

Retire with confidence tool

FAQs

Why did Challenger develop the Retire with confidence tool?

We developed the tool as there are a range of barriers that inhibit retirees when it comes to developing a comprehensive retirement income plan. Our Retire with confidence tool aims to overcome these barriers by using a series of 'reality checks' and gamification to test perceived confidence by asking retirees to guess when their super will run out and educating them on the different retirement income options that may be available to them.

Co-designed with retirees and pre-retirees, the tool helps older Australians understand how long their retirement income might last and the amount of Age Pension they may be eligible for. The tool also shows how including different types of investments and sources of income, such as a lifetime income stream could improve their financial outcomes.

What is the purpose of the tool?

The tool helps educate pre-retirees and retirees about their retirement income options.

Through a series of simple steps, our innovative tool enables your clients to:

- estimate how long their super and other savings will last in retirement based on data they provide;
- find out if they may be eligible for the Age Pension or an increase in their current Age Pension payments; and
- learn how a lifetime income stream can complement other income sources in retirement and provide guaranteed income for life that will not be impacted by share market performance.

Please note, the tool does not relate to any specific financial product and is not intended to be relied upon for the purposes of making a decision in relation to a financial product or strategy.

How are the tool's calculations made?

Calculations made within the tool are taken from the Challenger Retirement Illustrator. It is presented in a way that is customer-friendly, for educational, rather than for advice strategy purposes. The tool is simplified. Please refer to purpose, limitations and assumptions shown in the tool.

Is this a replacement for the Retirement Illustrator and/or Age Pension Illustrator?

This is a customer-facing tool that should not be used in place of the Challenger Retirement Illustrator or Challenger Age Pension Illustrator for strategy use.

Are the figures taking into consideration the new pension rules and legislation?

Challenger ensures the tool is updated based on rules and legislation that is in force. Of course, there can be changes that are announced and not yet implemented and temporary measures that the tool may not take into account.

Do clients receive a copy of their results?

Clients may choose to have a PDF report of their results sent to them via email. The report summarises their results and provides supplementary information such as the risks in retirement, an explanation of the Age Pension, an introduction to lifetime income streams and assumptions made by the tool.

Will client information inputted into the tool be stored?

Challenger will not store financial information. If a client opts in to receive further information and communications from Challenger, Challenger will capture information that will assist in sending the client relevant newsletters and updates.

Questions clients may ask an adviser about the Retire with confidence tool

I've seen I input some details incorrectly, can I change these, or do I have to start again?

The tool can be restarted as many times as the client likes. They can also use the 'Edit assumptions' feature.

Can Challenger see my results and help me with some questions?

Challenger cannot see the results, nor are results stored. You can ask your client to send you their PDF report via email so you can assist them.

There are references to the GFC, but how does this compare to the COVID-19 times?

The reference to the GFC is not because of data Challenger uses, but rather to a well-known time when many Australian's super was significantly impacted by negative market events. Any reference to the GFC is not a prediction of future market events. In retirement, genuine peace of mind comes from knowing a client's income may never run out – however long they live. Super can provide regular income, however, it is usually not guaranteed and may be at risk from poor market performance. A comprehensive retirement income plan can provide a safety net to help super last longer.

Why does gender matter?

The Australian social security system and lifetime income streams have different outputs based on gender such as life expectancy. If gender is not provided, the tool uses an assumption to be able to provide your client with information.

Why does the tool ask if I am optimistic? How will this affect the results?

It does not affect the results. It is known that many Australians feel overwhelmed while others are optimistic. It is a way for the tool to personalise user experience.

Why does the tool ask if I am single or a couple?

The Australian social security system and lifetime income streams have different outputs based on whether a client is a couple or single.

What does the Retire with confidence tool mean by a comprehensive retirement income plan?

Generally, a lifetime income stream can work alongside retirement savings and the Age Pension (if eligible) to help ensure money doesn't run out in retirement. By using part of super or money in the bank to set up a lifetime income stream, the income safety net may be boosted and in turn, confidence in retirement income. This is what the tool refers to as a comprehensive retirement income plan.

What are lifetime income streams?

A lifetime income stream, such as a lifetime annuity is an investment that pays income for life in return for a lump sum investment, regardless of market performance or how long your client lives.

How will my Age Pension increase if I invest in a lifetime income stream?

Where a lifetime income stream meets the definition of 'Innovative Superannuation Income Streams', just 60% of any investment will be assessed as an asset until age 84, subject to a minimum of five years. After this, the assessment reduces to 30% of any investment for the rest of the person's life. This concessional assets test treatment could mean an increase in your client's Age Pension if they are affected by the social security assets test.

Can you tell me more about how means testing works for lifetime income streams?

All lifetime income streams purchased on or after 1 July 2019 are assessed under new income and assets test rules.

Under the new rules, lifetime income streams that comply with a 'capital access schedule' receive a reduced assessable value under the social security assets test. A capital access schedule limits the amount of capital that can be accessed as a voluntary commutation or death benefit.

For lifetime income streams purchased on or after 1 July 2019 that comply with the capital access schedule, the social security assessment is:

Assessable assets:

60% until age 84 with a minimum of 5 years, 30% thereafter

Assessable income:

60% of annual payment

I invested in an annuity that didn't do any of that for me, I don't believe the tool.

Different rules apply for different types of annuities. The rules in the tool apply to lifetime income streams commenced on or after 1 July 2019 that meet the requirements of the declining capital access schedule.

Does this also apply to a term annuity? Why not?

This tool has been built to provide estimates in relation to lifetime income streams only.

I got a quote and it has information that is different to that of the Retire with confidence tool, why? (Lifetime income stream)

Assumptions are used in the tool that may not reflect your client's personal circumstances. This tool should act as a guide only, regardless of which lifetime income stream is considered. A quote is related to a specific product offered by Challenger. Product rates and rates shown as the default in the tool also change weekly.

What is meant by the government making me draw a minimum amount?

By law, your client must withdraw a minimum amount of money each financial year from certain superannuation income streams such as account-based pensions. This amount is determined according to the client's age and the balance of their income stream. Due to COVID-19, this minimum amount can be halved for 2019-20 and 2020-21 for account-based income streams. However, the tool does not take into account the temporary reduced minimums.

I'm not sure how much I will spend per week in retirement.

The tool uses the ASFA 'Retirement Standard' figures, however, the client may input an estimate to tailor their results. At any time, the client can revisit the tool once they have discussed their cash flows with an adviser.

I have other forms of funds I expect to receive (windfall, inheritance). How will these impact the results?

In step two of the tool, the client is asked about income from investments. Any increase or decrease to their income or assets will change their results. In the case of a windfall/inheritance, it depends on where and how the money is invested.

It's stated I am eligible for an Age Pension.

How can I start receiving this pension?

The tool is simplified and uses the information entered by the client and certain assumptions to determine eligibility. Clients should visit the Department of Human Services website for more information on receiving the age pension. Please note that Age Pension benefits are not given retrospectively.

I am currently receiving a pension that is less than what the Retire with confidence tool estimates.

Why is this?

There can be a number of reasons, the estimate provided is based on the information entered and certain assumptions. The tool is simplified. Please refer to the purpose, limitations and assumptions of the tool for more information.

Is investing 30% into a lifetime income stream the optimum amount to maximise my Age Pension benefit?

The tool makes a default assumption of 30%. The optimum investment into any investment will depend entirely on your client's circumstances, needs and wants.

For more information, please speak to your **BDM** or contact our **Adviser Services** team on **1800 621 009**.

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