providing income in retirement that can meet the broad and growing range of a client's income needs in retirement. Financial advisers have a menu of options to handle their clients' income needs in retirement – each with its own benefits and drawbacks. The table below describes some of the key features of a MyNorth Lifetime Income account, alongside some of the common features of other lifetime income streams.

The Lifetime Income account uniquely seeks to solve this balancing act with a first-of-its-kind, insurance-backed product that offers flexibility and investment choice and provides both longevity- and income- protection.

Product*	MyNorth Lifetime Income account	Other Market-Linked Lifetime Income streams
Investments		
Investment choice	Unrestricted on MyNorth	None or limited
Unrestricted switching	✓	✗
Guarantees available	✓	✗
Investment benchmark/s	Any value up to 6%	Single or limited choice
Franking credits	Paid	May not be paid
Income		
Ongoing income flexibility**	✓	✗
Income rates published	Rates for entire lifetime	Starting rates only
Means Testing and Caps		
Initial asset test discount	40% plus	40%
Transfer balance cap benefit	✓	✗
Total super balance benefit	✓	✗
Other		
Flexible deferral options	✓	✗
Pre-retirement super option	✓	✗
Fees included in individual/family caps	✓	✗

*The above comparison table was compiled 4 October 2022 based on information on market-linked lifetime income streams sourced from the websites of a range of providers. It is not a full comparison of any/all applicable features and benefits. Advisors will still be obligated to complete appropriate product research.

**Only short term variations from the maximum income are recommended, as this will not be "banked" against the ability to take income in subsequent years.

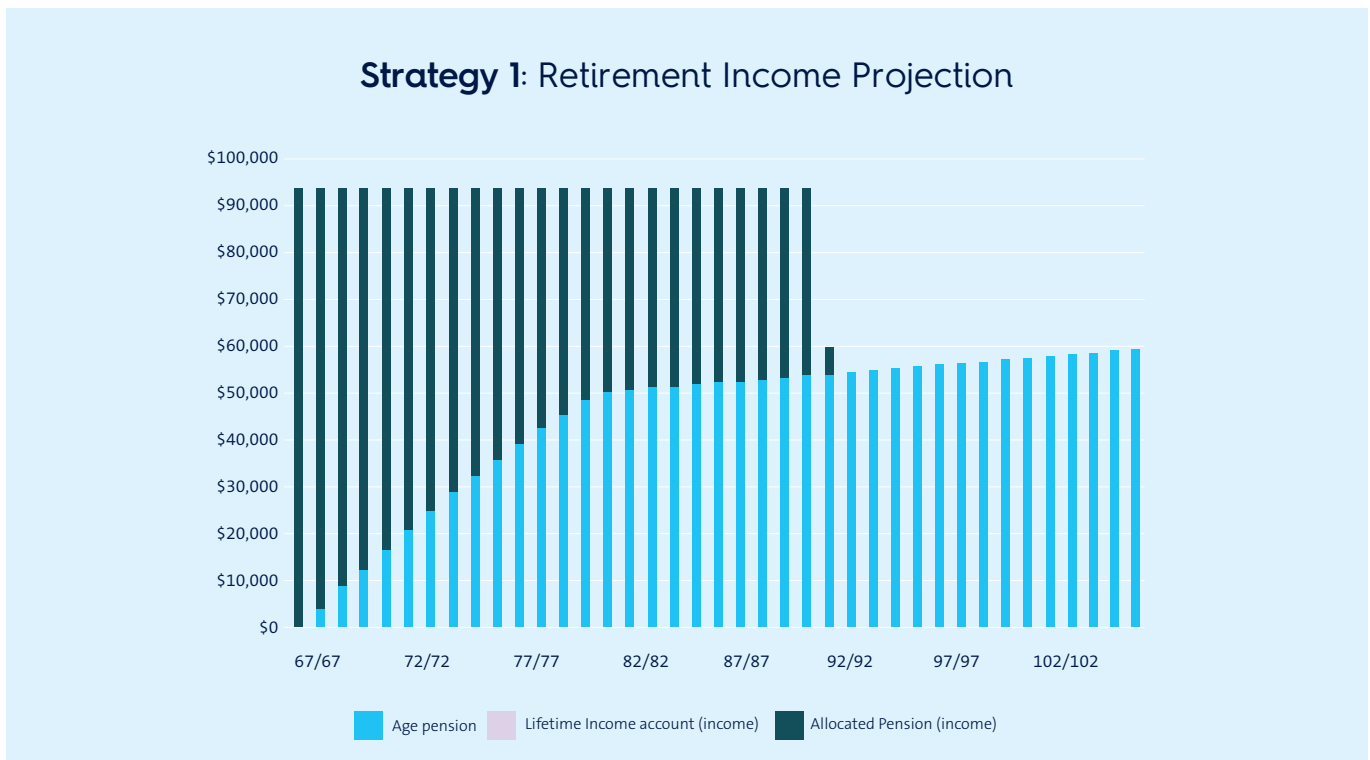
The MyNorth Lifetime suite

There are three options for advisers in MyNorth Lifetime:	These options open a range of strategies for financial advisers:
<p>MyNorth Lifetime Income account</p> <ul style="list-style-type: none"> – Income for life – No minimum required income – Optional spouse cover, 100% reversion – Full investment choice from North’s extensive menu – Guaranteed insured annual bonus – in return your client leaves some of their balance when they die or exit – Potential age pension – Optional money-back death or exit benefit 	<p>MyNorth Lifetime Income account</p> <ul style="list-style-type: none"> – High income for life – Reduce assets test – Provide for a spouse – Reduce behavioural risks – Mitigate cognitive decline
<p>MyNorth Lifetime Super account</p> <ul style="list-style-type: none"> – A regular super account with no minimum age and full investment choice from North – No lock in, full balance paid at exit or death – 40% to 100% discount on assets test for future age pension eligibility 	<p>MyNorth Lifetime Super account</p> <ul style="list-style-type: none"> – Long-term retirement planning – Reduce assets test
<p>MyNorth Deferred Lifetime Income account</p> <ul style="list-style-type: none"> – Tax-free accumulation, no requirement to draw income, contributions accepted – Full investment choice from North’s extensive menu – Investment growth not counted in assets test or transfer balance – Optional money-back death or exit benefit – Start income whenever your client likes 	<p>MyNorth Deferred Lifetime Income account</p> <ul style="list-style-type: none"> – Maximise pension balance – Reduce assets test – Reduce transfer balance – Contribution and withdrawal strategies – Longevity or aged care planning

MyNorth Lifetime in action

This example illustrates how the MyNorth Lifetime suite of solutions can work in your client’s portfolio.

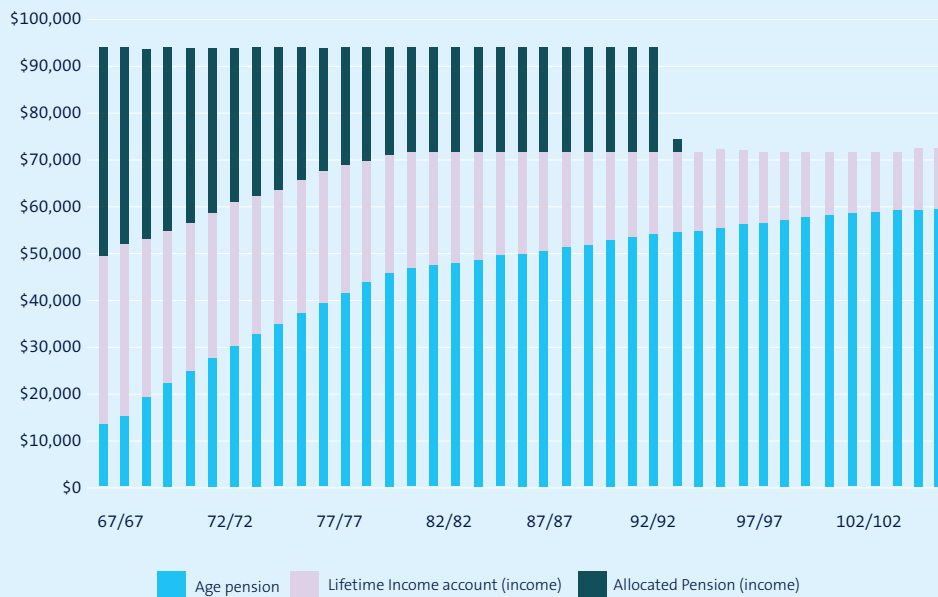
Allan and Rachel		
	50 years old	50 years old
Super Balance	\$175,000	\$175,000
Gross Salary	\$85,000	\$90,000
Super Guarantee Contribution	12%	12%
Retirement Age	67	67
Retirement Income Goal	\$93,000	



Strategy 1 (for comparison):

- Age 50 to 67: 100% Standard Super
- Age 67+: 100% Allocated Pension

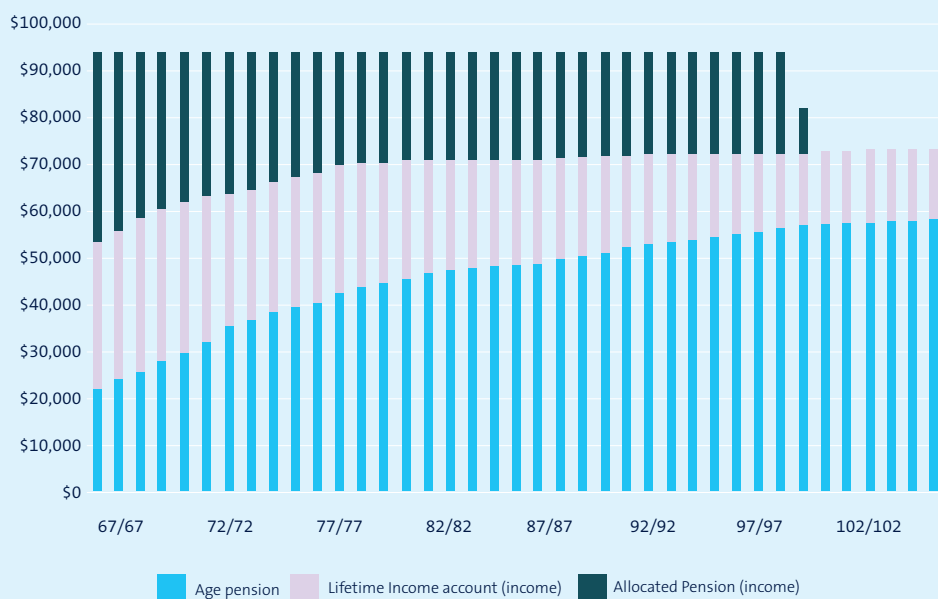
Strategy 2: Retirement Income Projection



Strategy 2:

- Age 50 to 67: 100% Standard Super
- Age 67+: 50% Lifetime Income account | 50% Allocated Pension

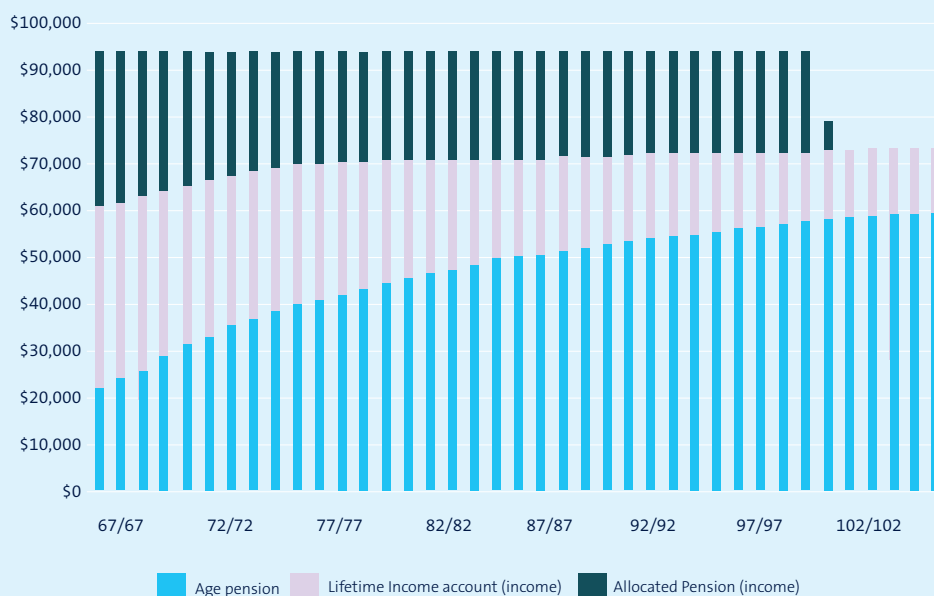
Strategy 3: Retirement Income Projection



Strategy 3

- Age 50 to 60: 100% Standard Super
- Age 60 to 67: 50% Deferred Lifetime Income account | 50% Standard Super
- Age 67+: Rollover into Lifetime Income account | rollover into Allocated Pension

Strategy 4: Retirement Income Projection



Strategy 4

- **Age 50 to 60:** 50% **Lifetime Super account** | 50% Standard Super
- **Age 60 to 67:** Rollover into **Deferred Lifetime Income account** | maintain Standard Super
- **Age 67+:** rollover into **Lifetime Income account** | rollover into Allocated Pension

Assumptions:

- All projections assume 2.3% CPI inflation, 3% AWOTE inflation, 2.25% upper deeming rate, 6% earnings p.a.
- All income and age pension projections are in today's dollars indexed to CPI
- Investment Earnings tax is 15%
- Concessional Contributions Tax is 15%
- 20 September 2022 age pension rates and thresholds applied (subject to inflation)
- Lifetime accounts annually pay a \$91 account fee + 10bp lifetime fee
- Standard super and allocated pension accounts annually pay a \$91 account fee
- Members are homeowners with \$50,000 in other assets and \$0 in other income during retirement

High rates of income

At North, we aim to be very transparent with advisers and clients about how our products work.

Age	Single Life		Joint Life		Allocated Pension
	Income	Annual Bonus	Income	Annual Bonus	Minimum
60	7.1%	0.2%	6.6%	0.003%	4%
65	7.5%	0.3%	7.0%	0.01%	5%
70	8.2%	0.6%	7.5%	0.04%	5%
75	9.1%	0.9%	8.2%	0.1%	6%
80	10.5%	1.7%	9.4%	0.5%	7%
85	12.5%	3.1%	11.4%	1.5%	9%
90	15.4%	5.7%	14.4%	4.0%	11%
95	19.8%	10.3%	18.9%	8.8%	14%
100	25.7%	19.2%	24.8%	17.6%	14%

Get in touch

For more information on MyNorth Lifetime please contact your Business Development Manager or email us at wmtechservices@amp.com.au

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