Discover how investing in a lifetime income stream may boost your Age Pension and protect your lifestyle

They have the time. Now they're making sure they'll always have the money.

Client:	Charlotte and Charlie	**Assets:**	Homeowners	**Goals:**	Paying the bills and a trip interstate every year to see their grandchildren.
Age:	Both aged 67		$300,000 each in superannuation		$60,000 p.a. income to live comfortably
			$30,000 combined personal assets and $50,000 cash		

They've raised their kids, saved their super and paid off the mortgage. Fit and well, it's Charlotte and Charlie time now.

There's no reason for everyday Australians to worry about running out of money in retirement. All it takes is a little careful planning for Charlotte and Charlie – "C&C" to friends and family – to make the right moves.

This is their story

C&C want to focus on ensuring they can live a comfortable retirement and have estimated they will need income of $60,000 p.a. to fund it. They have also calculated that they would need at least $43,000 p.a. to pay for their basic living expenses.

C&C are currently eligible for a part Age Pension. This plus their super should allow them to live comfortably. However, Charlotte has always been cautious and is concerned that their money might not last as long as they have planned. Given that Australians their age can expect to live well into their nineties[1], she is right to feel concerned.

News headlines, world events and the ASX's ups and downs are also a concern. Charlotte wants the security of knowing they have enough money to live well without having to rely on just the Age Pension.

1 Estimates calculated using Australian Life Tables 2015-17, with 25-year mortality improvements as provided by the Australian Government Actuary.

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The advice they received

Their financial adviser ran the numbers and suggests that they convert their superannuation into a combination of income streams.

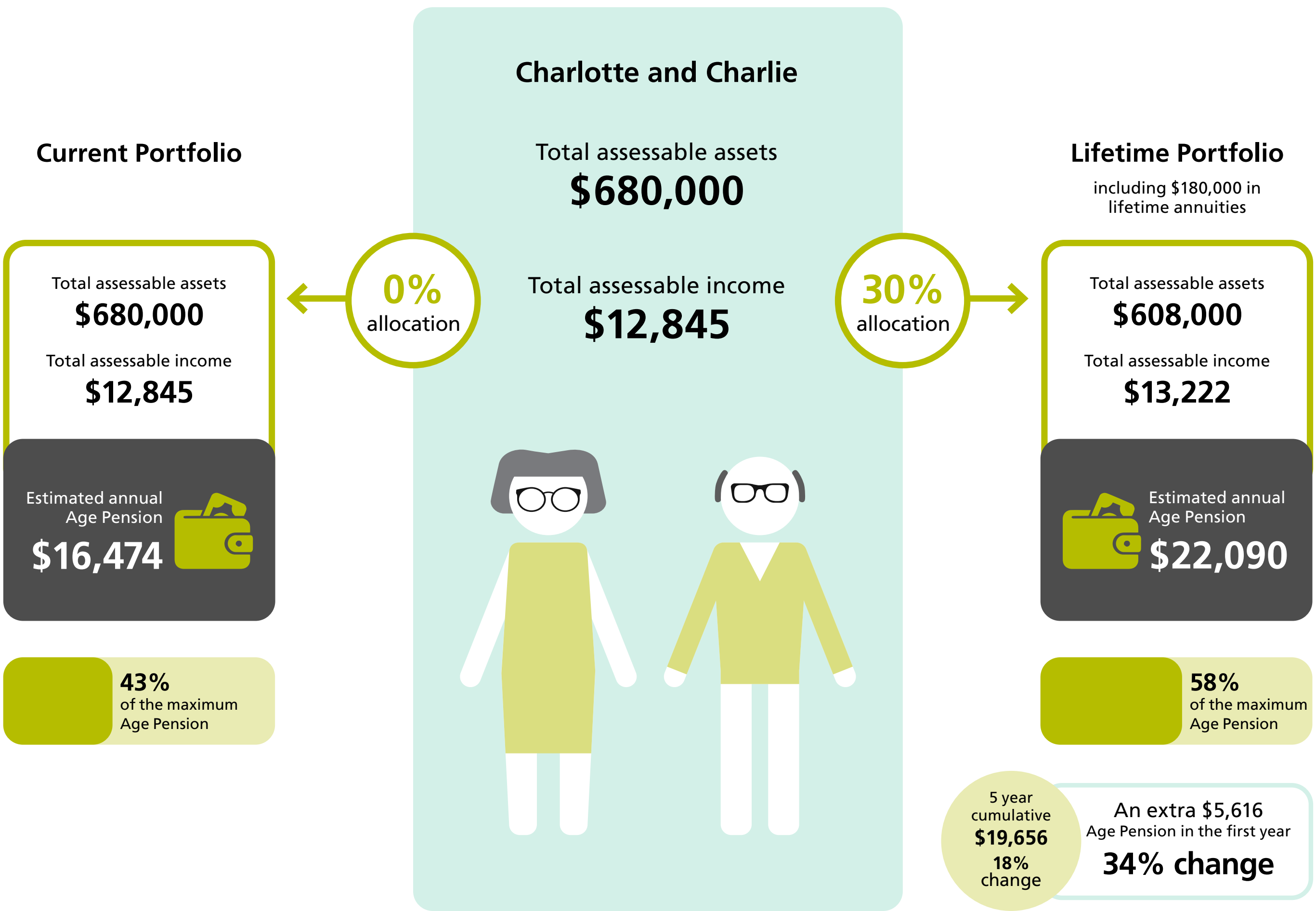
The first income stream their adviser recommends is two Lifetime Annuities (Liquid Lifetime). They are advised to each invest 30% of their superannuation (or $90,000 each) to provide regular income for life regardless of how long they live. Because only part of the amount invested into a lifetime annuity is counted under the assets test, they could increase their Age Pension by $216 a fortnight in the first year. This can change each year based on their income and assets, but for Charlotte and Charlie's case, it could be close to $20,000 over five years.

The income from the Age Pension and the lifetime annuity provides them with regular income which can help pay for their basic living expenses during their lifetime.

Their adviser also recommends that they each set up an account-based pension with their remaining superannuation balance of $210,000 each. They can choose from a range of investments and select the income they draw, subject to the Government's minimum payment requirements.

The account-based pension is designed to provide them with an income stream that helps give them the lifestyle they desire until it runs out.

This strategy is designed to give them not only the preferred level of income that they desire, but also helps improve their Age Pension outcomes.



Getting the right advice

With the adviser's recommendations, C&C will have income from various sources to meet different expenses. Their income for their first year of retirement would be:

- $7,379 combined from their lifetime annuities
- $29,131 from their account-based pensions
- $22,090 from their Age Pensions
- $1,400 interest from their cash holdings

These income streams provide the $60,000 budget they were hoping for to live comfortably.

Anyone approaching, or in, retirement should ensure they receive as much Age Pension as they're entitled to. The more Age Pension they receive, the less they'll need to draw down from their retirement savings.

Many people are concerned their savings won't last as long as they do for two main reasons:

1. challenging investment markets, and
2. increased life expectancies.

How to be safe – not sorry

Lifetime annuities give you regular income for life, regardless of how long you live.

Under the Age Pension rules, investing in a lifetime income stream, such as a lifetime annuity may also help boost your Age Pension – and stretch your retirement savings.

To learn more about how to improve your Age Pension and retirement income outcomes, speak to your financial adviser today.

Age Pension benefits described above will not apply to all individuals. Age Pension outcomes depend on an individual (or couple's) personal circumstances and may change over time. While lifetime income streams may immediately benefit some Age Pension eligible retirees who are assessed under the assets test, in later years, if assessed under the income test, any ongoing Age Pension benefits may be reduced.

The calculations above are from Challenger's Retirement Illustrator tool as at 21 September 2021 (accessible to financial advisers only). The Retirement Illustrator does not take into account the temporary reductions in the superannuation minimum drawdown rates for 2021-22. Depending on an investor's situation and user inputs, this may impact illustrations provided in thee tool.

The Retirement Illustrator also contains the following assumptions:

Government Age Pension: The Government Age Pension amounts illustrated are based on current law. For the purpose of rates and threshold indexation CPI and AWOTE are assumed to be the same. Any future changes to legislation will alter the Age Pension amounts projected. It is important to note that the Government Age Pension amounts projected are illustrations only and are not a guarantee that a person will be entitled to the Government Age Pension. Eligibility for Government 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 Government Age Pension, go to www.servicesaustralia.gov.au. Unless otherwise stated all amounts are shown in 'today's dollars'. This means that illustrations take into account the impact of inflation between the time of the illustration and the future date.

Continuance of life: The Illustrator assumes the life/lives being illustrated do not die before the end of the illustration period. Where death occurs before the end of the illustration period the results will be different.

Taxation: The Illustrator does not calculate any tax payable on the projected regular retirement income or capital gains. Generally, once a person turns age 60 and retires, any income received from superannuation investments is tax-free. However, other investments not purchased with money rolled over within the superannuation system may be subject to tax. Where the annuity is purchased with non superannuation money, tax may be payable on any lump sum withdrawal amount.

Amounts are shown in today's dollars: 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 in today's purchasing power.

We’re here to support you

For more information on lifetime annuities:

- Speak to your financial adviser
- Visit **challenger.com.au**
- Call the Challenger Investor Services team on 13 35 66

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