

## **Retirement income reforms an important step for retirees**

### **Green light for deferred lifetime annuities following Retirement Income Streams Review**

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**4 May 2016, Sydney** – Challenger welcomes the Government’s announcement of a new superannuation framework that will address current impediments and facilitate a wider range of retirement income products in Australia.

The new rules provide the building blocks for superannuation funds to develop Comprehensive Income Products for Retirement (CIPRs), as recommended by the Financial System Inquiry. CIPRs are a missing piece in the retirement income puzzle and will be a key driver of future growth in Australia’s retirement income market.

“Australia’s ageing population is one of the great economic and social challenges of our time with the number of Australians over 65 expected to double to more than 7 million over the next 40 years,” said Challenger Chief Executive Officer Brian Benari.

“The reforms announced through the Federal Budget follow Treasury’s Retirement Income Streams Review and are an important step towards the creation of a world-class retirement income system.

“They will make a meaningful difference to the fast-growing number of retirees, many of whom are concerned that their savings will run out. A recent National Seniors Australia survey found that only 45 per cent of over-50s are confident that their superannuation savings will be adequate for retirement.

“Ensuring everyone has an option to access products that generate guaranteed income for the rest of their lives is one of the most significant reforms to benefit older Australians in many years.

“We look forward to finalisation of legislation and regulations to enable these changes to come into effect.”

Within the Budget announcement, the Government:

- Confirmed the objective of superannuation as being to provide income in retirement to substitute or supplement the Age Pension; and,
- Gave the green light for removing tax impediments to products which provide pooled longevity risk, including deferred lifetime annuities (DLAs). This is scheduled to come into effect in July 2017.

The new rules will permit a range of options to suit retirees and superannuation funds with DLAs able to be bought pre-retirement, on retirement or post-retirement, with either a single or multiple premiums. The rules will allow new products to be developed while existing products that meet existing rules can continue to be provided.

“Treasury ran an open and exhaustive consultation with the industry on these reforms over more than a year. They have created an innovative structure to broaden the range of retirement income products,” said Mr Benari.

"DLAs will give Australians a simple and effective way to insure against the risk of outliving their savings. They will give retirees greater confidence to spend and enjoy a better standard of living in their retirement because they will have the comfort of knowing they have effectively planned for their savings to go the distance."

Once the legislation is effective, DLAs provided by Challenger will allow annuitants to insure against the possibility of running out of money due to living beyond an expected age. They guarantee an income stream for life from a pre-determined age. In this way, a key uncertainty in retirement planning is removed because retirees will know how long their other retirement savings need to last.

## **About Challenger**

Challenger Limited (Challenger) is an investment management firm managing \$57.4 billion\* in assets. It is focused on providing Australians with financial security for retirement.

Challenger operates two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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