

Australian retirement plans: recalibrating retirement advice

Australia's superannuation system is world-leading in accumulating savings for retirement, but all acknowledge there is work to be done in the retirement phase.¹

There are 4.7 million Australians aged over 65,² and yet, only 1.8 million are receiving an income stream from their superannuation.³ Following the introduction of the Retirement Income Covenant in 2022, there has been a push to improve outcomes for retirees.⁴ While there has been product innovation and a greater focus from super funds to deliver retirement solutions, the largest challenge has been helping the large number of retirees find their way to an appropriate retirement solution. What is lacking is the mechanism to deliver advice, or guidance, at scale to retirees. What is needed, is for members to develop their retirement plan, rather than retirement being an 'event' to navigate.

The challenge to provide advice to retirees is emphasised by the reduction in financial advisers from nearly 28,000 in 2019 to less than 16,000 in 2025.⁵ The supply of advisers in the profession could decline further with many advisers set to retire at a greater pace than new advisers are currently entering the market. The introduction of a new class of adviser will help meet simpler advice needs but there are not enough financial advisers to service all members through the traditional full-service advice model. Three different approaches could help to solve this issue:

1. Australia increases the number of financial advisers;
2. People are educated so that they can make decisions without any other advice; and/or
3. Advice delivery mechanisms are developed to enable advice at scale to fund members.

In practice a combination of all three will be necessary. Increasing the number of advisers will take time, and even with higher numbers, the cost of comprehensive advice will exceed the likely benefits for many members. Increasing member understanding through education will also be beneficial but more will be needed to assist members at scale.

Delivering member outcomes in retirement

Part of the challenge for super funds is to meet their requirements to deliver better member outcomes in retirement. It is important that a fund addresses advice and guidance for members as they move into retirement. Most members will not have a clear understanding of how they should generate their income through retirement, and it is important to have more than just a retirement product. Arguably, there is a requirement under SPS515 for super funds to engage with their members on retirement advice and guidance.

¹ [CFA Institute Mercer Index](#)

² Australian Bureau of Statistics, As at June 2024

³ 1.5m aged over 65 in APRA-regulated funds and 0.3m in SMSFs (including some under 65)

⁴ [Opening Statement: Inquiry into improving consumer experiences, choice and outcomes in Australia's retirement system | APRA](#)

⁵ [Adviser numbers holding back public and private market participation: SIAA - ifa](#)

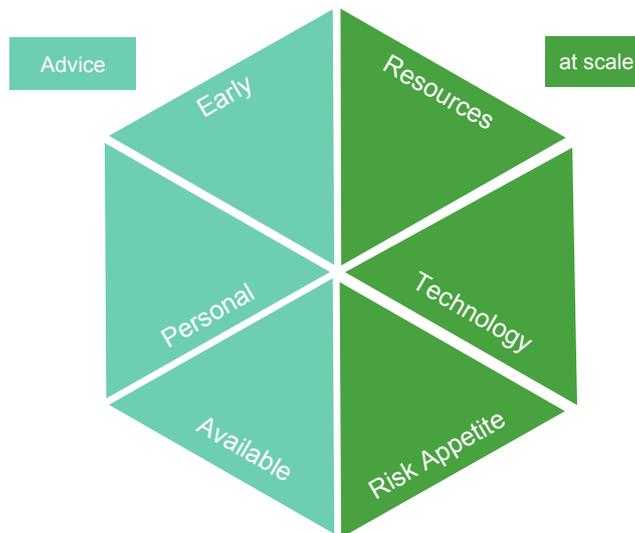
A simple form of engagement will be having a clear Retirement Plan in place. Having a plan has been shown to improve retirement confidence,⁶ A Retirement Plan captures the desires and goals for someone in retirement and can assist with the change from working to retirement. The basic components include:

Retirement Plan	
Timing	Active consideration about an intended time to retire. This should also consider any wind-down phase or partial retirement
Lifestyle	The key to any retirement is the lifestyle that you want to achieve in your retired years. How much income will you need to support that lifestyle
Assets	Take stock of all the assets available to support retirement, including Super, other investments, the family home, and government support such as the Age Pension
Action	The next steps that you can take with your assets to support the lifestyle that you want in retirement. The actions will evolve over time

People will need help to make sure that they have the right plan. This is the role for advice and guidance. There is an increasing number of people approaching retirement with enough assets to support their desired lifestyle that still need help. The challenge will be for funds, platforms and licensees to enable the delivery of advice at scale. In the absence of 'the industry' helping to provide plans at scale, people will turn to other sources. While it's possible that their brother-in-law could provide good advice at the family BBQ, it's unlikely to be appropriate across the population. Finfluencers might be able to reach a large number of people, but without regulation the advice might not improve outcomes. Delivering advice at scale will limit the potential of poor guidance being a commonplace occurrence.

Components to delivering advice at scale

Figure 1. Components to deliver advice at scale



Delivering advice at scale will require a range of components necessary to generate the advice at retirement and provide it at scale. Figure 1 illustrates the key components. Three of these components relate to delivering quality retirement advice:

1. Start **early**. The change from accumulating savings to generate income is a large adjustment and this transition can be made easier when the advice process starts early. This can include providing early retirement income projections and signposting future retirement decision points.
2. Make it **personal**. Advice is most effective when the recipient of the advice feels like it has been tailored personally for them. Generic information has some benefit, but delivering advice based on details relating to someone's personal situation will be more effective.
3. Keep it **available**. As people's circumstances change, their optimal choices also change. Providing advice that is accessible on an ongoing basis can lead to better outcomes over time. This can extend to education so that the information provided to members over time can help to educate them and support better decision-making at the time required. In face-to-face advice, availability is maintained through ongoing advice, but this will not be cost-effective.

⁶ [Macquarie University partnering with Challenger](#)

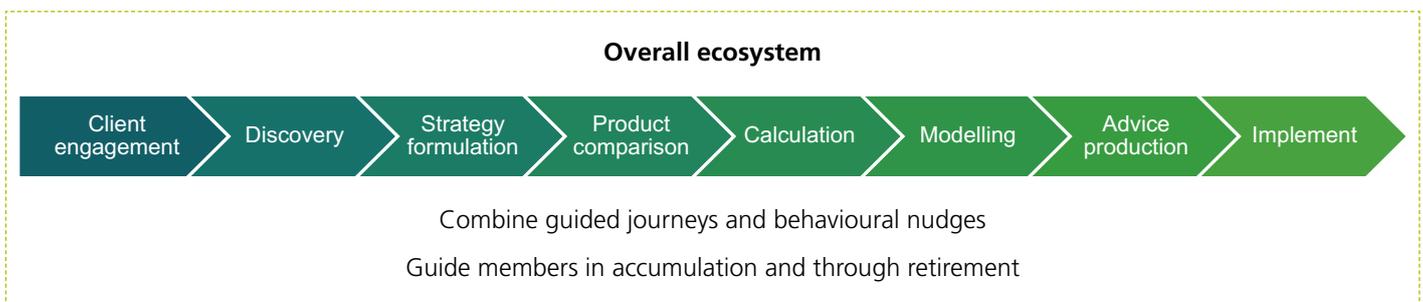
It will be essential to support these advice components at scale. This means that additional components are required and will be essential for super funds seeking to deliver better member outcomes through guidance and advice for members.

4. **Resources** and licensing. A licence is required for all advice, and additional resources are required to leverage that advice at scale. This includes compliance checks on the advice to ensure that it aligns with the expectations of the licensee and meets all legislative requirements.
5. **Technology**. Broadly this can refer to the non-human systems that are used to deliver the advice. Members of a super fund will need to interact with some technology to access the advice and guidance that a super fund is providing to their members. The differing technology needs some integration to function effectively for members.
6. **Risk appetite**. Super funds will need to manage their own risk appetite to provide advice at scale. On one hand, the Retirement Income Covenant requires funds to have a retirement income strategy that is applicable to every member, while they also must meet the Design and Distribution Obligations (DDO) to ensure that all products are correctly presented. With advice reforms underway, funds need to manage the positioning and timing of their changes.

Framework for retirement advice at scale

The largest gap in the existing framework for delivery of retirement advice at scale relates to technology. The pace of innovations, such as generative AI, have been faster than the implementation of technology in the advice process. We are starting to see the implementation begin to catch up. In the coming years this will develop into a more sophisticated retirement advice ecosystem which will have many components. Some of these components are available today and leading funds are adopting the technology to improve member outcomes.

Figure 2. Retirement Advice Ecosystem



Client engagement

One of the largest challenges for guiding members is the initial engagement. While the default accumulation approach delivers good outcomes, members will ultimately need some guidance. The initial contact point has a large potential to improve outcomes by leveraging the available technology. Resource constraints limit the ability of super funds to equip a contact centre to be able to provide all the answers that a member might be seeking. A scale solution, such as an AI-integrated chatbot can quickly assess the level of understanding of a member to deliver the right guidance.

Chatbots will enable funds to provide 'always-on' guidance and education for members that can respond to different levels of understanding. Chatbots have been around for a while, but newer versions, including options developed by Accenture and Salesforce are already utilising AI in ways that can assist funds resolve member queries. These can be available online 24/7 and can be trained to meet all compliance issues. As the systems develop, the service will be personalised to the member and there is already the ability to create calls to escalate advice needs. Another example of leveraging this technology is the avatar used by Guideway to provide tailored information back to the member. When built and trained well, chatbots can allow people to interact in a way that aligns to how they learn concepts, without the chatbot getting tired or frustrated at the same question being asked, delivered in a tone of voice that creates persistence without the pressure. As chatbots are not constrained by average handle times this creates a more engaging member interaction.

Client discovery

The next stage in the journey is to gather information about the client. Initial meetings with advisers were often spent going over a long fact find questionnaire that the client wasn't sure how to complete. Australians are increasingly gaining comfort sharing information with trusted parties, and greater technology security advancements allows ingestion of key information that can help funds build the foundations for personalisation.

Some digital advice providers such as Otivo are already incorporating elements of this into their tools for clients. By capturing the information at the relevant point in time in bite-size pieces, they can provide relevance to the use of the data, increasing people's willingness to provide the information.⁷ It also means that the client is not overloaded to find and provide information that might not be necessary in the moment.

Another concept is the risk profiling tool approach of Capital Preferences. Instead of a long list of questions, Capital Preferences uses a small number of comparisons (as shown) to elicit someone's preferences around retirement income. By capturing the revealed preference, a fund will be able to provide nudges to the member that will align with what they want. This reduces friction in the process and increases the likely implementation of any recommended solution. These tools will enable super funds to provide behavioural nudges to their members.

Figure 3. Sample from Capital Preferences tool



Strategy formulation

The key component for providing financial advice is to use the information about a client to derive an appropriate strategy for their situation. It often involves developing multiple scenarios to test with the client to ensure alignment between the client and the selected strategy. Generating a tailored strategy for each client can be time-consuming and resource intensive so tools have already been developed to assist advisers consider the different options available. Recent innovations with high-powered underlying engines are able to project and consider multitudes of scenarios. When linked to a robust client discovery and fact find, the strategy can be tailored at scale for each client. These tools introduce gamification into the mix, allowing members of a fund to engage and see in real time how their "retirement score" can improve as they add core strategies to achieve their goals.

One current development is the iff tool developed by Opex Consulting. It has a powerful mathematical engine which enables it to consider more than 150 separate strategies for clients. By leveraging information on goals, including desired lifestyle and values from the client discovery phase, iff is able to optimise outcomes and generate real-time advice. This hides the complexity from the consumer but can deliver outcomes that align with the consumer needs.

Providing a customised 'advice journey' is another way to formulate strategies for the consumer. Ignition Advice is already building journeys for Australian super funds. This involves a limited number of (customisable) advice journeys that are designed to fit within the guard rails provided by the trustee of a super fund. This approach doesn't seek to completely replace human interaction, but the hybrid advice model enables advice delivery at scale. The client experience is a clear guided journey.

Other digital advice providers such as Otivo and moneyGPS apply a similar principle to a self-guided journey. The guidance here is more of a nudge, as the client works through their own journey to an advice strategy that is compliant by design and aligns to the client's goals.

Product comparison

The execution of strategy will involve a comparison of different products and the eventual selection of solutions to be implemented. It will be essential to include the range of products and product types, from pure investments to lifetime income streams and even insurance products while still in the accumulation stage. Tools such as ProductRex are available now that compare hundreds of investment and super products that can be incorporated into the advice strategy. Selecting the right outcome is also going to depend on reliable calculations and modelling of the results.

⁷ This is a contributor to what has been called the Privacy Paradox. [Tomorrow Bio 4.0](#)

Calculation

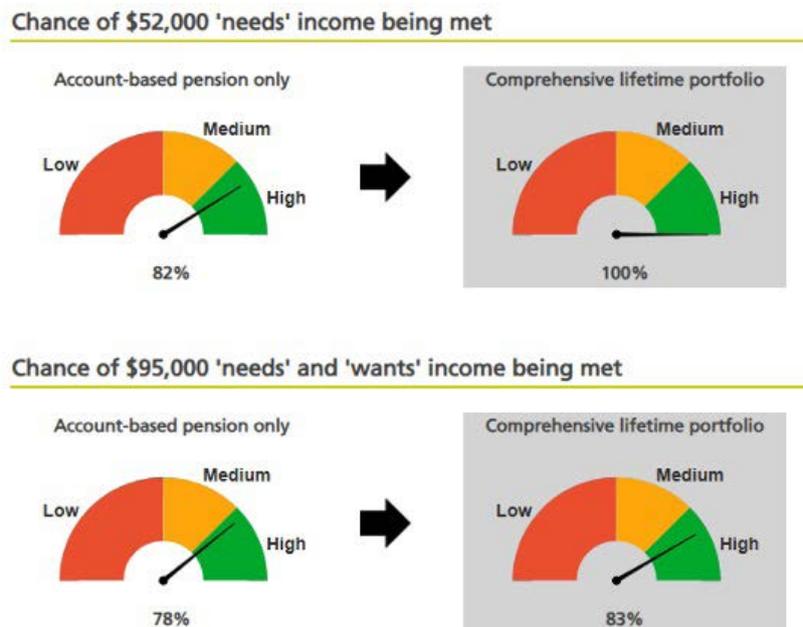
The calculation phase of advice is more than just a calculator. There are many complexities that need to be considered. A popular tool that has already been implemented by several super funds is the Age Pension eligibility assessment provided by Retirement Essentials. This has been instrumental in closing some of the gaps created in financial literacy for retirees. Funds don't have all the information to help members with their Age Pension eligibility and the process can be daunting to the average person, but Retirement Essentials has made it easy for people to determine their Age Pension eligibility and apply for an important base to their Age Pension. The information also helps to support the Client Discovery process leading to better overall retirement outcomes.

Modelling

Modelling retirement outcomes involves another level of complexity for retirement. Outcomes in retirement become dependent on the path and are impacted by sequencing and longevity risks that are not present in the accumulation phase. Historically this has not been done outside the advice process with tools from external consultants such as wtw or Deloitte available as well as from product providers like Challenger. In the future these models will be incorporated into the ecosystem, possibly through APIs, and linked to other elements of the advice process.

A good example of what is already happening can be seen in some of the developments by Iress and their Xplan tool. At one end is the integration of a vast number of super, pension and investment products while their modelling capability is being increased through stochastic modelling that incorporates innovative retirement income streams into the advice strategy and documentation.

Figure 4. Sample result from Challenger Retirement Illustrator stochastic assessment



Advice production

The outcome of the strategy, modelling and product selection is the final advice, often by reference to the Statement of Advice. The form of this advice is changing, and the future state is one that is likely to be more dynamic for the end user. Members need enough understanding to ask questions and take the time to clarify the advice provided to build confidence. The advice produced, must be delivered effectively. Until the client understands it, any advice remains theoretical and is unlikely to be actioned. The use of avatars by Guideway to assist in the delivery of the final advice, including Q&A capability are a sign that digital innovation will help to reduce the current paper load of the Statement of Advice.

Advice implementation

The final destination of the advice process is when the client puts the advice into practice and implements the strategy. While this might be considered completing the paperwork, the process is going digital. The best client service approach is one that will make it easy for them, like Amazon's one-click purchase a digital process where the client can execute as soon as they are ready will be an essential component of the retirement advice ecosystem of the future.

Ecosystem enablers and regulation

The regulated sector of financial advice and superannuation needs has a lot of consumer protection requirements. The experience of the digital providers so far has been that including compliance and regulation into the process is relatively straight-forward. As demand for advice grows, scale solutions will include processes that are compliant from step one, keeping the client and the advice on the intended path.

The future of retirement advice

The success of Australia's superannuation system is creating the need for financial advice on retirement for a growing number of Australians with growing average levels of retirement savings. There will always be space for tailored personal service in financial advice, but the advice needs of most of the population will be delivered within a digital ecosystem, where the components are integrated, and people are guided and nudged along a journey from saving while working to spending on their desired lifestyle in retirement. The outline in this paper won't be the exact state of the future, but it plots a path of how the delivery of retirement advice will be reimagined, and shines a light on the significant capability that is available today.

Award-winning retirement income provider



This information is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger Life) and/or Challenger Retirement and Investment Services Limited ABN 80 115 534 453, AFSL 295642 (CRISL) and/or Challenger Investment Solutions Management Pty Ltd (ABN 63 130 035 353, AFSL 487354) (Challenger Solutions Group) (together referred to as Challenger). This information is general only and intended solely for institutional clients or their authorised representatives and not for any other investors. It is not intended to constitute financial product advice.