



Australian Government
Department of Social Services

Means Test Rules for Lifetime Retirement Income Streams

Position Paper

UPDATED on 7 February 2018.



Updated 7 February 2018

Note on updates to this paper:

This paper was updated on 7 February to correct an error identified in the data presented in **Attachment A**. The corrections relate to the net present value (mortality weighted) of the data presented in the row labelled 'Death benefit / Bequest'. This update also affects the row labelled 'Total (including bequest)'.

The correction relates to a calculation error in how modelled death benefits and bequests over retirement were deflated to 2017 dollars. The previous version incorrectly used the real rate of return to calculate the present value of the death benefit/bequest. This has been corrected to use the nominal rate of return.

There is no impact to the underlying modelling, or other information or charting in the paper, as a result of this correction.

The paper has also been updated to include additional charting that was mentioned on page 12 of the previous version of this paper, but not included in **Attachment A**. This charting is discussed on page 13 of this version of the paper, and included as the last chart in each example.

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The Government announced in the 2016-17 Budget that it would address superannuation regulations that restrict the development of new retirement income products and act as barriers to innovation in the creation of retirement income products. New superannuation regulations took effect from 1 July 2017.

This is expected to facilitate the provision of new types of products within the superannuation environment, enhancing choice and flexibility for retirees. Currently, most Australians receive income in retirement by drawing down regular amounts of superannuation from an account-based income stream. These new products are intended to assist people to better manage consumption and longevity risk in retirement (the risk of outliving their retirement savings).

The Government has undertaken to consult regarding the social security means test rules that will apply to lifetime retirement income products, to ensure that they are appropriate for the innovative types of retirement income products that are expected to be developed. The Government is mindful of the need for social security means testing arrangements to be complementary to the facilitation of these products. The ongoing suitability of the current rules has also been considered.

This paper sets out proposed new social security means test rules for pooled lifetime retirement income stream products. It follows from an earlier discussion paper on this issue by the Department of Social Services (the Department) in early 2017.

The proposed new rules seek to provide fair and appropriate means test outcomes for all pooled lifetime income stream products that will be sustainable over the long term. They also seek to provide more consistent means test outcomes for lifetime products over retirement. This will support broader retirement income policy objectives, including work within the Treasury portfolio to develop a framework for MyRetirement products.

The Government is seeking stakeholder views on the proposed new rules, including identifying any possible issues for implementation, such as the potential for unintended consequences and any detailed rules that could be required to ensure that they are appropriate for particular circumstances.

Please direct any enquiries and submissions to the Department before **5pm on Friday 16 February 2018** via email to **RetirementIncomeStreams@dss.gov.au**.

Background and Context

New superannuation regulations relating to pooled lifetime products took effect on 1 July 2017

The 2016-17 Budget announced new superannuation regulations to facilitate innovative lifetime retirement income stream products and address issues that restricted the ability of retirement income providers to develop and bring new retirement income stream products to market.

These new regulations took effect from 1 July 2017, and set out new income stream standards in the *Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations)*. They provide design rules for lifetime superannuation income streams that will enable retirees to manage consumption and longevity risks in retirement. The overarching goal of the regulations is to provide flexibility in the design of income stream products to meet consumer preferences while ensuring income is provided throughout retirement.

The products facilitated by the new regulations allow people to invest in products that pool their savings with those of others to secure lifetime payments. By pooling together people's savings, these products provide protection against longevity risk (an individual's risk of outliving their savings). This is because a portion of people's investment in the pool goes to support payments to other members upon death.

These products will provide payments for a person's lifetime, and sometimes also that of their partner. The regulations also anticipate **deferred products** that start making payments to a person once they reach a certain age (for example, age 85).

Lifetime products offered under the new superannuation regulations are required to satisfy a declining **capital access schedule**. This schedule limits the proportion of the initial purchase price that may be returned as a **surrender value** (the lump sum available if a person commutes the product) or paid as a **death benefit**. Products offered under the new regulations allow no access to capital after a person reaches their life expectancy (at age 65 this is around 19 years for males and 22 years for females). This requires people to relinquish access to the capital to support pooling.

It is anticipated that the new regulations will facilitate the provision of new retirement income products within the superannuation environment. This will include products that defer making payments until a specified age and may help people to manage longevity risk by planning for a dedicated source of income later in life. It also includes products such as investment-linked pensions and annuities, and group self-annuitised products, where income payments will vary from year to year depending on investment and mortality experience.

A range of innovative products is expected to emerge over time, including products of a more complex and hybrid nature. This will enhance choice and flexibility for retirees, and may help them to manage longevity and consumption risks in retirement. These products may be of particular benefit to people who are concerned that they might outlive their superannuation savings by providing additional options for managing longevity risk.

Pooled lifetime products may also be offered under other regulations and outside of superannuation

Pooled lifetime products may continue to be offered under other superannuation regulations or may also be purchased outside of the superannuation system using non-superannuation monies. These products would not be required to satisfy the limits on surrender values and death benefits prescribed by the new superannuation regulations.

Links to broader retirement income system policy (MyRetirement products)

Treasury is developing a framework for MyRetirement products. This will give effect to the Financial System Inquiry (FSI) recommendation for a comprehensive income product for retirement (CIPR). The FSI recommended CIPRs as a product that trustees design and offer to members in order to improve the standing of living for retirees. This includes supporting people to use their superannuation savings to provide a more consistent retirement income and manage longevity risk. It is anticipated that pooled lifetime income streams will be an important component in the design of a MyRetirement product.

The social security means test

Australia's social security system uses means testing to ensure payments are targeted to those people who are most in need. The social security means test withdraws income support as a person's capacity to support themselves increases. All income support payments, apart from Age and Disability Support Pensions paid to people who are blind, are subject to a means test that ensures both income and assets at their disposal are taken into account.

The means test is an important feature of the pension system. For most of its 100-year history, Australia's social security system has used means testing to make the system fair and properly targeted to those most in need. The tests are kept under review to ensure they are meeting the requirements of the community for well-targeted income support. In order to keep the social security system sustainable, Australians are expected to use their own resources before calling on the support of the general community.

Social security and Veterans' Affairs payments, including the Age Pension, are subject to both an income and an assets test. A person's entitlement to an income support payment is assessed under both tests, with the test that produces the lower amount determining their rate of payment.

The income and assets tests for social security and Veterans' Affairs pension payments have 'free areas' that mean that pensioners can have certain levels of income or assets without affecting their pension. Withdrawal or 'taper rates' apply to income and assets over the free areas so that as the amount of a person's income and assets increase, their pension is progressively reduced.

The income test takes account of income that a person has from all sources, including employment income, superannuation income and deemed income from financial investments. The income test is designed to target social security assistance and encourage people to supplement their income support payments with other income, if they are able to do so. Income over the income free area reduces the rate of pension payable by 50 cents in the dollar for singles, and 25 cents in the dollar each for couples. As at 1 July 2017, the income free areas for pension payments are \$168 per fortnight for singles, and \$300 per fortnight for couples (combined).

The assets test captures wealth, including superannuation assets and non-income producing assets (for example, holiday houses) and therefore ensures that people do not obtain a pension advantage from moving their wealth into assets that do not form part of the income test. The assets test also helps to ensure that people with higher levels of assets cannot otherwise access social security payments. Assets over the assets free areas reduce the rate of pension payable by \$3.00 for every \$1,000 in assets, for both singles and couples. As at 1 July 2017, these asset free areas are:

- \$253,750 for single home owners;
- \$380,500 for couple home owners (combined);
- \$456,750 for single non-home owners; and
- \$583,500 for couple non-home owners (combined).¹

As a general rule, the income test is more likely to apply to pensioners with modest investment holdings or income from earnings, foreign pensions or defined benefit income streams, whereas the assets test is more likely to apply to pensioners with more substantial investment holdings or other significant assets.

Principles for developing new means test rules

The following principles have been used to guide the development of new means test rules for pooled lifetime retirement income streams. These principles reflect the longstanding policy framework underpinning means testing within Australia's social security system and were outlined in the initial discussion paper.

- **Neutrality.** The means test assessment should not advantage a particular type of product or provide an incentive for people to invest in a particular asset as a result of it receiving a more favourable means test treatment.
- **Equity.** The rules should treat people with similar means in a consistent way, and those who have a greater capacity to self-provide for their retirement should receive lower income support.

¹ For allowance payments, such as Newstart Allowance, a person is not eligible for payment if they have assessable assets above the relevant threshold. Allowance payments are an income support safety net for working age Australians. The difference between pension payments and allowances reflects the fact that allowances (which are paid to people of workforce age) are designed to include incentives for people to join or return to the workforce, while pensions acknowledge that some people face barriers such as age or disability while trying to support themselves.

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- **Resilience.** The rules should be able to apply to a range of products, including new products, without diminishing neutrality and equity. This will enable income stream providers to be innovative, and minimise the need for further changes to the rules as new types of products emerge.
- **Integrity.** The rules should ensure the social security system remains targeted to assisting those most in need of support, and that people cannot seek to exploit the means test rules to maximise their Age Pension.
- **Fiscal Sustainability.** The means test treatment of new retirement income stream products should have regard to the cost of the social security system.
- **Simplicity.** The rules should be easy to understand for income support recipients, financial advisors and income stream providers. Complicated rules can result in people making poor financial decisions. Simple rules support people to make good decisions.

Means testing inherently presents tensions between these principles. Policy choices often need to strike an acceptable balance between competing considerations. The key objective of means testing is to target assistance to those people most in need of income support in a fair and sustainable manner.

While the social security means test operates to assess a person's income and assets at a particular point in time, the nature of lifetime retirement income stream products means that it is also important to be mindful of the impact of rules over the longer term. This can highlight situations where the cumulative effect of rules over time may be unfair, risk distorting investment decisions, or subsidise particular choices or bequest motives.

Why do we need new means test rules?

The Government has undertaken to consult regarding the social security means test rules that will apply to retirement income products, to ensure they are appropriate for the innovative types of retirement income products that are expected to be developed. This includes considering the ongoing suitability of the current rules.

The development of new retirement products needs to be supported by clear rules that will provide guidance on how these products will be assessed by the social security means test.

The means test assessment of pooled lifetime products also has implications for broader retirement income system policy. This includes the Government's commitment to develop a framework for 'MyRetirement products', which will provide a framework for the retirement phase of the superannuation system and give effect to the Financial System Inquiry's recommendation for a comprehensive income product in retirement (CIPR). It aims to increase the efficiency of the superannuation system so that it can better achieve the proposed objective of superannuation, which is to provide income in retirement to substitute or supplement the Age Pension.

The MyRetirement framework aims to improve the standard of living in retirement by facilitating the development of products that help to manage longevity risk. It is expected that MyRetirement products are likely to include a lifetime retirement income stream product. The proposed new means test rules for lifetime retirement income stream products support the objectives of these broader reforms.

As the population ages and fiscal pressures increase, fair and effective means testing of retirement income stream products will be important to ensuring a well-targeted and sustainable Age Pension. It is important that the means test rules for pooled lifetime products are fair, sustainable and appropriate.

The current rules for lifetime income streams do not provide an adequate framework for assessing more complex and diverse lifetime products

The existing rules for lifetime income streams do not provide an adequate framework for assessing the diverse range of complex and pooled lifetime products that are expected to emerge as the retirement phase of the superannuation system becomes more fully developed. The current rules were designed for simple retirement income products with few additional features or characteristics. As outlined in the previous discussion paper, the existing rules have concessional elements. They were not designed or intended to accommodate market innovations or increasing product complexity and may provide unfair, inconsistent or unduly concessional outcomes if applied to a broader range of retirement income products. This may result in uncertainty for industry and retirees, and risks distorting investment decisions.

A number of submissions to the previous discussion paper argued that it was important that the means test rules for these products adequately recognised the lifetime nature of these products, which pool together people's savings to provide a stream of income for life. They also argued that it was important that the rules did not discourage the take-up of lifetime products by retirees or the development of innovative new products that will provide people with more choice in retirement.

Proposed means test rules for pooled lifetime retirement income streams

Scope of the new rules

There is a strong policy case for a single set of rules that will apply neutrally to all pooled lifetime income streams. This will ensure fair and consistent means test outcomes across all products. It will support those in and approaching retirement to choose products based on their merits, rather than the impact on their social security payments. A single set of rules is also more resilient in terms of means test integrity, limiting opportunities for people to select products that may effectively 'shield' assets from assessment to maximise Age Pension payments or manufacture bequests. Providing a single, neutral means test assessment for all pooled lifetime products also supports product innovation.

Where retirees have already purchased lifetime products prior to implementation of the new rules, there is a strong case for grandfathering these investments so that the current rules continue to apply. This recognises that these are long-term products, purchased with the expectation that they would be assessed under the existing rules. This would ensure fairness for policy holders and would also be appropriate for the providers of these income stream products.

However, all pooled lifetime products purchased on or after the date of implementation would be assessed under the proposed new rules. This includes products offered under the new superannuation regulations for pooled lifetime products, but also those offered under other superannuation regulations (the 'minimum draw down rules') or as a direct investment outside of superannuation.

Proposed new means test rules for pooled lifetime income streams

The proposed rules seek to provide a more constant means test assessment across retirement, resulting in more consistent social security outcomes where a person has chosen to use a lifetime product to manage their retirement income. This reflects the lifetime nature of payments provided by these products. As noted above, it also seeks to complement the role of lifetime products in providing more even and consistent retirement incomes across retirement.

The proposed new rules seek to strike an appropriate lifetime assessment by:

- a) **income testing** a fixed percentage of all product payments as income (assessing 70 per cent of payments as income), and
- b) **assets testing** a consistent asset value of 70 per cent of the nominal purchase price until life expectancy at purchase, and half that amount (35 per cent) from then on.

The treatment of deferred products, and additional means test integrity provisions for lifetime products that offer significant ongoing access to capital, are detailed below.

While the primary focus of the means test is on fairly and sustainably targeting income support to those most in need, the proposed new rules have been developed with an awareness of the need for means testing arrangements to be appropriate for lifetime products and support broader retirement income policy objectives.

The proposed income and assets parameters were designed to ensure that the new rules do not unfairly disadvantage people who choose to make use of a pooled lifetime product. They have been developed with a strong focus on their impact on people's **total retirement income** – that is, the combination of income from lifetime products, other retirement savings and the Age Pension. They are intended to be sustainable and appropriate for a range of retirement scenarios, involving different levels of retirement savings.

Assessing a fixed assets test value over the duration of a pooled lifetime product produces more consistent Age Pension outcomes over time. This supports broader retirement income policy objectives, including developing a framework for MyRetirement products that will help retirees plan for a consistent level of income across retirement.

Assessing 70 per cent of the purchase price (in nominal terms) recognises that people who have committed to pooling their savings in a lifetime product cannot flexibly draw on those pooled assets for self-support, and have committed these funds to the stream of income that the product provides. It better aligns the withdrawal of social security payments under the assets test with these payments.

It results in more favourable asset test outcomes in early years compared to the current rules and asset test outcomes for an account-based income stream. This may support the take-up of lifetime products. Compared to the current means test rules for lifetime products, assessing 70 per cent of the nominal purchase price until life expectancy balances this up-front concessionality with a more consistent asset test assessment over time. This will help to effectively target income support assistance over time, particularly at higher levels of assessable assets. Maintaining this asset value until life expectancy also helps mitigate the risk of lifetime products being used to shield assets from assessment or maximise Age Pension payments by assessing a more consistent amount over time (compared to the current rules).

Once a person reaches life expectancy (at the time the product was purchased), the assessable asset value will be reduced to 35 per cent. This value will be retained thereafter. This helps address the risk of punitive asset test outcomes later in life while still recognising an asset value for the product. This is appropriate for a product intended to provide retirement income for life.

Assessing a fixed proportion of product payments as income for the purposes of the income test recognises the focus of lifetime products upon providing a consistent planned source of income across retirement, providing a similarly consistent means test assessment. This also supports broader retirement income policy objectives.

Assessing 70 per cent of payments as income produces sustainable social security outcomes across retirement at various levels of savings. Recipients of social security pension payments who allocate a proportion of their superannuation savings – for example, up to 30 per cent – to a pooled lifetime product are expected to experience broadly similar outcomes under the income test in the early years of retirement, compared to if they held their savings in an account-based income stream drawn upon at the minimum regulated rate. This helps ensure that people will not be unfairly disadvantaged by making use of a lifetime product, compared to outcomes for the most common superannuation retirement product.

Payments from pooled lifetime products consist of the gradual return of the initial investment amount in nominal terms (the 'return of capital'), earnings on the pooled savings, and 'mortality credits' from members who, upon their death, contribute to the ongoing payments to other members. The proportion that each of these components contributes to product payments will vary at different points in time and with the design of different products.

Assessing 70 per cent of payments as income recognises that a portion of payments are the return of a person's original capital investment. The approach used by the current income test rules to recognise the return of capital assumes that all capital is returned to a person by the time they reach their life expectancy, but continues to offer a deduction indefinitely. This tends to result in a low proportion of payments from lifetime products being assessed in early years and overly concessional outcomes beyond life expectancy.

Assessment of deferred products

The proposed new rules need to provide an appropriate assessment for lifetime products that commence making payments immediately as well as those products that defer payments until a later age. Deferred products may help people to manage longevity risk by allowing them to plan for a stream of income later in life.

The proposed new rules will ensure that deferred products receive the same asset test assessment as products that commence payments immediately. However, they will only assess income once payments from the product commence. This approach places a strong focus on fairly assessing a person's overall capacity for self-support in retirement.

Assets testing deferred products in the same manner as other lifetime income streams acknowledges that these products have a value during the deferral period and better recognises the overall resources that a person has available to them to plan for their retirement. Assessing an asset value during the deferral period helps ensure the equity and targeting of social security outcomes. It also supports the integrity of the means test, including limiting the risk that deferred products could be used to maximise Age Pension payments across retirement. The proposed approach provides a neutral set of incentives for retirees choosing between lifetime products. This will encourage people to make investment choices based on the merits of a product, including its suitability to their personal circumstances. It helps ensure that deferred products are not overly advantaged in early years by avoiding a concessional up-front treatment, but also helps ensure that they are not assessed in a manner that is punitive over the long term.

The proposed income test rules would only assess deferred products once payments commence. This aligns the income test with when a person receives payments from the product that they can use to support themselves in retirement.

Assessment of surrender values and death benefits where access to capital is not constrained by the new capital access schedule

Lifetime income streams that are not offered under the new superannuation regulations may offer access to capital that exceeds the limits on surrender values and death benefits specified by the new superannuation regulations.

The proposed new rules include provisions to support the integrity of the social security means test in such situations. Where products offer surrender values or death benefits above the limits imposed by the 'capital access schedule' in the new regulations, the assets test will assess the maximum value of:

- the amount determined under the proposed new rules (70 per cent of the purchase price to life expectancy, and then 35 per cent);
- the value of the lump sum amount that is payable if a person withdraws from the product; or
- the highest death benefit payable under the product.

This will help ensure that rules developed for lifetime products that are underpinned by the pooling of savings do not provide undue opportunity to maximise social security payments or subsidise large payments to a person's estate upon death.

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Assessment of account-based income streams would not change

The social security means test rules will not change for account-based income streams, which constitute at least 94 per cent of superannuation pension assets, and are the most common retirement income product.

The means test assesses account-based income streams by assessing the current balance for the purposes of the assets test, and applying the deeming provisions² to that balance to deterring assessable income.

Pooled lifetime products can be held as an investment *inside* an account-based income stream. Where this occurs, the value of the lifetime product would continue to be assessed as account balance.

Modelling of social security and retirement incomes under the new rules

Cameo analysis of retirement scenarios under the proposed rules is presented at **Attachment A**. This modelling was prepared by the Australian Government Actuary.

² The deeming rules are used to assess income from financial investments for age pensioners. Deeming assumes that financial investments are earning a certain rate of income, regardless of the amount of income they are actually earning. If pensioners earn more than these rates, the extra income is not assessed. Further detail available at: <https://www.dss.gov.au/our-responsibilities/seniors/benefits-payments/age-pension/deeming-information#a1>

Summary Results from Modelling of Proposed Means Test Rules

This attachment shows examples of outcomes under the proposed new means test rules. It presents the Age Pension and product income that may be received over time. It presents results for a range of scenarios involving a pooled lifetime retirement income stream. It also presents outcomes for an account-based income stream, which is the most common form of retirement income product.

This attachment draws on modelling prepared by the Australian Government Actuary.

This information is provided for both single and couple pensioners at different levels of retirement savings that highlight elements of the means test rules. People with lower levels of assessable retirement savings (excluding their home) are likely to be either receiving the maximum rate of Age Pension, or assessed under the income test. Those with higher levels of savings are likely to be assessed by the assets test for a period of time. They may then shift to the income test as the value of their assessable assets reduces over time.

Explanation of modelling results

Charts of annual retirement outcomes

These charts show a person's outcomes (or couple's outcomes) in each year of retirement, assuming that they retire at age 65. All amounts have been converted into 2017 dollars. This allows results in each year to be directly compared.

The first chart in each scenario (solid lines) shows the amount of Age Pension received. The second chart in each scenario (dotted lines) shows total retirement income, including Age Pension and income stream income. These charts show outcomes for a selection of possible retirement scenarios involving a pooled lifetime product.

The third chart in each scenario shows the difference between: (a) a person holding 30 per cent of their superannuation savings in an immediate pooled lifetime product (a lifetime annuity), with the remainder held in an account-based income stream; and (b) the same person investing all of their superannuation in an account-based income stream that is drawn down at the minimum rate required by superannuation regulations. Investing 30 per cent of savings provides a reasonable representation of outcomes if a person was to invest a significant but realistic proportion of their savings in a pooled lifetime product. Comparing this to an account-based income stream shows whether the person is better or worse off if they use a pooled lifetime product. If the line is above the horizontal axis of this chart, they are better off. If the line is below, they are worse off. It is important to consider the appropriateness of the broad pattern across retirement.

Tables showing the actuarial value of total retirement outcomes

Each scenario also shows the total actuarial value of Age Pension, product income and total retirement income. These amounts are for the whole of retirement. They are the 'net present value' of sum of the outcomes in each year. They are in 2017 dollars. They have been adjusted to account for expected mortality patterns. This means that outcomes in early years count more towards the total than in later years, when fewer people are alive.

This approach provides a single figure that can be used to compare outcomes for different types of products and an assessment of the overall effect of the rules.

Products and investment combinations included in the modelling results

The results below show outcomes for the following types of investment products.

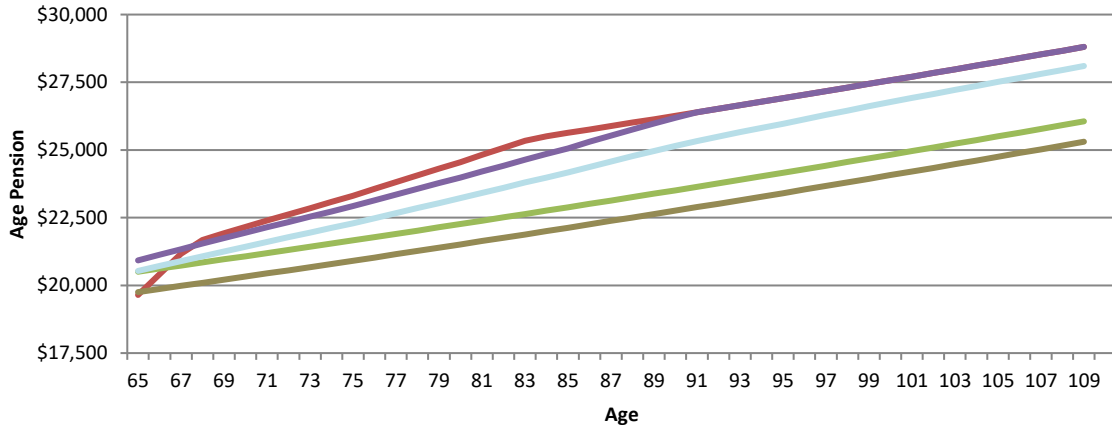
Product Combination	Description
Account-based income stream (ABIS)	An individual investment account set up with superannuation benefits from which a retiree draws a regular income. Retirees are able to select different investments, and have flexible access to their investment capital. Superannuation regulations require a minimum amount to be drawn down each year, which increases with age. This modelling assumes the minimum amount is drawn.
Life annuity (LA)	An annuity product that provides payments for the full period of a person's lifetime after purchase. Some products may cover a person and their partner for both their lifetimes.
Group self-annuity (GSA)	An annuity product where participants contribute funds to a pool that is invested in assets. Regular payments from the pool are made to surviving members. GSAs allow members to share, but not completely eliminate, the risk of outliving their savings.
Deferred lifetime annuity (DLA)	An annuity product where payments are delayed for a set amount of time. It provides payments for life once a person reaches a particular age.
Deferred group self-annuity (DGSA)	A group self-annuity product that commences making payments when a person reaches a certain age.

Most retirees who use a pooled lifetime product are expected to do so in combination with a more flexible type of investment. For people within superannuation, this is likely to be an account-based income stream.

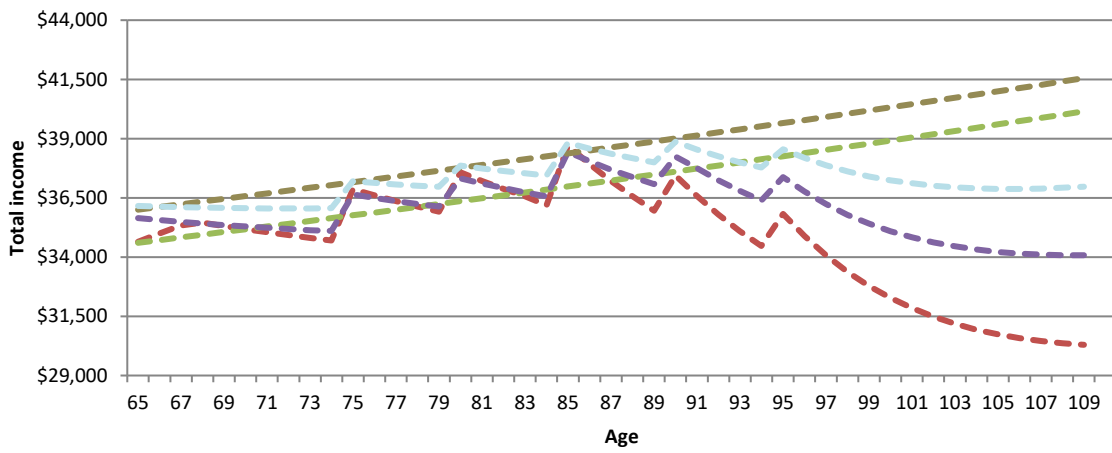
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Outcomes for a single homeowner with \$300,000 in superannuation and no other assessable assets

Age Pension and total income in each year: immediate lifetime products



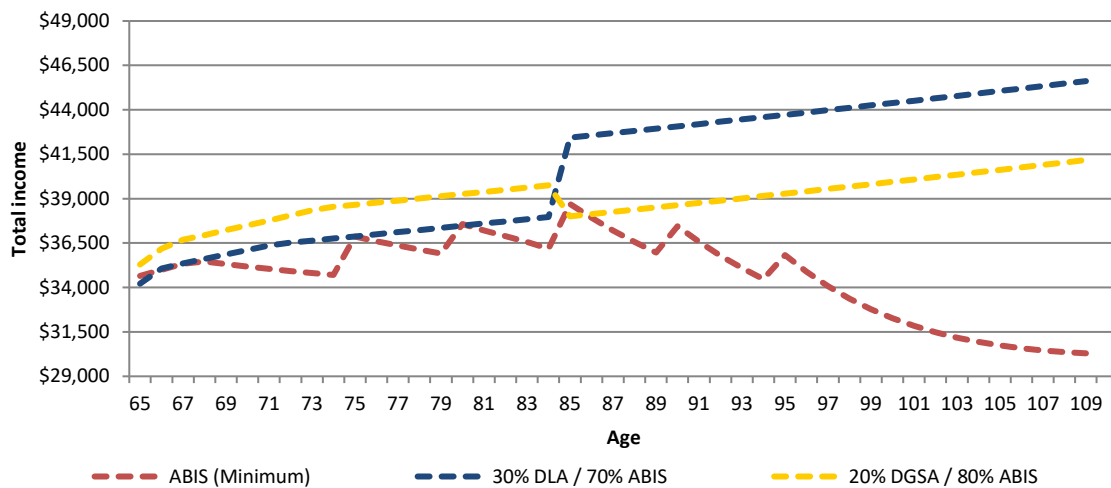
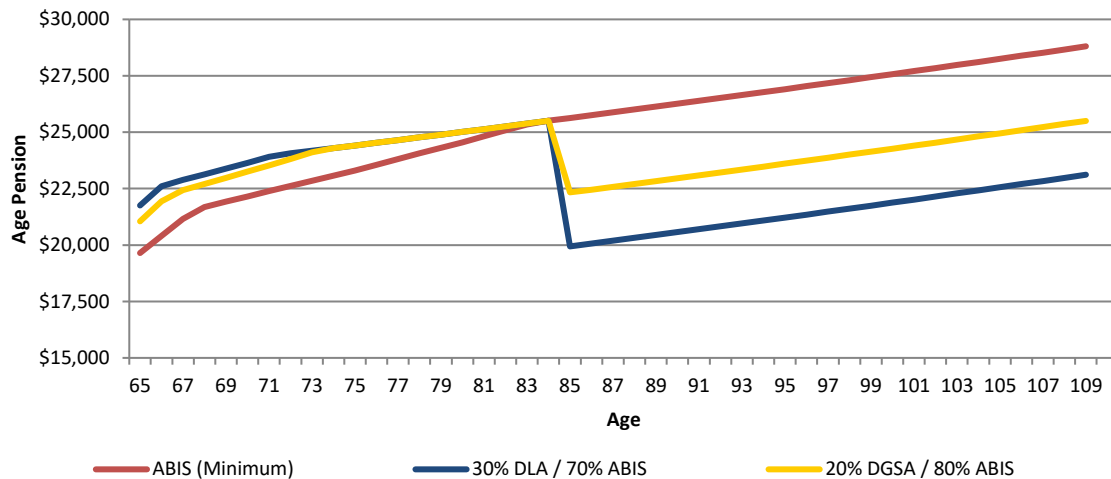
ABIS (Minimum) 100% LA 30% LA / 70% ABIS 100% GSA 50% GSA / 50% ABIS



ABIS (Minimum) 100% LA 30% LA / 70% ABIS 100% GSA 50% GSA / 50% ABIS

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Age Pension and total income in each year: deferred products

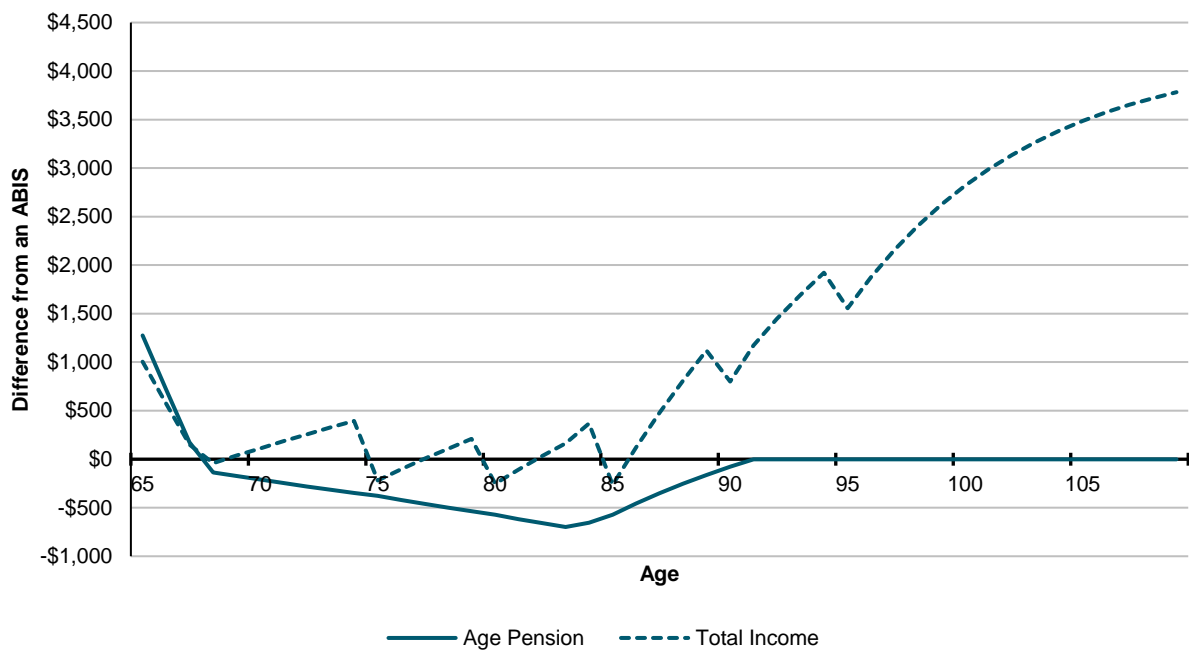


Total retirement outcomes

	Lifetime Annuity Products			Group Self-Annuity Products		Deferred Products	
	ABIS (min. draw down)	100% LA	30% LA / 70% ABIS	100% GSA	50% GSA / 50% ABIS	30% DLA / 70% ABIS	20% DGSA / 80% ABIS
Age Pension	395,566	369,414	392,867	356,676	381,735	394,298	398,527
Product Income	210,400	238,557	218,847	274,953	242,676	242,644	245,549
Total Income	605,966	607,971	611,714	631,629	624,411	636,942	644,075
Death Benefit / Bequest	62,929	19,957	50,037	0	31,464	25,782	22,623
Total (including bequest)	668,895	627,928	661,751	631,629	655,875	662,724	666,698

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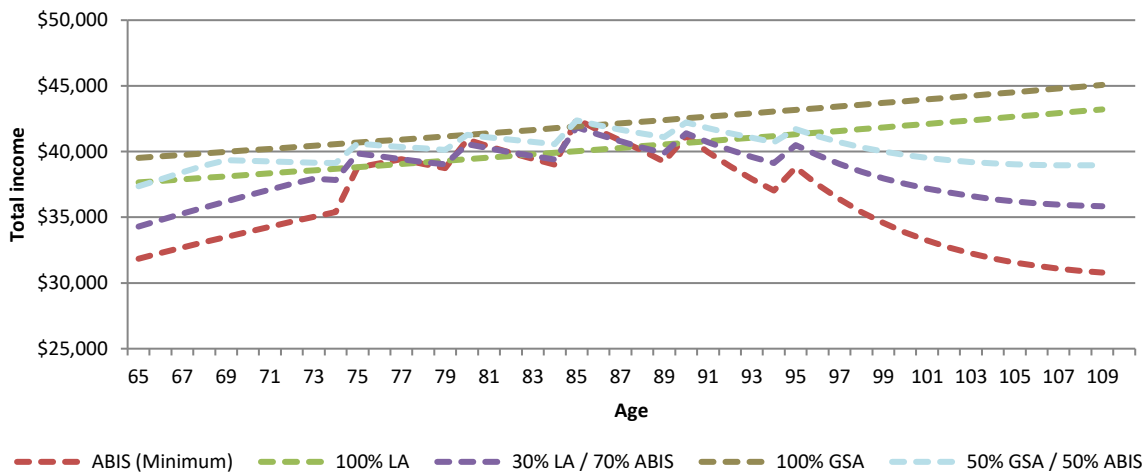
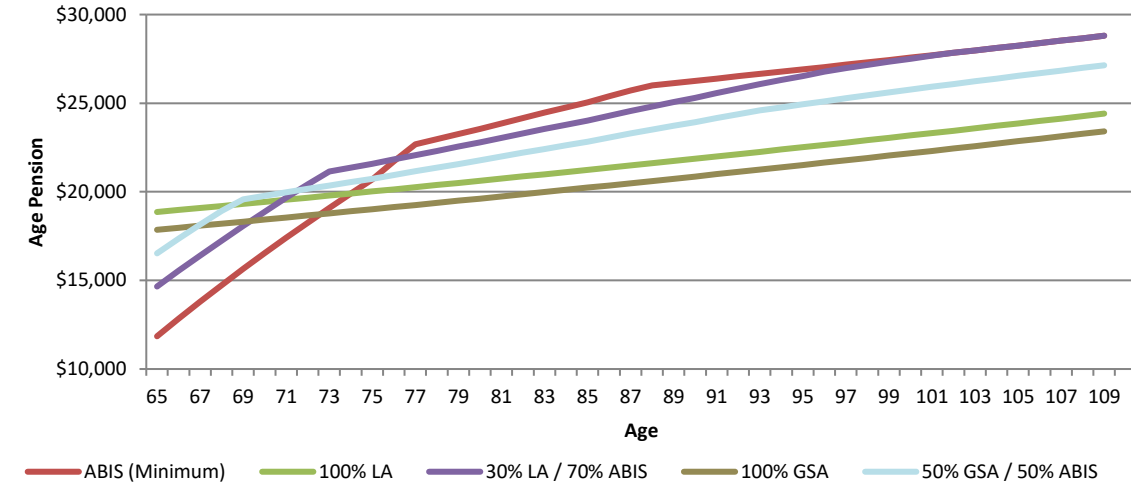
Difference in Age Pension and total income when 30 per cent is invested in a lifetime annuity, compared to if all funds were invested in an ABIS



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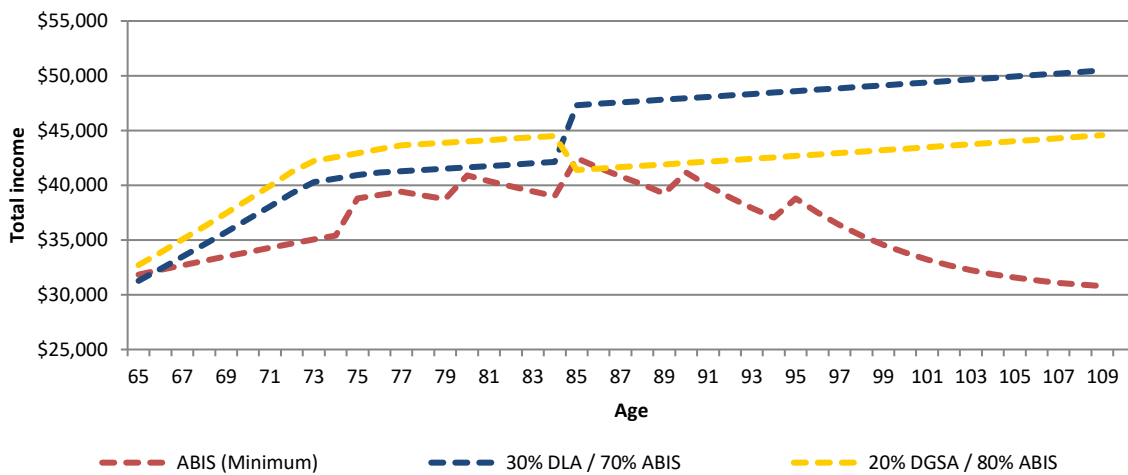
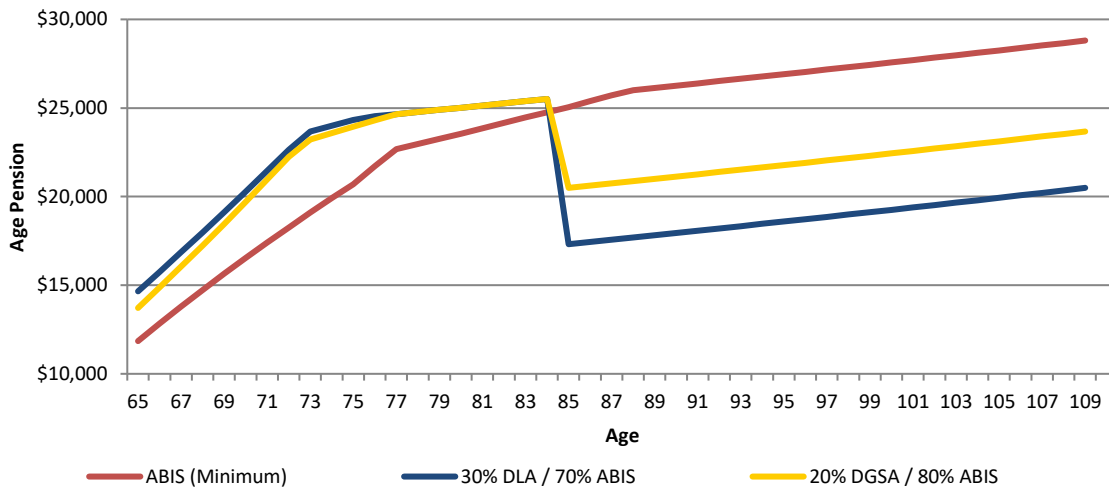
Outcomes for a single homeowner with \$400,000 in superannuation and no other assessable assets

Age Pension and total income in each year: immediate lifetime products



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Age Pension and total income in each year: deferred products

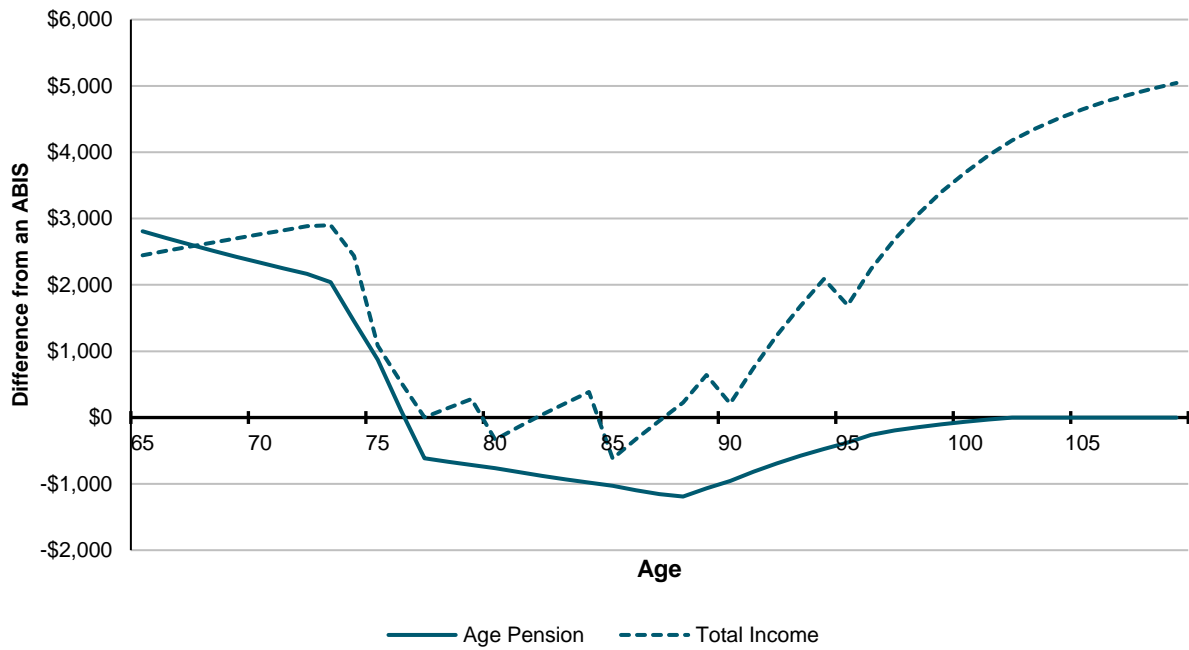


Total retirement outcomes

	Lifetime Annuity Products			Group Self-Annuity Products		Deferred Products	
	ABIS (min. draw down)	100% LA	30% LA / 70% ABIS	100% GSA	50% GSA / 50% ABIS	30% DLA / 70% ABIS	20% DGSA / 80% ABIS
Age Pension	338,118	341,582	352,816	324,598	350,821	352,106	356,291
Product Income	280,533	318,076	291,796	366,604	323,569	323,525	327,398
Total Income	618,651	659,659	644,612	691,202	674,389	675,631	683,689
Death Benefit / Bequest	83,905	26,610	66,717	0	41,953	34,376	30,164
Total (including bequest)	702,556	686,269	711,329	691,202	716,342	710,007	713,853

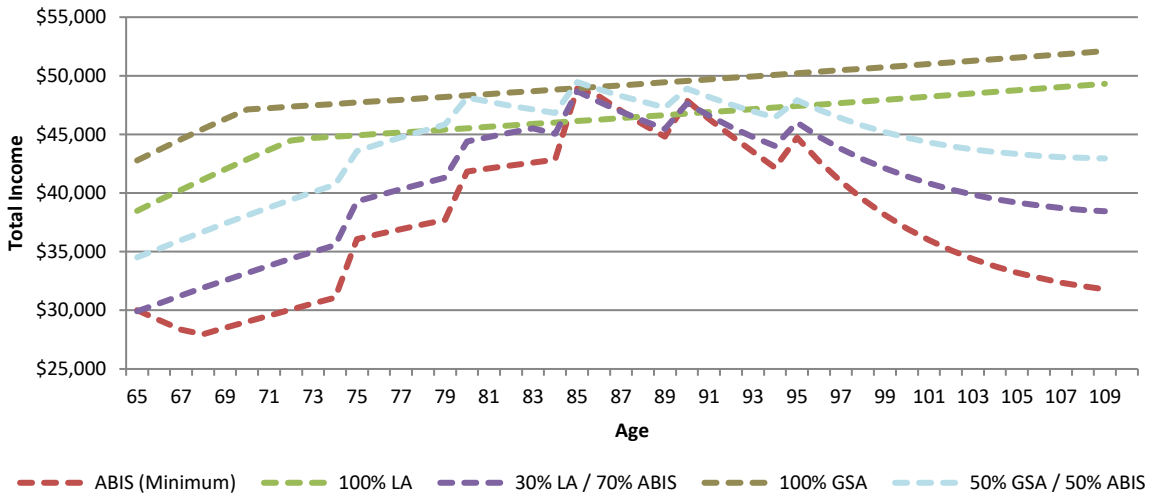
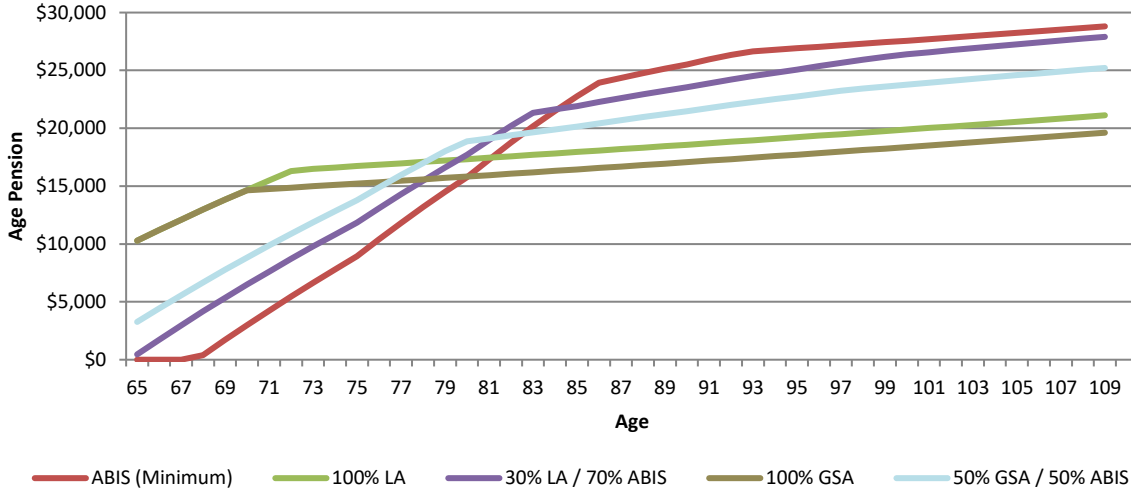
Updated 7 February 2018

Difference in Age Pension and total income when 30 per cent is invested in a lifetime annuity, compared to if all funds were invested in an ABIS



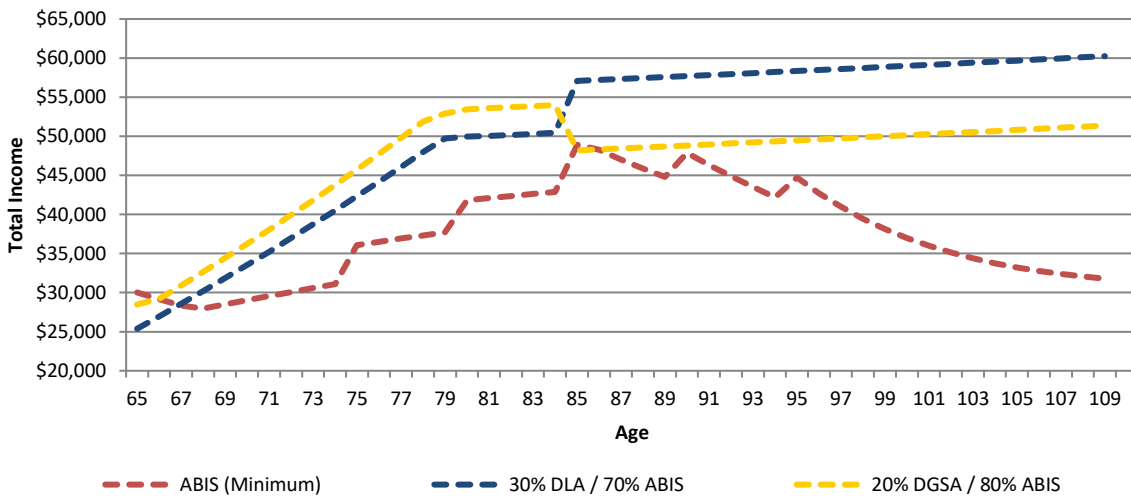
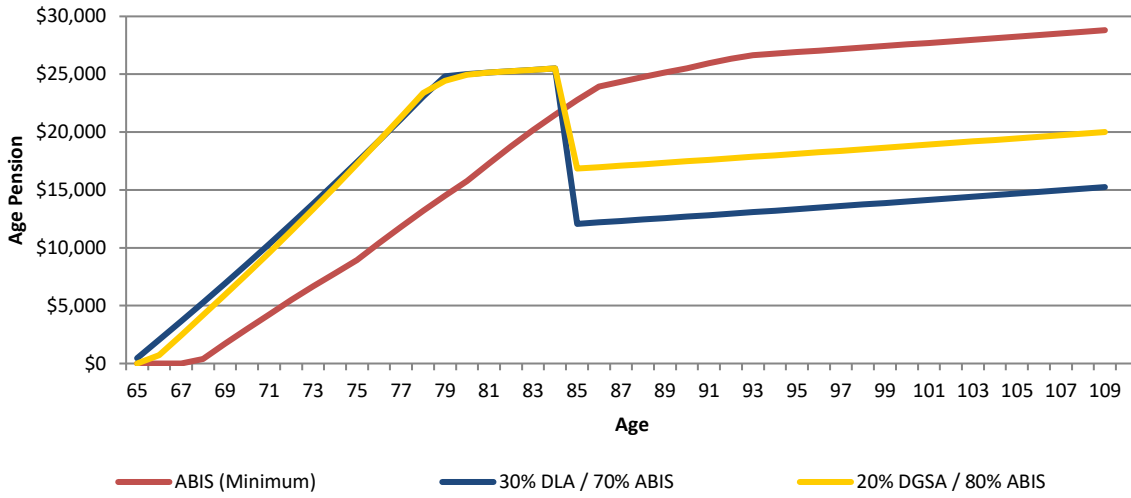
Outcomes for a single homeowner with \$600,000 in superannuation and no other assessable assets

Age Pension and total income in each year: immediate lifetime products



Updated 7 February 2018

Age Pension and total income in each year: deferred products



Total retirement outcomes

	Lifetime Annuity Products			Group Self-Annuity Products		Deferred Products	
	ABIS (min. draw down)	100% LA	30% LA / 70% ABIS	100% GSA	50% GSA / 50% ABIS	30% DLA / 70% ABIS	20% DGSA / 80% ABIS
Age Pension	180,311	266,521	209,181	249,892	226,884	223,923	231,991
Product Income	420,800	477,115	437,694	549,906	485,353	485,287	491,097
Total Income	601,111	743,635	646,875	799,798	712,237	709,210	723,088
Death Benefit / Bequest	125,858	39,915	100,075	0	62,929	51,565	45,246
Total (including bequest)	726,969	783,550	746,950	799,798	775,166	760,775	768,334

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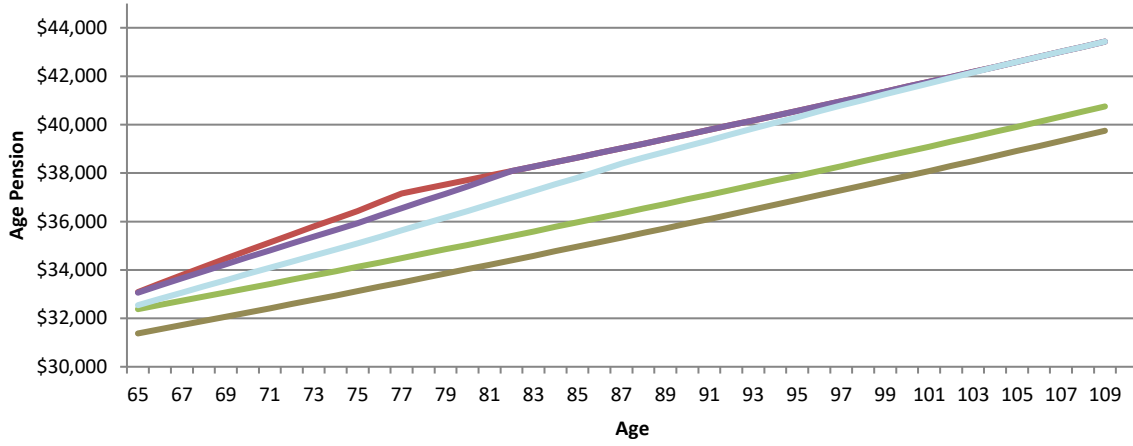
Difference in Age Pension and total income when 30 per cent is invested in a lifetime annuity, compared to if all funds were invested in an ABIS



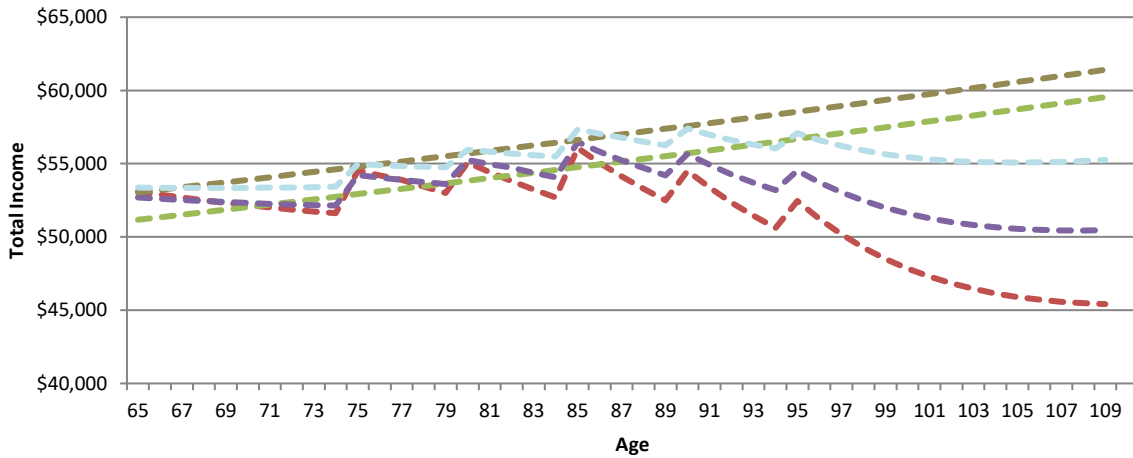
Updated 7 February 2018

Outcomes for a couple homeowner with \$400,000 in superannuation and no other assessable assets

Age Pension and total income in each year: immediate lifetime products



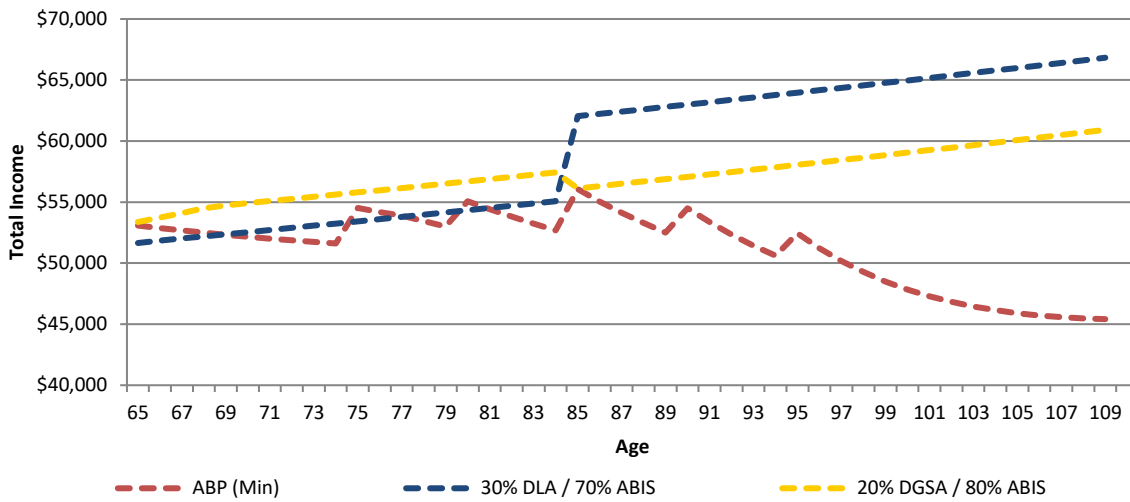
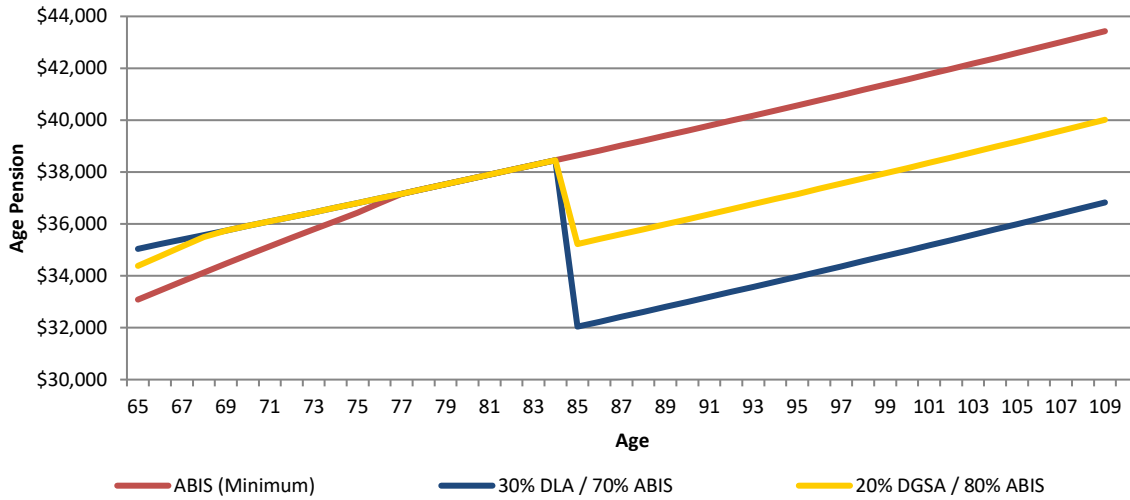
ABIS (Minimum) 100% LA 30% LA / 70% ABIS 100% GSA 50% GSA / 50% ABIS



ABP (Min) 100% LA 30% LA / 70% ABIS 100% GSA 50% GSA / 50% ABIS

Updated 7 February 2018

Age Pension and total income in each year: deferred products

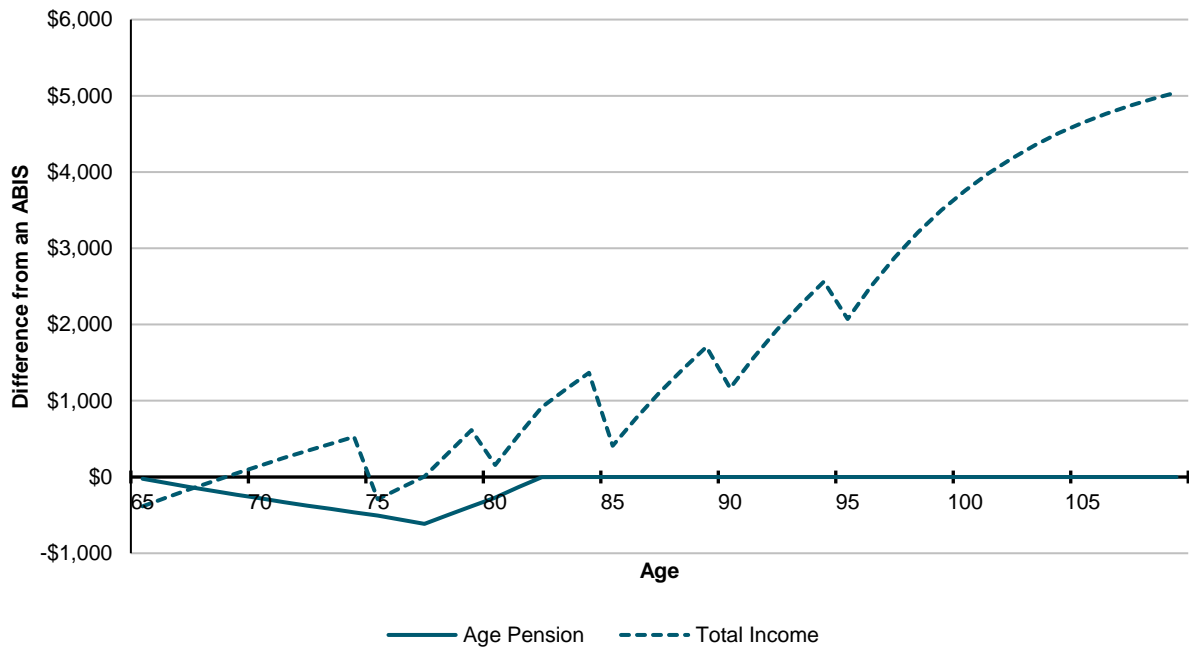


Total retirement outcomes

	Lifetime Annuity Products			Group Self-Annuity Products		Deferred Products	
	ABIS (min. draw down)	100% LA	30% LA / 70% ABIS	100% GSA	50% GSA / 50% ABIS	30% DLA / 70% ABIS	20% DGSA / 80% ABIS
Age Pension	616,049	581,759	612,312	564,774	600,059	606,187	614,825
Product Income	280,533	318,076	291,796	366,604	323,569	323,525	327,398
Total Income	896,582	899,835	904,108	931,378	923,627	929,711	942,223
Death Benefit / Bequest	83,905	26,610	66,717	0	41,953	34,376	30,164
Total (including bequest)	980,487	926,445	970,825	931,378	965,580	964,087	972,387

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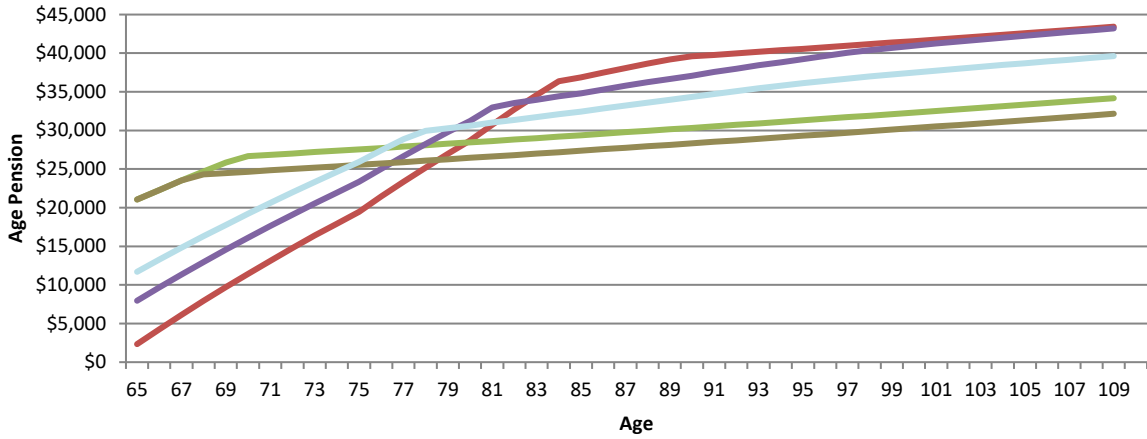
Difference in Age Pension and total income when 30 per cent is invested in a lifetime annuity, compared to if all funds were invested in an ABIS



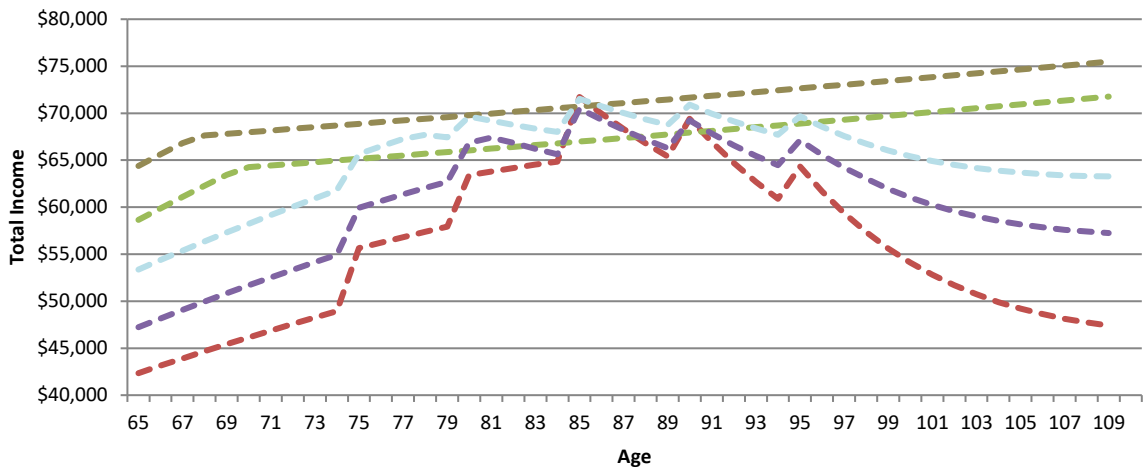
Updated 7 February 2018

Outcomes for a couple homeowner with \$800,000 in superannuation and no other assessable assets

Age Pension and total income in each year: immediate lifetime products

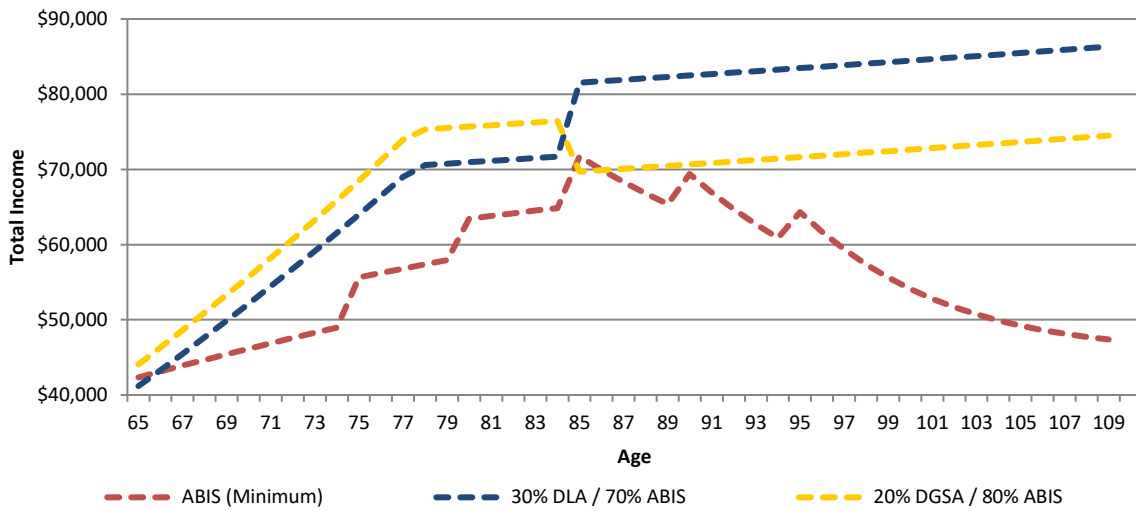
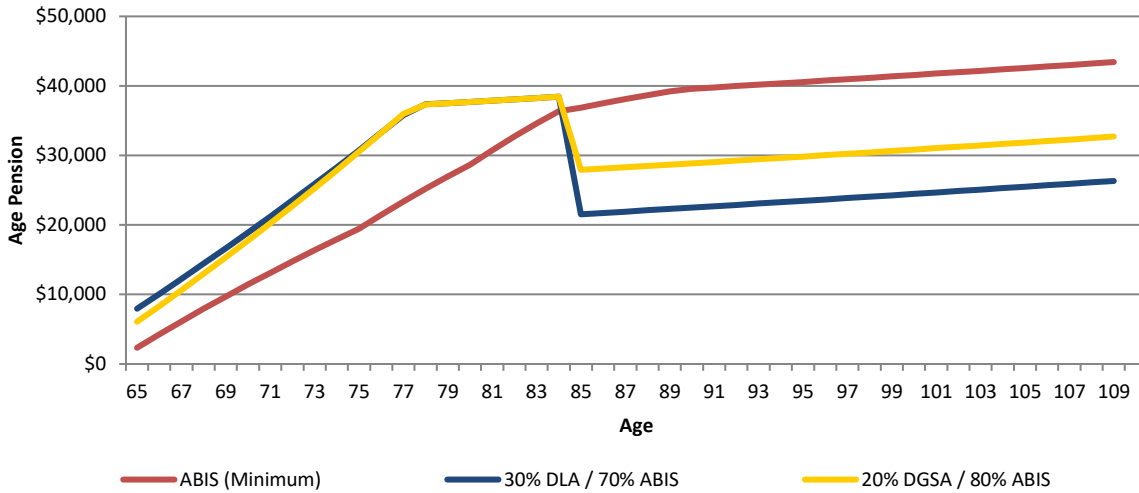


— ABIS (Minimum) — 100% LA — 30% LA / 70% ABIS — 100% GSA — 50% GSA / 50% ABIS



- - - ABIS (Minimum) - - - 100% LA - - - 30% LA / 70% ABIS - - - 100% GSA - - - 50% GSA / 50% ABIS

Age Pension and total income in each year: deferred products

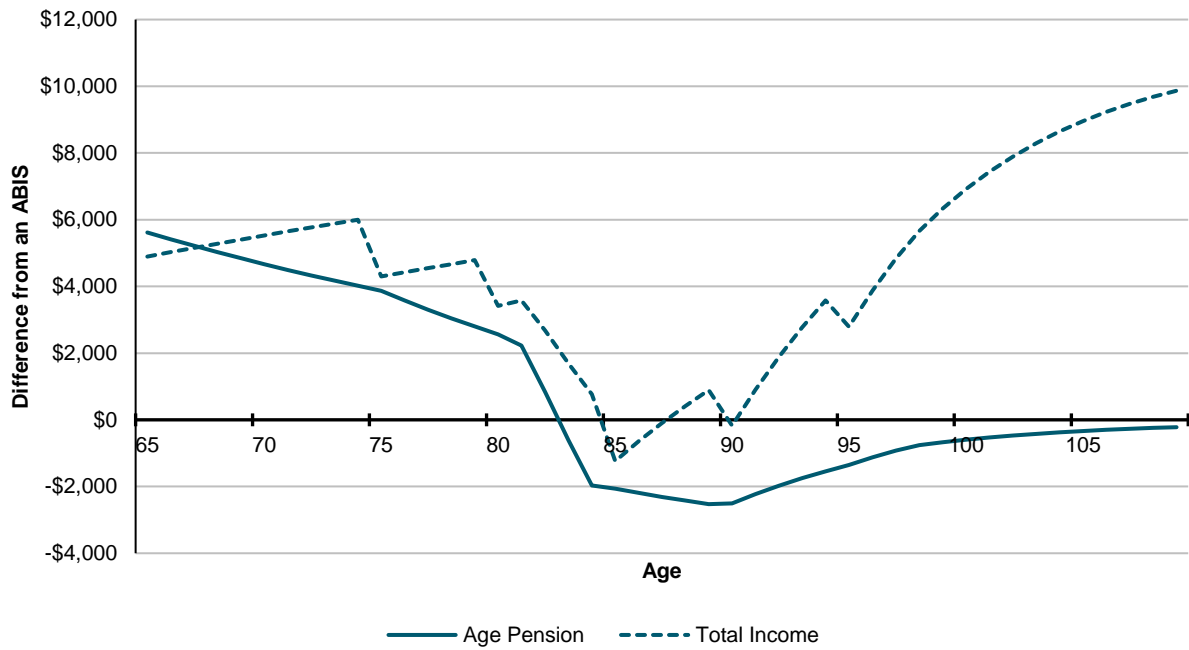


Total retirement outcomes

	Lifetime Annuity Products			Group Self-Annuity Products		Deferred Products	
	ABIS (min. draw down)	100% LA	30% LA / 70% ABIS	100% GSA	50% GSA / 50% ABIS	30% DLA / 70% ABIS	20% DGSA / 80% ABIS
Age Pension	351,626	457,725	397,792	431,535	417,711	409,427	418,976
Product Income	561,066	636,153	583,592	733,208	647,137	647,049	654,796
Total Income	912,692	1,093,878	981,384	1,164,743	1,064,848	1,056,476	1,073,772
Death Benefit / Bequest	167,810	53,220	133,433	0	83,905	68,753	60,328
Total (including bequest)	1,080,502	1,147,098	1,114,817	1,164,743	1,148,753	1,125,229	1,134,100

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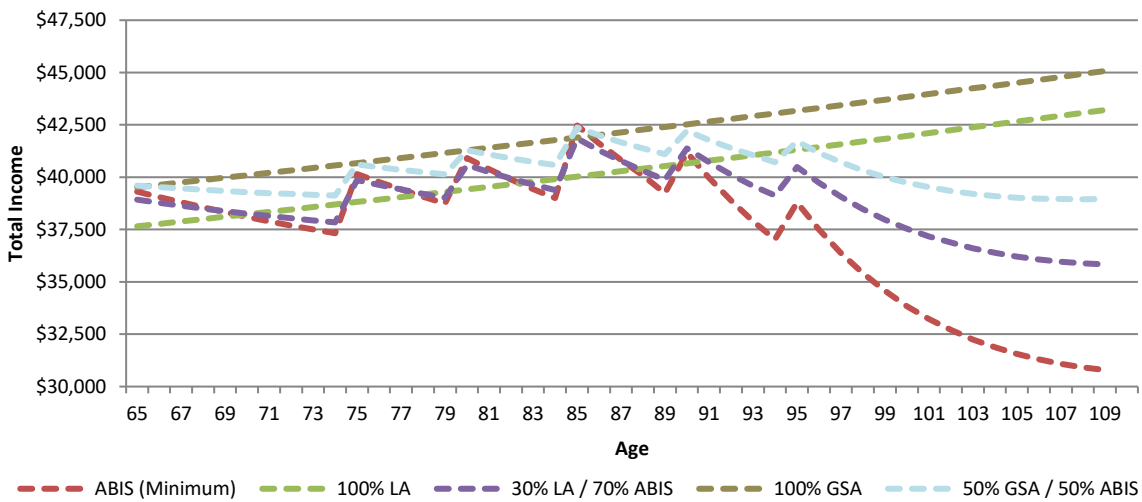
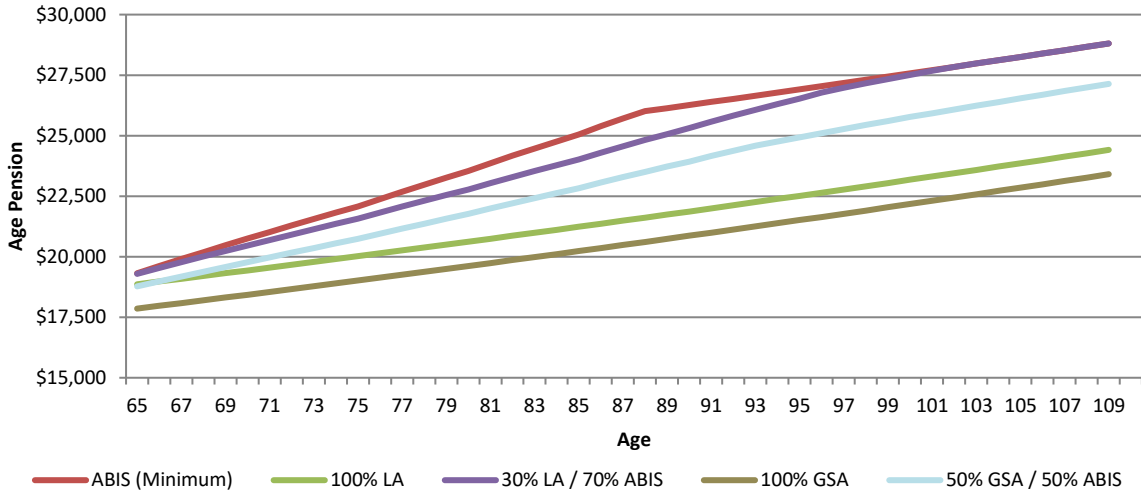
Difference in Age Pension and total income when 30 per cent is invested in a lifetime annuity, compared to if all funds were invested in an ABIS



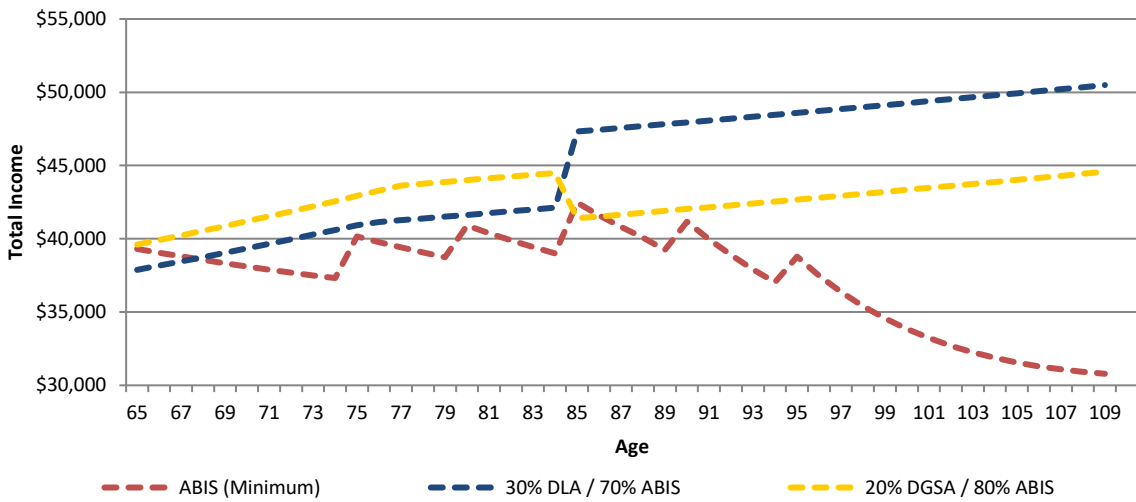
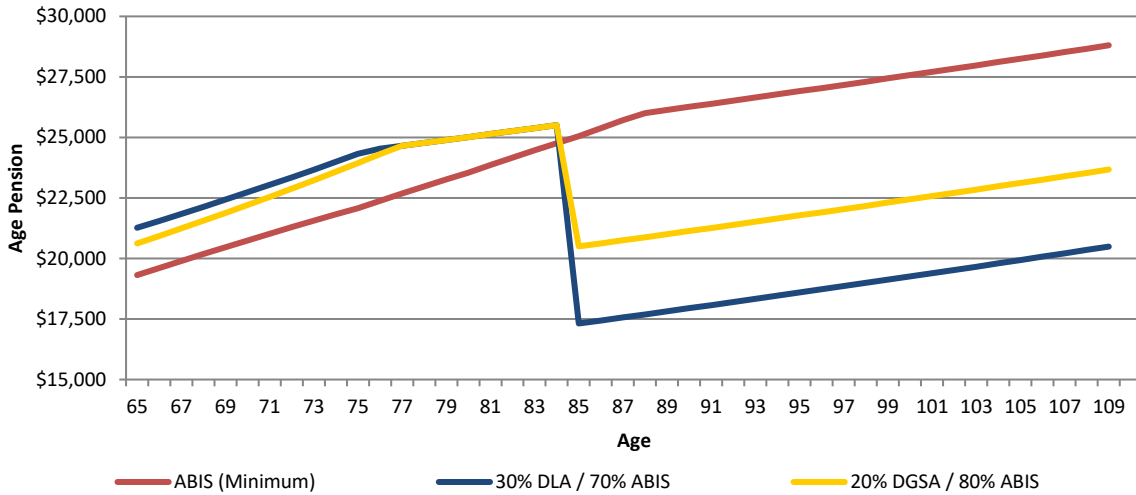
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Outcomes for a single non-homeowner with \$400,000 in superannuation and no other assessable assets

Age Pension and total income in each year: immediate lifetime products



Age Pension and total income in each year: deferred products



Total retirement outcomes

	Lifetime Annuity Products			Group Self-Annuity Products		Deferred Products	
	ABIS (min. draw down)	100% LA	30% LA / 70% ABIS	100% GSA	50% GSA / 50% ABIS	30% DLA / 70% ABIS	20% DGSA / 80% ABIS
Age Pension	379,712	341,582	371,195	324,598	356,013	379,205	384,330
Product Income	280,533	318,076	291,796	366,604	323,569	323,525	327,398
Total Income	660,245	659,659	662,991	691,202	679,582	702,730	711,728
Death Benefit / Bequest	83,905	26,610	66,717	0	41,953	34,376	30,164
Total (including bequest)	744,150	686,269	729,708	691,202	721,535	737,106	741,892

Updated 7 February 2018

Difference in Age Pension and total income when 30 per cent is invested in a lifetime annuity, compared to if all funds were invested in an ABIS

