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

Christine's ensuring she can always afford to live the life she loves.

Client:	Christine	**Assets:**	Homeowner	**Goals:**	A comfortable retirement lifestyle and income security for her later years
Age:	66, single		$450,000 in superannuation		
			$20,000 personal assets and $30,000 cash		

Single, settled and 66, Christine's happy with who she is and how she lives. But she realises going it alone also means being financially independent.

Christine committed long ago to owning her home rather than owing the bank – so that's one mission accomplished. Longevity seems to run in her family – if she takes after her mum, she'll be a lady of leisure for many years to come. Having just retired means she's likely to need well over 20[1] years of income.

Doing the maths leaves Christine concerned she may run out of savings and have to live on the Age Pension – a daunting prospect indeed. Christine wants to ensure she can live a comfortable retirement and has estimated she will need income of at least $44,224 p.a. to fund it. She has also calculated that she would need at least $30,000 p.a. to pay for her basic living expenses.

Having worked fulltime since her 20s Christine's keen to make the most of retirement. Her fun to-do list is as long as her arm – learn to tango, numerous craft projects, pilates and studying Spanish. Regular catch-ups and trips with her girlfriends top this list.

Christine's always been a saver and isn't the type to throw money around, but she doesn't want to be concerned about enjoying an occasional treat. She currently receives Age Pension of $6,674 p.a. under the assets test and can expect this to rise over time as she spends her retirement savings.

Christine knows that hoping for the best isn't a great retirement strategy and meets with her financial adviser to explore strategies that can provide her with more certainty over her income goals, particularly being able to always meet her basic living expenses.

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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Her financial adviser's recommendation

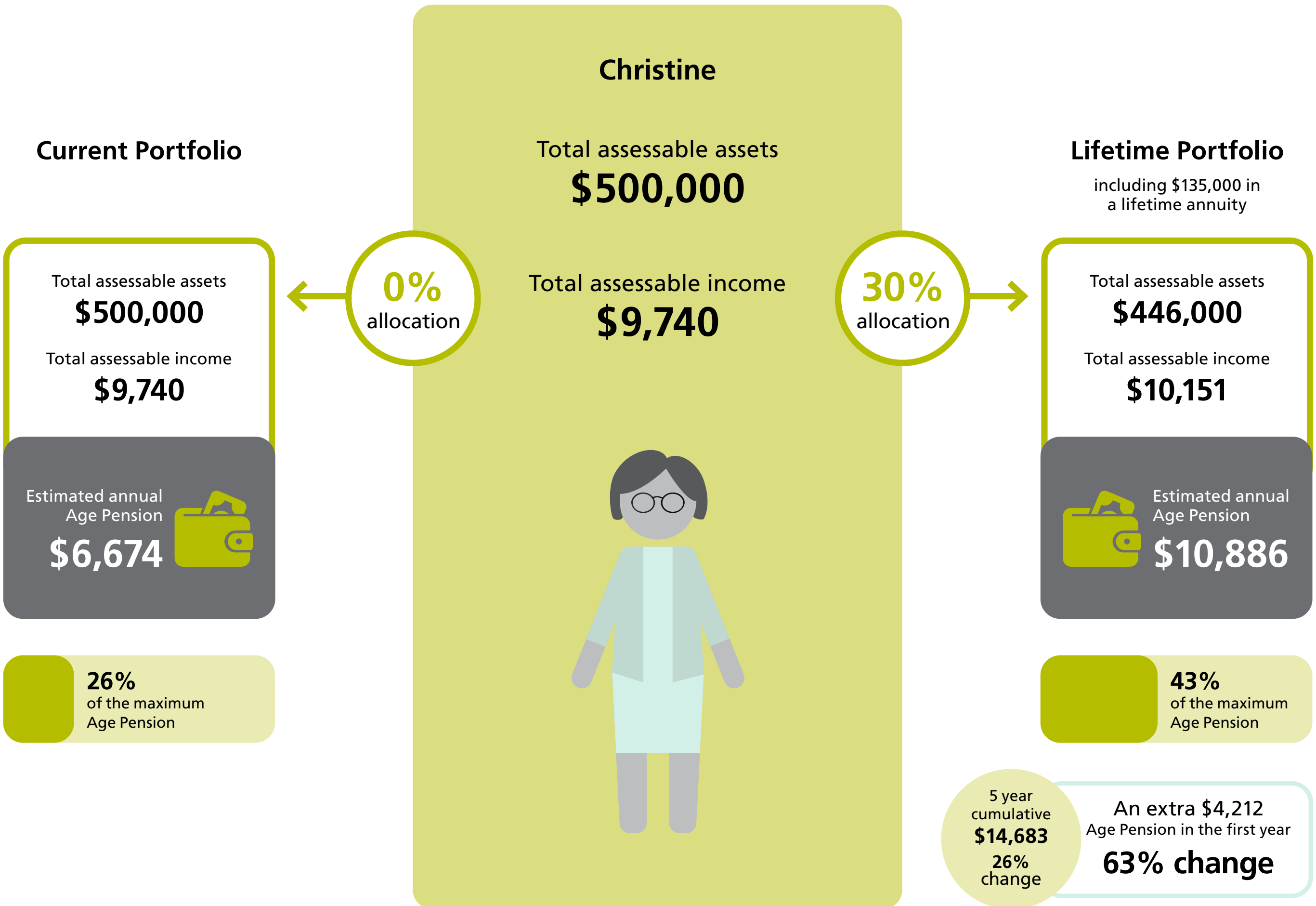
Christine's adviser recommends converting her super into two income streams. This strategy ensures her basic living expenses are covered by a combination of the Age Pension and a lifetime annuity.

Allocating 30% (or $135,000) of Christine's super into a lifetime annuity increases her Age Pension by over $4,000 in the first year because only part of the amount invested into a lifetime income stream is counted under the assets test. The annuity provides regular income for life regardless of how long she lives.

The remaining 70% (or $315,000) of her super, is invested in an account-based pension. Christine can choose from a range of investments for her account-based pension, and change the amount she withdraws, subject to the Government's minimum requirements.

When planning for retirement, making sure you get as much Age Pension as possible can prove to be an effective strategy. It stands to reason the more Age Pension you receive, the less you'll need to draw down from your retirement savings.

This really makes a difference. Especially with a challenging investment market and increased life expectancies making it harder to be sure your retirement savings will last as long as you do.



Creating confidence in retirement

Understanding how much income you 'need' and how much you 'want' to maintain your lifestyle can reveal how much you'll have to put aside and help determine appropriate income sources.

After restructuring her super, Christine's income for her first year of retirement looks like this:

- $5,747 income from her Challenger lifetime annuity
- $26,751 from her account-based pension
- $10,886 from the Age Pension
- $840 interest from their cash holdings

These income streams provide the $44,224 budget she has planned for during her first year of retirement.

A little certainty goes a long way

A lifetime annuity can help ensure your retirement income will last as long as you do. The confidence of not having to rely on just the Age Pension can make all the difference.

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 on the previous page are from Challenger's Retirement Illustrator tool as at 22 March 2021 (accessible to financial advisers only). Unless otherwise stated, the Illustrator does not take into account the short term measures announced as part of the Commonwealth Government's economic plan in response to COVID-19 (as outlined in the Coronavirus Economic Response Package Omnibus Bill 2020) including payments to support households, early release of superannuation and temporary reductions in the superannuation minimum drawdown rates. Depending on an investor's situation and user inputs, this may impact illustrations provided in the Illustrator.

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