Illustrator assumptions

20 March 2024

The results obtained from the use of the Retirement Illustrator and Age Pension Illustrator (Illustrator) will depend on the assumptions used by the Illustrator, and their limitations, which are detailed below. The assumptions used in the Illustrator are believed to be reasonable and reflect current legislation and circumstances. However, the Illustrator is not a prediction. It provides illustrative amounts for general information only based on the information provided. An investor should consider obtaining advice from a financial adviser before making a financial decision.

Suitable for retirees

The Illustrator calculates estimates for people aged between 60 and 85 who have retired or are about to retire. It is not suitable for use in relation to persons who have not yet met a 'condition of release' under superannuation legislation and permanently retired from the work force, such as persons retiring prior to preservation age. The Illustrator assumes all new retirement income streams commence at the beginning of a financial year which is assumed to commence at the start of the forecast. No allowance is made for retirement partway through a financial year. The Illustrator assumes all persons being illustrated are alive throughout the projection period.

The Illustrator is not suitable for persons who individually have more than the value of their remaining personal transfer balance cap in accumulation superannuation assets. Where superannuation assets are not from an existing income stream it is assumed that the entire balance is used to commence a new account-based pension at the start of the forecast, and therefore that all superannuation assets are in retirement phase with earnings tax-free.

Couples

Illustrations prepared for couples are based on the continuance of both lives during the projection period. The illustrations will no longer be relevant where a member of a couple passes away during the projection period. The Illustrator does not illustrate Age Pension entitlements for illness separated couples.

Income tax

The Illustrator does not calculate any tax on taxable income or earnings tax from non-retirement phase income streams. Generally, once a person turns age 60, income from superannuation is tax-free. However, income from non-super sources and untaxed super funds as well as capped defined benefit income streams in excess of the relevant threshold may be subject to tax.

Retirement portfolio construction

On the results tab the Current portfolio default allocation is 0% into a lifetime annuity. This is a fixed assumption which cannot be changed.

In the Lifetime portfolio the default allocation to a lifetime annuity from each person's first account-based pension is 30%. Where no superannuation exist for the clients, the default 30% allocation will come from term deposit/cash. This allocation should not be taken as a recommendation on how a portfolio should be constructed and each user will need to adjust the relevant product allocation and source of annuity funds (first account-based pension or term deposit/cash) to suit individual circumstances.

You can change the source of annuity funds from each person's first account-based pension to term deposit/cash, in which case the annuity will be funded entirely from term deposit/cash.

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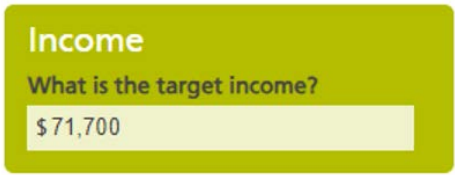
Target income

The default target income is set to the amount required to sustain a comfortable retirement as suggested by the Association of Superannuation Funds of Australia Retirement Standard. The target income can be changed on the Results or Age Pension tab as per the example below:



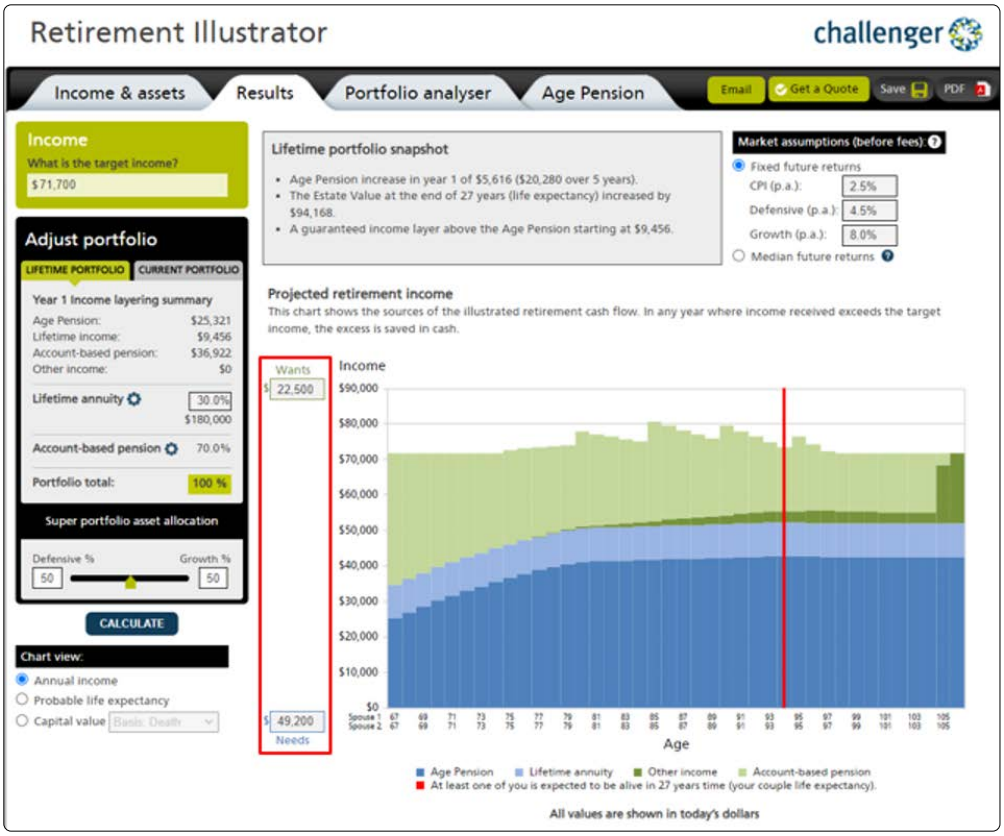
The target income will be funded from a combination of the Age Pension, income from superannuation income streams and non-superannuation investments, as well as other income including employment income.

Where there is insufficient income to meet the required target income, capital will be used to supplement the income. Capital is first drawn from 'Superannuation assets', then from 'Additional superannuation assets', and then from term deposit/cash. Where a couple is being illustrated the required additional income taken from each member's pension account in a year is determined in proportion to their total pension balance. The capital from other assets is never drawn down to supplement income.

The Illustrator seeks to meet the target income each year (in today's dollars), but there may be years where the income received is above or below the required amount. For example, if the amount entered is not sufficient to meet superannuation minimum payment standards (income will be greater than the target income) or where there is insufficient income and capital to meet the target income (income will be less than the target income). It is assumed that any amount received above the target income is saved in non-super term deposit/cash.

Setting the 'Needs' and 'Wants' income

The default 'Needs' income is set to $49,200 for couples and $35,100 for singles. The 'Needs' and 'Wants' will be used in the Portfolio Analyser to determine the likelihood that 'Needs' and 'Needs and Wants' will be met over different periods of retirement e.g. to life expectancy. The remainder of the target income is allocated to the 'Wants' income. The 'Needs' and 'Wants' income can be changed by typing in the required amount. The total 'Needs' and 'Wants' income will always equal the target income.



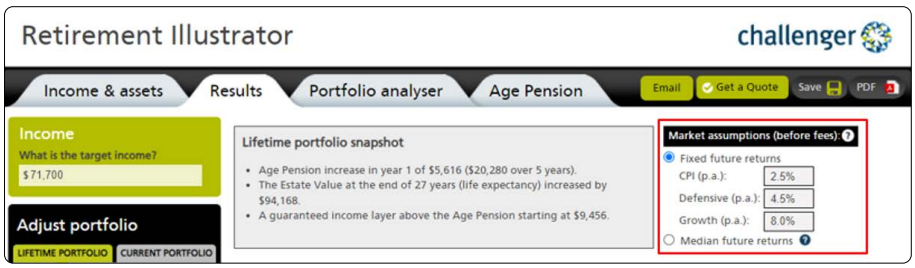
Results are in today's dollars

The Illustrator's results are shown in 'today's dollars'. This means illustrations take into account the impact of inflation between the time of the illustration and the future date, in order to show all figures with today's purchasing power. The inflation assumptions are based on price inflation, and may overstate income at retirement relative to salaries if wage inflation exceeds price inflation. The price inflation assumptions as measured by the consumer price index (CPI), are below.

Market type	CPI rate used
Fixed future returns scenario	2.5%[i] (default)
Median return scenario	The median value of CPI in each year of the CPI generated from the Moody's Analytics Scenario Generator
Portfolio analyser	CPI generated by the Moody's Analytics Scenario Generator

i Determined by calculating the average of the 2000 market simulations over 40 years provided by Moody's Analytics. CPI rate is average CPI subject to the RBA inflation rate bounds of 2%-3%.

You can adjust the level of CPI for the fixed future returns scenario in the 'Market Assumptions' section, which you can access from the 'Results' or 'Age Pension' tab.



Lifetime annuity payment options

The payment option selected for each lifetime annuity determines the rate used to index payments annually in the Illustrator. The investment returns used in the Illustrator are illustrative only and are not a guarantee or prediction of future investment returns.

The Illustrator uses the following default rates to calculate the rate of indexation of the lifetime annuity payment options on the 'Results' tab when modelling the fixed return scenario.

Payment option		Default fixed future return
CPI	Payments increase based on the fixed future returns scenario CPI input	2.5%
Partial CPI	Payments increase based on the fixed future returns scenario CPI input. If CPI is > 2% then payments increase by CPI – 2%, if CPI < 2% then payments do not change, if CPI < 0% then payment index by CPI.	0.5%
Nil	Payment do not change	0.0%
RBA Cash	Payments do not change. The payment is made up of a fixed amount and a cash-linked amount which is the cash rate multiplied by the purchase price. In the fixed future returns scenario cash rates are assumed to remain constant and so the cash-linked payment does not change.[i]	Current cash rate implied by default annuity pricing

i There is a minimum annual payment amount of $120 applied to the RBA Cash payment option.

Where the lifetime annuity illustrated is market-linked there are five payment options available[1], and the payment option may be switched once during the forecast. The return of the new payment option will be applied in the year following the switch.

For example, if a Balanced payment option is selected with a switch to Cash in year 5 then the year 2 payment will be calculated as the initial payment received in year 1 indexed by the Balanced return received in year 1, and similarly for year 2 to 5, then the payment for year 6 will be calculated as the payment received in year 5 multiplied by the Cash return received in year 5.

Each market-linked payment option is constructed using one or more industry recognised indexes and the returns on these indexes are proxied using representative asset classes from the Moody's Analytics Scenario Generator.

	AusBond Bank Bill	AusBond Government	MSCI World Net Ex AU	S&P/ASX200 net return index	Growth allocation
Cash	100%	0%	0%	0%	0%
Conservative	35%	35%	15%	15%	30%
Conservative Balanced	25%	25%	25%	25%	50%
Balanced	10%	25%	32.5%	32.5%	65%
Growth	0%	15%	42.5%	42.5%	85%

The total return for each payment option is calculated as the sum of the weighted returns on each proxied asset class from the Moody's Analytics Scenario Generator. For the median return scenario the return in a year is the median of the total return calculated across all 2,000 simulations from the Moody's Analytics Scenario Generator.

The return in the fixed future return scenario is based on the growth and defensive portfolio return which can be edited by the user. The performance of the S&P/ASX200 net return index (ASN51) includes all cash dividends reinvested on the ex-dividend date after the deduction of a 30% withholding tax (not applied to fully franked dividends) it does not include the value of franking credits on franked dividends. The return on a growth portfolio for an account-based pension including an allocation to Australian Equities is assumed to include franking credits. As the returns applying to the MLA would be net of franking credits the Illustrator implements a fixed adjustment factor to the growth portfolio return entered by the user when indexing future MLA payments in the fixed future return scenario. The adjustment factor applied to the user input for the growth return is -0.53% and cannot be changed. This is calculated based on the allocation to Australian Equities of 35% in the growth portfolio used to set the default growth return assumption and the average difference in total return of the proxy asset classes for Australian equities including franking credits, and the S&P/ASX200 net return index which is 1.5%.

The Illustrator uses the following default rates of return to calculate the rate of indexation of the market-linked lifetime annuity payment options on the 'Results' tab when modelling the fixed return scenario. If Accelerated Payment option is selected then the rate of indexation is reduced by an amount equal to the Indexation reduction selected.

Payment option	Default fixed future return
Cash	4.5%
Conservative	5.39%
Conservative Balanced	5.99%
Balanced	6.43%
Growth	7.02%

1 For more information about the Flexible Income (Market-linked payments) option please see the Liquid Lifetime (Market-linked payments) Adviser Guide.

Investment returns – Fixed future returns

The investment returns shown in the Illustrator are illustrative only and are not a guarantee or prediction of future investment returns. The Fixed future returns scenario default assumptions are derived by calculating the average returns of the 2000 market simulations provided by the Moody's Analytics Scenario Generator.

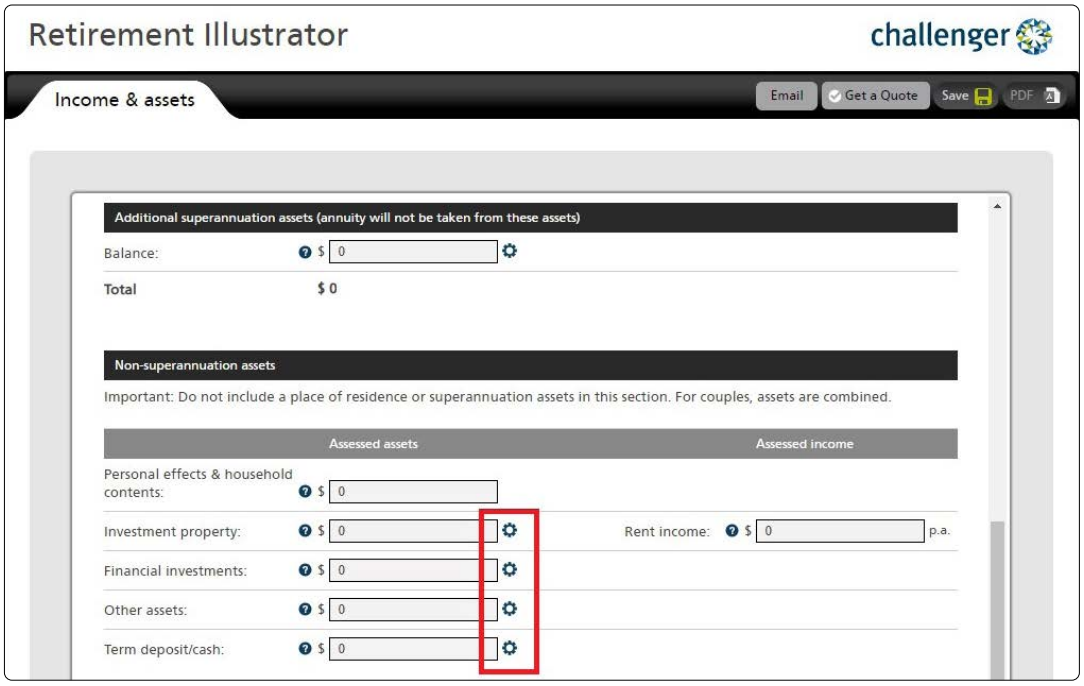
Other (non-superannuation) assets and income

This Illustrator uses the following default rates of return to calculate the investment performance of the other (non-superannuation) assets and income on the 'Results' tab when modelling the Fixed future returns scenario.

Asset/Income	Default return	
Personal effects and household contents	Growth:	CPI (This is a fixed assumption which cannot be changed)
Investment property	Asset growth[i]:	3.5% p.a.
	Rent growth:	CPI (This is a fixed assumption which cannot be changed)
Financial investments		**Defensive**
	Asset allocation:	50%
	Growth rate[i]:	1.5% p.a.
	Income[i]:	3.0% p.a.
		Growth
	Asset allocation:	50%
	Growth rate[i]:	4.5% p.a.
	Income[i]:	3.5% p.a.
Other assets	Growth[i]:	8.0% p.a.
Term deposit/cash	Interest rate[i]:	4.5% p.a.
Employment income	Income growth:	CPI (This is a fixed assumption which cannot be changed)
Other income	Income growth:	CPI (This is a fixed assumption which cannot be changed)

i Determined by calculating the average of the 2000 market simulations over 40 years provided by Moody's Analytics. Investment property capital growth is assumed to be average AWOTE return. Financial investment growth rates are the average total return less the average yield, subject to a minimum of 0%, and income is the average yield subject to a maximum of the average total return.

Unless otherwise stated, you can adjust the Fixed return scenario rates and returns rates for the other (non-superannuation) assets and income on the 'Income & Assets' tab.



Account-based pensions

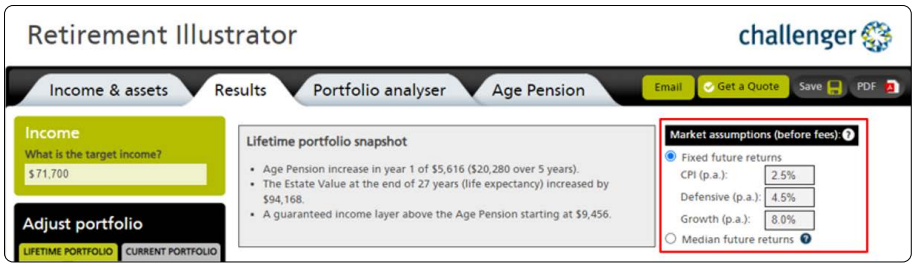
The Illustrator uses the following default rates of return to calculate the growth and defensive asset investment performance of the account-based pensions on the 'Results' tab.

The default Fixed future returns market assumptions (before fees) are as follows:

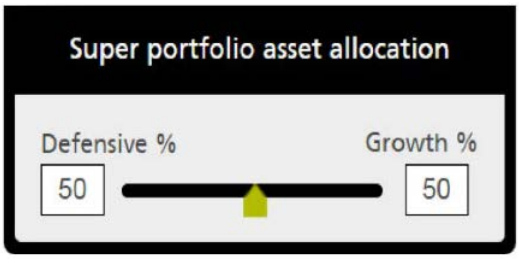
	Default scenario[i]
Growth	8.0% p.a.
Defensive	4.5% p.a.

i Determined by calculating the average of the 2000 market simulations over 40 years provided by Moody's Analytics for a representative growth and defensive portfolio.

You can adjust the fixed returns for the 'Market Assumptions' on the 'Results' or 'Age Pension' tab.



The super portfolio asset allocation defaults to 50% growth, 50% defensive and can be adjusted on the 'Results' or 'Age Pension' tab.



This asset allocation is the growth/defensive mix assumed for all account-based pensions illustrated in the current scenario. In the comprehensive lifetime scenario where the annuity is sourced from superannuation assets the asset allocation for account-based pensions is adjusted to maintain the risk profile across all superannuation assets.

A lifetime annuity investment is assumed to be a 100% defensive asset unless a market-linked payment option is selected in which case the investment is assumed to have a growth and defensive allocation defined by the sum of the index allocations (see Lifetime annuity payment options section above). The asset allocation applying to all account-based pensions in the comprehensive lifetime scenario is re-weighted to maintain the initial super portfolio asset allocation entered on the 'Results' tab. When illustrating couples this re-weighting is done at the household level, not per person. Where the risk profile of lifetime annuities is the same as the super portfolio asset allocation, the account-based pension asset allocation will not require re-weighting. If the asset allocation cannot be maintained a warning will be shown to the user advising the difference in risk profile between the current and comprehensive lifetime scenario illustrations.

If the annuity is sourced from non-super Term-deposit / Cash then the account-based pension asset allocation is the same as the super portfolio asset allocation and is not re-weighted.

Here is an example of how the asset allocation works between the two portfolios with a 50% Defensive / 50% Growth portfolio asset allocation when comparing the current scenario with investment in a market-linked lifetime annuity with a Balanced payment option:

Super portfolio $500k	Account-based pension only portfolio	Comprehensive lifetime portfolio ($100,000 allocation to lifetime annuity with Balanced payment option)
Lifetime annuity (Growth)	n/a	$65,000 (65% x $100,000)
Lifetime annuity (Defensive)	n/a	$35,000 (35% x $100,000)
Account-based pension (Growth)	$250,000	$185,000 ($250,000 - $65,000)
Account-based pension (Defensive)	$250,000	$215,000 ($250,000 - $35,000)
Total asset allocation	Defensive: 50% ($250k) Growth: 50% ($250k)	Defensive: 50% ($250k) Growth: 50% ($250k)
Account-based pension asset allocation	Defensive: 50% ($250k) Growth: 50% ($250k)	Defensive: 54% ($215k) Growth: 46% ($185k)
Lifetime annuity asset allocation	n/a	Defensive: 35% ($35k) Growth: 65% ($65k)

Investment timeframes

The default Fixed future returns assumptions are determined by calculating the average of the 2000 market simulations over 40 years provided by Moody's Analytics. As asset class returns can be expected to change over time the average returns calculated over other timeframes may be different to the 40-year average. You may like to adjust the default assumptions based on your expected investment timeframe and to assist you we include below a table which identifies our assumptions based on the average of the market simulations over different timeframes.

Assumption	Average returns[i]				Long term assumption[ii]	Fixed return default
	5 years	10 years	20 years	40 years		
Superannuation assets						
Growth return	9.53%	9.20%	8.83%	8.24%	7.82%	8.0%
Defensive return	4.93%	5.14%	5.01%	4.54%	3.99%	4.5%
Non-superannuation assets						
Term deposit/cash interest rate	5.13%	5.14%	4.88%	4.41%	3.93%	4.5%
Investment property asset growth	2.47%	2.83%	3.08%	3.20%	3.37%	3.5%
Financial investments growth – Income	3.67%	3.57%	3.51%	3.45%	3.39%	3.5%
Financial investments growth – Growth rate	5.87%	5.63%	5.32%	4.79%	4.43%	4.5%
Financial investments defensive – Income	3.43%	3.48%	3.38%	3.16%	2.91%	3.0%
Financial investments defensive – Growth rate	1.50%	1.66%	1.63%	1.38%	1.08%	1.5%
Other assets growth	9.53%	9.20%	8.83%	8.24%	7.82%	8.0%
CPI	2.45%	2.38%	2.40%	2.40%	2.44%	2.5%

i Determined by calculating the geometric average over the given time period of the 2,000 market simulations provided by Moody's Analytics.
ii Determined by calculating the geometric average of the 2,000 market simulations provided by Moody's Analytics over years 31-40.

The growth and defensive returns used in the Illustrator for superannuation assets and non-superannuation assets are based on a representative growth and defensive portfolio. The growth returns are based on a portfolio comprised of 35% Australian Equities, 25% Global Equity Hedged, 25% Global Equity Unhedged, 5% Australian Listed Property, 5% Global Listed Property and 5% Infrastructure and the defensive returns are based on a portfolio comprised of 35% Australian Fixed Interest, 25% Global Fixed Interest and 40% Cash.

Investment returns – Median future returns

The investment returns used in the Illustrator are illustrative only and are not a guarantee or prediction of future investment returns. The Median future returns scenario represents one simulation of retirement in which the returns vary each year based on the future expected returns from the Moody's Analytics Scenario Generator. The returns for each year are derived by calculating the median return of the 2000 market simulations provided by the Moody's Analytics Scenario Generator and cannot be changed. As a single projection of retirement neither the Fixed future returns nor the Median future returns option considers the impact of sequencing risk which can have a material impact on results, use the Portfolio Analyser to understand the impact of risk on outcomes.

We include below a table which provides a guide to the median annual return assumptions used (before fees):

Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 30
CPI	3.1%	2.3%	2.2%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%
Superannuation assets									
Growth total return	12.5%	11.4%	11.1%	11.0%	11.4%	10.9%	10.0%	10.1%	9.8%
Defensive total return	4.9%	4.7%	4.7%	4.9%	5.0%	4.7%	4.1%	3.6%	3.1%
Non-superannuation assets									
Term deposit/cash interest rate	4.8%	4.9%	4.9%	4.9%	4.9%	4.5%	3.9%	3.5%	3.1%
Property capital growth[i]	1.8%	2.1%	2.5%	2.8%	2.9%	3.2%	3.1%	3.2%	3.0%
Financial investments growth[ii] – Income	4.0%	3.7%	3.6%	3.5%	3.5%	3.4%	3.3%	3.3%	3.3%
Financial investments growth[ii] – Growth rate	8.4%	7.7%	7.5%	7.5%	8.0%	7.6%	6.7%	6.8%	6.5%
Financial investments defensive[ii] – Income	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	2.9%	2.7%	2.4%
Financial investments defensive[ii] – Growth rate	1.5%	1.4%	1.4%	1.6%	1.7%	1.5%	1.2%	0.9%	0.7%
Other assets growth	12.5%	11.4%	11.1%	11.0%	11.4%	10.9%	10.0%	10.1%	9.8%
Lifetime annuity payment options									
CPI	3.1%	2.3%	2.2%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%
Partial CPI	1.1%	0.3%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Nil	0%	0%	0%	0%	0%	0%	0%	0%	0%
RBA Cash	4.4%	4.2%	4.2%	4.3%	4.3%	4.0%	3.4%	3.0%	2.5%
Cash[iii]	4.4%	4.2%	4.2%	4.3%	4.3%	4.0%	3.4%	3.0%	2.5%
Conservative[iii]	6.2%	6.1%	6.0%	6.1%	6.3%	6.0%	5.4%	5.0%	4.6%
Conservative Balanced[iii]	7.3%	7.1%	7.0%	7.0%	7.3%	6.8%	6.2%	6.1%	5.6%
Balanced[iii]	8.1%	7.8%	7.7%	7.7%	8.1%	7.6%	6.9%	6.7%	6.4%
Growth[iii]	9.2%	9.0%	8.5%	8.7%	9.0%	8.5%	7.8%	7.4%	7.3%

i Investment property asset growth in each year is assumed to be the AWOTE return from the Moody's Analytics Scenario Generator. The investment property income in each year is the annual rent (a user input which is assumed to increase annually with CPI).

ii Financial investments capital growth rate is assumed to be the median total return less the median yield from the Moody's Analytics Scenario Generator, and income is the median yield.

iii For a market-linked payments lifetime annuity the annual return for each payment option is calculated as the median of the 2,000 simulations of total return in each year. Where the total return is calculated based on the payment option weightings as defined above in the section entitled 'Lifetime annuity payment options'. If Accelerated Payment option is selected then the rate of indexation is the return in a year reduced by an amount equal to the Indexation reduction selected.

Investment returns – Portfolio analyser

The investment returns used in the Retirement Illustrator are illustrative only and are not a guarantee or prediction of future investment returns. The asset class data underlying the portfolio analyser results in the Retirement Illustrator is obtained from the Moody's Analytics Scenario Generator[2].

The Moody's Analytics Scenario Generator produces future sequences of possible investment returns for each asset class (cash, property, inflation etc.). These are carefully generated so that 'as a whole' the simulations represent a full distribution for how 'real world' markets and inflation could perform in the future. The returns for each asset class are statistically calibrated in terms of average returns, volatilities and correlations with each other.

Moody's Analytics employ sophisticated methods for doing this which may include taking into account:

- an analysis of history, theory and academic research;
- current market conditions such as interest rates and bond yield curves;
- forward looking economic indicators (such as market risk premiums); and
- the application of judgement and experience.

The Illustrator's portfolio analyser considers 2,000 stochastic simulations for each asset class and these are fixed and cannot be changed.

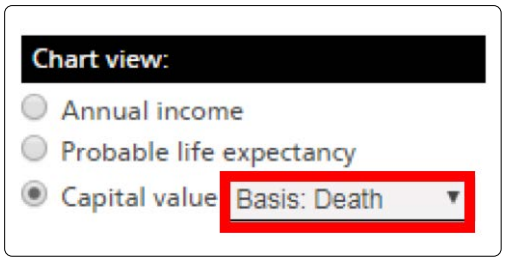
Capital value of annuities

The Illustrator uses Challenger's methodology to illustrate the capital value of annuities. The withdrawal values illustrated are the maximum withdrawal value allowable under capital access schedule for innovative income streams. This is a straight line reduction in purchase price from commencement to life expectancy (based on statutory life expectancy without mortality improvements). In practice the voluntary withdrawal value could be less than the maximum withdrawal value based on the maximum withdrawal value and market conditions at the time of withdrawal however it will not be less than the minimum surrender value imposed by the Life Insurance Act 1995 for the type of annuity being illustrated.

If the enhanced income Product option is selected there is no voluntary withdrawal value or death benefit.

You can illustrate an annuity issued by another annuity provider by using the custom pricing function. However, the capital value will be calculated using the maximum withdrawal value. This may be different to the methodology used by that annuity provider.

The projected capital value chart by default illustrates the amount payable on death. You can adjust the basis on which the amount payable is calculated to instead illustrate the amount payable on voluntary withdrawal from the drop down box in Chart controls on the Results tab as per the example below:



2 October 2023 release.

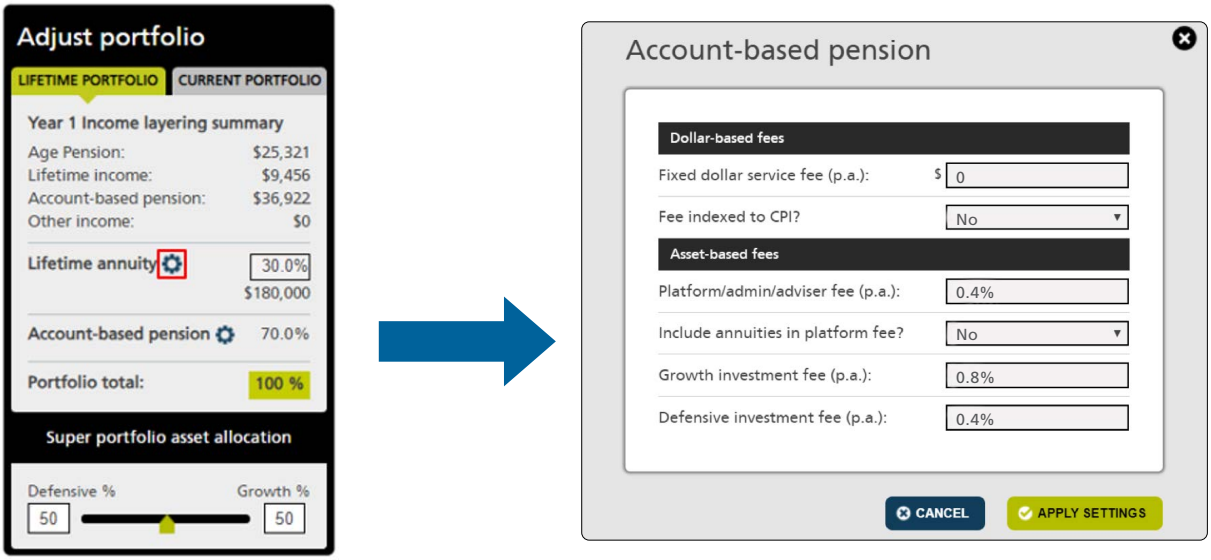
Investment fees (account-based pensions only)

The following default fees apply to the account-based pensions in both the 'Results' and 'Portfolio' analyser scenarios:

Dollar based fees	
Fixed dollar service fee (p.a.)	$0.00
Fee indexed to CPI?	No

Asset based fees	Growth	Defensive
Platform / administration / adviser fees (p.a.)	0.4%	0.4%
Annuities included in platform fee?	No	
Investment fee (p.a.)	0.8%	0.4%
Total asset based fees	1.2%	0.8%

You can change these assumptions in the 'Account-based pension' settings, which you can access from the 'Results' or 'Age Pension' tab.



Probability of survival

The red vertical line on the Illustrator's charts indicates life expectancy, which is the average age to which we expect the person to survive to (or at least one person in a couple will survive to). This calculation, as well as the 'Probable life expectancy chart', are Challenger estimates based on the Australian Life Tables (ALT) produced by the Australian Government Actuary. The mortality rates used are the ALT 2015-17 tables with 25 year improvement factors, allowing for the fact that people are living longer due to improvements in medicine, science and nutrition.

Pre-loaded (inbuilt) annuity data

The Illustrator uses inbuilt annuity rates of payment provided by Challenger that are likely to be different to rates of payment offered by other annuity providers. The pre-loaded annuity data is based on rates current as at the date of illustration. As rates are updated weekly, illustrations may differ from time to time.

The illustration of annuity payments will depend on the payment option selected and payments will be indexed annually:

- CPI: Payments will increase if CPI is positive, and if CPI is negative payments will reduce.
- RBA cash linked: Payments will be indexed annually allowing for any change in the cash rate. If the cash rate reduces payments will reduce and if the cash rate increases payments will increase. The inbuilt or custom pricing is used in year 1, however from year 2 onwards where the payment is adjusted with changes in the cash rate the annual payment is subject to a minimum of $120.
- Partial CPI: Payments will increase if CPI is greater than 2% (for example if CPI is 3% payments will increase by 1%), or reduce if CPI is negative.
- 0%: Payments will remain fixed and will not increase or decrease.

- Cash, Conservative, Conservative Balanced, Balanced, or Growth: Payments will be indexed after each year (for example, the first payment to be indexed will be the second year payment). If the change in the selected payment option's return is positive, payments will increase, and if the change in the selected payment option's return is negative payments will reduce. If the Accelerated payment option is selected then payments will increase if the change in the selected payment option's return less the Indexation reduction selected is positive, and will reduce if the change in the selected payment option's return less the Indexation reduction is negative.

The Illustrator results are presented in today's dollars (please refer to the 'Results are in today's dollars' section of this document for further detail) and so where a payment increased by less than CPI the payment will have reduced in today's dollars.

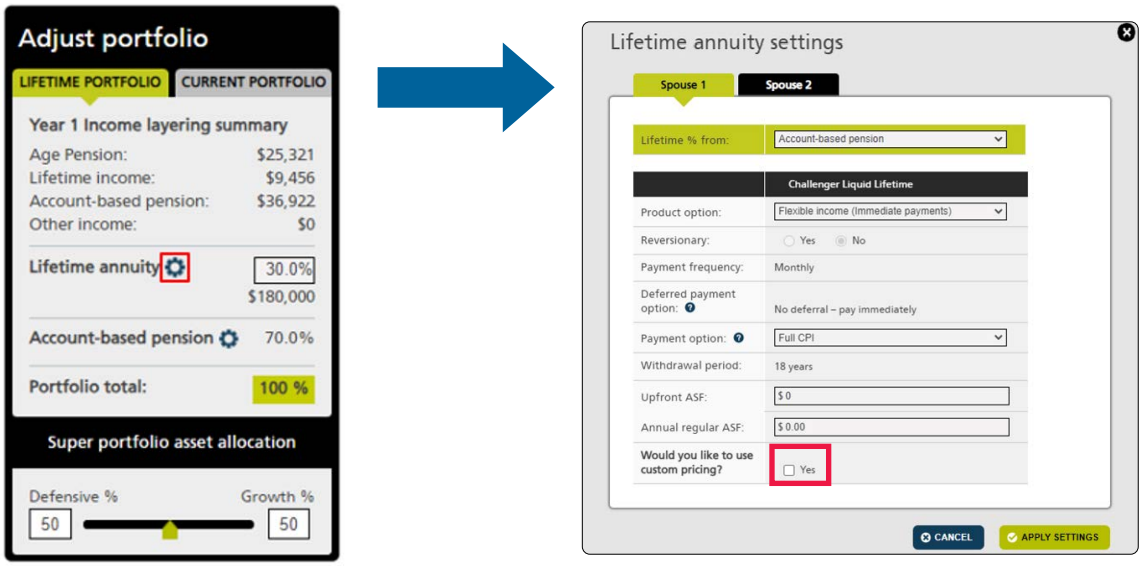
The following default Challenger Lifetime Annuity (Liquid Lifetime) settings apply to the annuities:

Feature	Default
Product option	Flexible income (Immediate payments)
Withdrawal period	Life expectancy (based on ALT 2015-17 tables rounded down to a whole number)[i]
Payment option	Full CPI
Payment frequency	Monthly
Life covered	Single life (i.e. there is no reversionary life nominated)
Upfront adviser service fee	$0.00
Annual regular adviser service fee	$0.00

i This may be different from what we estimate your life expectancy to be on the Illustrator's charts which allow for future improvements in mortality.

You can change the default Lifetime annuity settings by clicking on the settings cog in the 'Adjust portfolio' section in the 'Results' or 'Age Pension' tab.

You can illustrate other Product options including deferred payments, accelerated payments, market-linked payment options and enhanced income options, as well as other annuity provider's rates of payment by using the custom pricing function.



Estimated Age Pension

The Age Pension amounts illustrated are based on law current as at 20 March 2024 and assume that no pensioner is subject to the transitional arrangements introduced as part of the 20 September 2009 changes. Any future changes to legislation may alter the Age Pension amounts projected.

The Illustrator takes into account Work Bonus entitlements where a person has employment income and does not take into account any other Social Security benefits. The Work Bonus is catered for by exempting up to $11,800 of employment income in the first year and $7,800 in future years. Any unused amount of employment income up to $11,800 in the first year is carried forward until fully utilised in subsequent years. It is assumed that pensioners satisfy the minimum residency requirements, or a recognised alternative, to qualify for the Age Pension. It is also assumed that a pensioner's homeowner status and relationship status does not change over retirement for social security purposes.

If an annuity is sourced from an ABP using the deduction basis for Age Pension purposes, the current payment entered by the user is used as the amount which is reduced by the deduction amount in year 1 for income test purposes. In the comprehensive lifetime portfolio the current payment is reduced by the first year annuity payment.

The projected Age Pension entitlements are illustrations only and are not a guarantee that a person will be entitled to the Age Pension. Eligibility for Age Pension is based on age at the start of the forecast and re-assessed annually. Where a person attains Age Pension age part-way through a year their Age Pension entitlement will not be estimated until the following year. Eligibility for Age Pension entitlements will vary depending on personal circumstances, including the future value of investments and changes to marital status. To check eligibility for the Age Pension go to www.servicesaustralia.gov.au.

Indexation of Maximum Age Pension amounts

For all calculations the maximum basic rate and maximum pension supplement for couples will increase annually with CPI. Please refer to the 'Results are in today's dollars' section for CPI assumptions.

Rates and thresholds

Centrelink thresholds are indexed each year in line with the CPI rate applicable to the scenario being illustrated. Please refer to the 'Results are in today's dollars' section for more information on CPI assumptions.

Centrelink deeming rates for the Portfolio analyser calculations are assumed to change each year in line with changes to the cash rate, subject to a floor of 0% for the lower threshold and 2% for the upper threshold.

Assessable assets and income

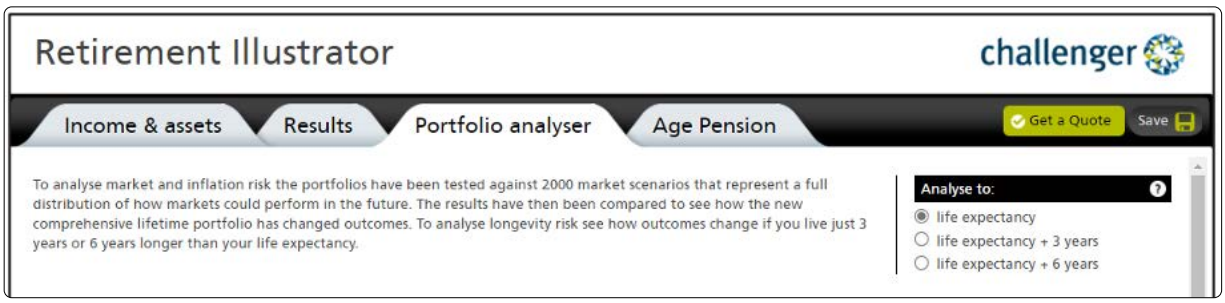
Total assessable assets and total assessable income shown on the 'Age Pension' tab are not illustrated in today's dollars and represent the estimated level of assets and income the household will have assessed under the Age Pension means tests in the year selected.

Portfolio analyser

To analyse market and inflation risk the Portfolio analyser runs the illustrated portfolios through 2,000 simulations of possible future market and inflation sequences to demonstrate the range of possible future income levels and future capital values. It then compares the outcomes to see how many times each portfolio met the 'Needs' and 'Needs and Wants' target incomes and shows the median estate values based on the 2,000 simulations. The projected estate values include superannuation and non-superannuation holdings, but exclude the value of the home.

By default the Portfolio analyser shows the chance of meeting income goals to life expectancy. This analyses whether income will last to the age we expect a person of your client's age and gender to live to. For a couple, we use the life expectancy of a couple, which is the age we expect at least one person in the couple to live to. The life expectancies are calculated using Australian Life Tables ALT 2015-17 with 25 year improvement factors.

To analyse longevity risk you can see how the outcomes change if your client lives just three years or six years longer than their life expectancy, by clicking on the buttons on the Portfolio analyser tab.



We're always here to support you

You can access the Illustrator via AdviserOnline. If you require more information about the Illustrator, please contact one of the following teams:

- Log in, or register for AdviserOnline at **adviseronlineportal.com.au**
- Speak to your **Challenger BDM**
- Call Adviser Services on **13 35 66**

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