

# Retirement Magazine

## Adapting Super to an Ageing Population and Retiring Workforce

—  
Dr Jim Chalmers,  
Treasurer of Australia,  
outlines his vision to  
preserve and improve  
a proud public policy  
achievement



**Poverty, Real Estate  
and Retirement  
Income**

DR DEBORAH RALSTON

**Net Zero and the  
World Members are  
Retiring Into**

JEREMY COOPER

**Fund Governance  
After the Retirement  
Income Covenant**

DR PAMELA HANRAHAN

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# From the Editors

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ALEKS VICKOVICH AND DR DAVID BELL

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**A**USTRALIA IS NOT alone in facing the challenge of making a defined contribution system work effectively and efficiently in the drawdown phase. But the nation's unique retirement system is being watched closely as a global case study due to its coverage, system maturity, demographics, savings levels and, of course, the curiously contentious politics that surround it.

More needs to be done to help retirees experience the best outcome that their finances afford. And time is of the essence: another 250,000 people will enter retirement next year. Superannuation funds are rightly being called upon to lift their game on assisting members approaching and in retirement.

There is an important role to be played by all stakeholders in the system, such as policymakers and regulators, who could do more to facilitate the role of super funds, especially in the area of advice and guidance, while getting the optimal balance between prescriptive and principles-based laws and regulation.

This is true also of the financial press. This inaugural edition of *Retirement Magazine* was born out of our belief that a dedicated fourth estate can and should play an important role in hosting challenging conversations, holding all stakeholders to account and, in some cases, advocating for specific outcomes as the system matures. In effect, it is our own "nudge" to the key decision-makers in the system. It is our way of assisting the project of fostering a world-class retirement system, alongside our existing media and events.

This collection of essays brings together a unique mix of journalism, academic research, industry thought leadership, and policy and consumer advocacy. It is designed to inspire changes in strategy, processes or behaviour that may result

in better outcomes for millions of workers and retirees.

Its strength lies in the combined wisdom and aspirations of its contributors, who bring decades of experience across finance and legal academia, executive management and public policy development. Thank you to all of our contributing writers, and most especially Treasurer Jim Chalmers, who is a fierce advocate for the preservation of super and kindly wrote the foreword to this first edition.

Thank you also to our launch partners, who bring critical practical solutions and global insights to this publication, alongside the more theoretical debate and discourse.

Finally, a note on our slightly against-the-grain decision to launch a new print publication. It is our belief that this medium still holds immense value – perhaps even more so in a digital age filled with misinformation, noise and toxicity. This is especially true for niche readerships of very senior and busy people, and for subject matter that is relatively complex.

It is our hope that this magazine is not an item to discard in the recycle bin, but treated as a reference document of ideas and case studies that may be useful as your respective organisations continue to work towards the ultimate goal – a quality retirement for all Australians.

Kind regards,

*Aleks Vickovich*

ALEKS VICKOVICH

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## FOREWORD

# Improving a World-Class System

DR JIM CHALMERS  
*Treasurer of Australia*

AUSTRALIA'S RETIREMENT INCOME framework is the envy of the world but we know it can always be better. That's why we've spent the first term of this Albanese Labor Government strengthening it – with Assistant Treasurer Stephen Jones, other colleagues and counterparts, and many of you working in this really important part of our economy.

Super is one of the great public policy achievements in our history and we want it to continue to deliver a dignified retirement for more Australians and help build a more prosperous and more resilient economy at the same time.

Our reform agenda is ambitious, whether that's improving reporting transparency, paying super on Paid Parental Leave and on payday, to help ensure the system is genuinely compulsory and workers aren't missing out, or a whole range of other important changes.

All these reforms are about advancing the objective of super we're looking to enshrine in law, which is “to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way”.

Which brings me to why I'm excited to see this new magazine come to fruition.

The pace of change in the global economy is accelerating and there's always more to be done.

We identified five big shifts that will shape our economy and fiscal position over the next 40 years in our first *Intergenerational Report*<sup>1</sup>, published in the back half of last year.

Those shifts were from hydrocarbons to renewables; IT to AI; globalisation to fragmentation; younger to older populations; and the bigger role the services sector will play, particularly as the country ages.

The flow of capital in our economy will help determine whether we

succeed or fail amidst all this churn and change, and our almost \$4 trillion super sector will be key.

Our ageing population makes retirement incomes more important than ever.

The numbers tell the story. In the next decade alone, an extra 2.5 million Australians will move into retirement.

In the next four decades, the number of people who are more than 65 years old will more than double and the number of people aged 85 and over will more than triple.

As more people retire, drawdowns from superannuation are estimated to increase from about 2.4 per cent of GDP in the 2022–23 financial year to 5.6 per cent of GDP in 2062–63.

With more Australians getting older and leaving the workforce, the focus is now shifting to how we can support people as they draw down on their super and retire with dignity.

At the same time, Australians are living healthier, longer lives. This is a good thing but can make retirees understandably anxious about outliving their savings.

One of the problems here is that most retirees do not have access to the appropriate products to help them maximise their super over their lifetime.

That's why we've been discussing with the super sector and community about how we can improve the retirement phase of super<sup>2</sup>.

We opened this conversation in December last year and sought views from industry, academia, regulators and the wider community.

We've received almost 100 submissions with great ideas on how to help members navigate the retirement income system and how we can make sure people have access to the right investment products, and we're working through the options in a considered and methodical way.

Consultation and collaboration are the best way to make and bed down the necessary reforms we need to strengthen our retirement income regime for the future.

This is why I'm grateful to Conexus Financial and [managing director] Colin Tate for the invitation to write this foreword, and why I jumped at the opportunity. RM

<sup>1</sup> 2023 *Intergenerational Report*. Commonwealth of Australia. 2023.

<sup>2</sup> *Retirement phase of superannuation. Discussion paper*. The Treasury. 2023.

# Contents

<b>FOREWORD</b> Dr Jim Chalmers	5
<b>CONTRIBUTORS</b>	7
<b>ESSAY</b> <i>The Case For a Retirement Licensing Regime</i> , Dr David Bell and Dr Geoff Warren	11
<b>OPINION</b> <i>Retirement is Ripe for a Revival</i> , Shawn Blackmore	16
<b>PARTNER CONTENT</b> <i>Designing a Retirement Experience that Hits the Mark with Members</i> , Jenny Nguyen	18
<b>ESSAY</b> <i>Reimagining Fund Governance in a Post-Covenant World</i> , Dr Pamela Hanrahan	20
<b>OPINION</b> <i>Decarbonisation: The Super System's Biggest 'Retirement Challenge'</i> , Jeremy Cooper	22
<b>PARTNER CONTENT</b> <i>Don't Wait to Embrace a Simple Retirement for Members</i> , Simon Brinsmead, Stephan Richartz, Aaron Minney	24
<b>FEATURE</b> <i>Financial Advice Reform a Thorn in Retirement's Side</i> , Aleks Vickovich and Simon Hoyle	26
<b>OPINION</b> <i>Why Consumers Can't Count on Retirement Calculators</i> , Xavier O'Halloran and Dr Katrina Ellis	30
<b>PARTNER CONTENT</b> <i>How Global Expertise is Shaping Australia's Retirement Future</i> , Simon About	32
<b>OPINION</b> <i>Data Determinism will Redefine Retirement</i> , Peter Chun	34
<b>ESSAY</b> <i>Plight of Renters Must Factor in Retirement Income Policy Discourse</i> , Dr Deborah Ralston	37
<b>PARTNER CONTENT</b> <i>A Five-Dimensional Framework for Retirement Income</i> , Dr Berg Cui and Jessica Sclafani	40
<b>ESSAY</b> <i>The Factors that Make a Great Retirement Offering</i> , Ian Fryer	44
<b>FEATURE</b> <i>Retirement Conference Wrap</i> , Dr David Bell and Dr Geoff Warren	47

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**DR JIM CHALMERS**


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Dr Jim Chalmers is the Treasurer of Australia. He has been the Member for Rankin in the House of Representatives since 2013, proudly representing the people and suburbs of southern Brisbane and Logan City. He served as Shadow Treasurer from 2019 to 2022, and Shadow Minister for Finance from 2016 to 2019. Prior to Jim's election to Parliament, he was the executive director of the Chifley Research Centre and Chief of Staff to the Deputy Prime Minister and Treasurer. He has a PhD in political science and international relations from the Australian National University and a first-class honours degree in public policy from Griffith University, and is a qualified company director.




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Dr David Bell is executive director of The Conexus Institute and is an active researcher (industry and academic) in the areas of retirement, superannuation, investment management and governance. David completed his PhD at UNSW, with a focus on asset allocation problems related to lifecycle modelling. His industry career experiences include the role of chief investment officer at Mine Super, founder and director of his own consulting firm (St Davids Rd Advisory), and 12 years at Colonial First State Global Asset

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Shawn Blackmore is chief officer, retirement, at AustralianSuper. Shawn joined the fund in 2007 and was appointed group

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Jeremy Cooper is a non-executive director and adviser on ESG and financial services. He is a strategic adviser at law firm MinterEllison, independent chair of the carbon advisory board at Future Group, non-executive director at Bennelong Funds Management and chair of The Conexus Institute Advisory Board. He was previously chair of retirement income at Challenger from 2010 to 2022. In 2009, he was appointed by the Rudd Government to chair a wide-ranging review of the superannuation system known as the 'Cooper Review'. Before his review, Jeremy was deputy chair of the Australian Securities and Investments Commission, following a career in commercial law practice, including as a partner at Blake Dawson (now Ashurst). He holds a Bachelor of Laws from the University of Melbourne.



### SIMON BRINSMEAD

Simon Brinsmead is general manager, institutional client solutions, at Challenger. He has over 20 years of experience spanning investment solution development across investment strategy, portfolio construction, decumulation and risk management. During this time, Simon has held roles at DWS, BlackRock, Barclays Global Investors and Intech Investments, with responsibility spanning global consultant relations, institutional client solutions and fixed income portfolio management. Simon has a Masters of Applied Finance and undergraduate degree in financial markets.



### STEPHAN RICHARTZ

Stephan Richartz is director, institutional client solutions, at Challenger. In his role, Stephan is responsible for Challenger Life's institutional engagement with superannuation funds with an emphasis on institutional retirement solutions that provide members with financial security for a better retirement. Prior to joining Challenger, Stephan held senior roles across advice and distribution with UniSuper, AMP and BlackRock. He holds a Masters in Business Administration from the University of Cologne in Germany, a Diploma in Banking and a Diploma in Financial Planning.



### AARON MINNEY

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### ALEKS VICKOVICH

Aleks Vickovich is editor-in-chief at Conexus Financial, publisher of *Retirement Magazine*, and the company's representative on The Conexus Institute Advisory Board. An award-winning journalist, commentator and author, he was previously wealth editor at *The Australian Financial Review*, leading the newspaper's coverage of superannuation, funds management and financial advice. He has 15 years' experience across print,

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### SIMON HOYLE

Simon Hoyle is editor of *Investment Magazine*, sister publication of *Retirement Magazine*. He has more than 36 years' journalism experience as a reporter and editor, having joined *Business Review Weekly* magazine in 1986 as a cadet via *The Age* in Melbourne, and was part of the team that created and launched *Money Management*. In 1992 he moved to *The Australian Financial Review*, where he spent 11 years covering banking and financial services, and was appointed deputy investment editor and editor of the paper's Smart Money section. Simon was an investment writer for *The Sydney Morning Herald* and *The Australian*, and joined Conexus Financial in 2007 as editor of *Professional Planner*. In 2018, he became head of market insight at financial services research and consulting firm CoreData before rejoining Conexus in September 2022.



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Xavier O'Halloran is the founding director of Super Consumers Australia, an organisation funded in 2018 with the purpose of advocating on behalf of low- and middle-income people on consumer finance issues, focusing on superannuation and group life insurance. Previously, he worked at the Australian Communications Consumer Action Network as a policy officer. He led the team responding to the financial services royal commission at CHOICE, and has developed a 'chat bot' to help younger people engage with their super. He holds a Juris Doctor and Bachelor of Social Science, Politics and International Relations (Honours) from UNSW and a Graduate Diploma in Communications from University of Technology Sydney.



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Ian is general manager at research house Chant West and a member of The Conexus Institute Advisory Board. He has been involved in the superannuation industry for about 25 years. He is responsible for coordinating Chant West's research program for super and pension funds, including analysis of the performance, portfolio structure and governance of their investment offerings. Ian also has a strong focus on fee and insurance disclosure and leads an industry-wide group that is helping the industry implement the Australian Securities and Investments Commission's new fee disclosure regime. He is a qualified actuary (AIAA), holds a Bachelor of Science (Hons) from the University of Sydney, a Master of International Relations from Macquarie University and a Master of Arts (Theology) from the Australian College of Theology.



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## ESSAY

# The Case For a Retirement Licensing Regime



DR DAVID BELL



DR GEOFF WARREN

**A retirement licensing regime would ensure a system of fit-for-purpose funds motivated to meet their obligations under the Retirement Income Covenant. Policymakers, regulators and those funds leading the way on retirement must think at a system level by considering what happens to members of those funds that are lagging.**

**R**ETIREES DIFFER IN many ways, including personal and financial circumstances and how they engage with transition into the "retirement phase". This is why the principles-based Retirement Income Covenant (RIC) is a clever foundation for Australia's retirement system. It affords super fund trustees the flexibility to meet the varying needs of members. However further policy is required because current policy settings don't provide clear expectations and facilitate laggard funds.

We advocate for a retirement licensing regime<sup>1</sup> as the next step. It addresses many of the challenges that are limiting progress towards a high-quality retirement system. Further, it can preserve the merits of a principles-based approach by being framed around the capabilities that trustees are expected to have in place to meet their obligations under the RIC. Taking this policy step sooner rather than later would establish the commitment required from super funds, institute minimum standards, and help resolve regulatory uncertainty.

## NAVIGATING A CHALLENGING PATHWAY FORWARD ON DC DECUMULATION

Defined contribution (DC) systems are becoming increasingly prevalent around the globe. While DC systems have largely worked well during accumulation, the decumulation phase is far from resolved.

The flexibility of DC systems matches up well against the challenge of meeting the needs of a highly diverse set of retirees. It supports household balance sheet management, integrates with other income sources and facilitates variable spending plans.

The principles-based RIC is a good match for a DC pension system. It creates an obligation for trustees to support their retiring and retired members, while providing super funds with the flexibility to meet the diverse needs of retirees.

<sup>1</sup> This article extends on *Green Paper: A retirement licensing regime*, by David Bell, Jeremy Cooper, and Geoff Warren.

AUSTRALIA'S SYSTEM MAY FAIL TO REACH FULL POTENTIAL IN ITS CURRENT STATE

The scorecard is mixed regarding development of retirement income strategies (RIS). There has been some progress, but there is much more to be done. Of particular concern is the large dispersion across funds in terms of the development and quality of their RIS.

The recent APRA/ASIC "Pulse check on retirement income covenant implementation" is illuminating. Forty-eight registrable superannuation entities (RSE) licensees responded to the survey. The statistics below focus on fund initiatives with projected timeframes of one year or longer (or unknown):

- Understanding members' needs: half said they plan to improve by interrogating existing member data, while two-thirds plan to actively seek to identify and address data gaps.
- Designing fit-for-purpose assistance: 55 per cent said they plan to uplift information provision, with 46 per cent planning to provide some sort of advice.
- Overseeing strategy implementation: half said they are planning to integrate their RIS into their broader business planning process, while 70 per cent intend to design and implement measures to assess the impact of their RIS.

These results are quite alarming given that these areas are foundational to developing and maintaining an effective RIS. It is quite possible that the majority of surveyed RSE licensees will not be on top of these key areas within three-years of the RIC being implemented.

Next-step activities such as upgrading governance, developing integrated retirement solutions that blend investments, longevity products and drawdown plans, as well as approaches for assisting the disengaged, all feel a long way off.

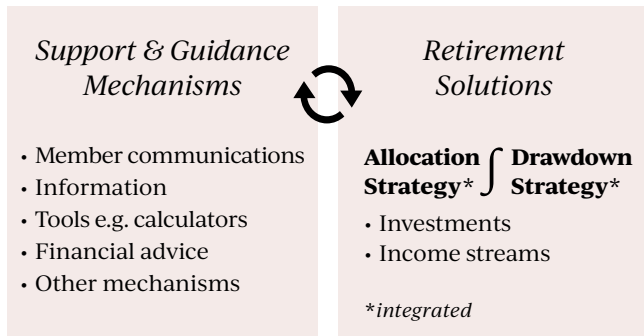
APRA deputy chair Margaret Cole recently said that "the pace of change could be a great deal quicker"<sup>1</sup>. ASIC commissioner Simone Constant said that "quite frankly, our patience is running thin - we want to see meaningful action now"<sup>2</sup>. We share the palpable frustration of regulators.

It is far from assured that Australia's retirement system will reach its potential under current system settings, even if given time. And time should not be viewed flippantly. Around 250,000 people enter retirement age each year. Delayed progress means many in each year's cohort will not receive the retirement guidance and solutions they need.

The question is how to get the super industry at large committed to developing quality RIS at a reasonable pace. Before discussing how a licensing regime may help, we first outline the challenges that are inhibiting progress.

**Diagram: Components of Retirement Income Strategies**

Source: The Conexus Institute



APRA deputy chair Margaret Cole



ASIC commissioner Simone Constant

*Member Outcomes*

- **Cater for members with differing needs and wants**
- **Address three objectives:**

1. Maximise expected income	2. Manage income risk	3. Flexible access to funds
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1 Speech to the Conexus Retirement Conference, Margaret Cole, APRA. 2024.

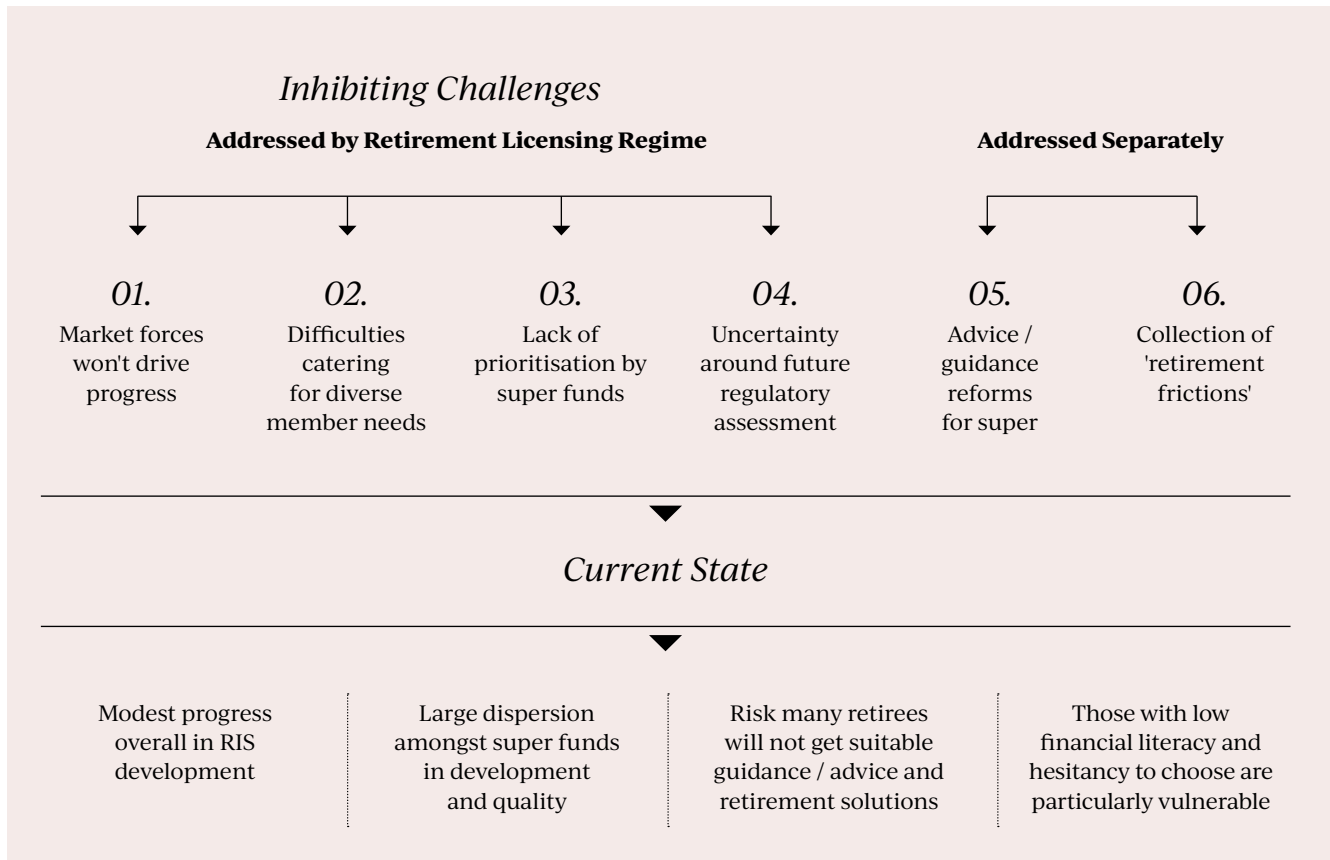
2 A guide to 'good': delivering better retirement outcomes and member services for Australians, Simone Constant, ASIC. 2024.

## SIX CHALLENGES TO FURTHER PROGRESS

Our research identifies the following primary challenges inhibiting RIS development:

- 
- 01. Inability to rely on market forces to drive progress on retirement.** Traditional economic models rely on market forces to drive innovation and efficiency, stemming from informed consumer choice and competition amongst providers. Unfortunately, these forces are weak in retirement. Retirement is complex and many retirees (for various reasons) find retirement decision-making hard and do not drive effective competition. For funds there is little financial reward for being a leader or penalty for lagging on retirement.
- 
- 02. Difficulty of catering for diverse member needs.** Retirees differ along two main dimensions. One is their personal circumstances and preferences. The catalogue of circumstances that matter in retirement is broad, and at a minimum must include total financial resources, homeownership and household structure. Meanwhile understanding member preferences and how they view key trade-offs remains an underdeveloped area. The second dimension is how members want to engage. As identified recently by APRA's Cole, a fund's membership includes the advised, the self-directed and the disengaged. To that list we would add those that would like assistance from their super fund. Catering to all members is a complex and costly exercise, and a challenge for funds used to operating in an accumulation sector with default settings.
- 
- 03. Lack of prioritisation of retirement by super funds.** A common feature of funds making real progress is that retirement has clearly been prioritised. However, many funds appear to have not made retirement a priority. This could be due to a tenuous business case (such as a small retiree cohort), cross-subsidisation concerns, policy uncertainty motivating deferral, or competing strategic priorities. While regulatory pressure may prompt some action, there is a risk of superficial activity.
- 
- 04. Uncertainty around future regulatory assessment.** Current regulatory settings for assessing progress of RIS development consist of integration into APRA's outcomes assessment standard (SPS 515) and the regulators adopting an "engage-and-share" approach comprising joint thematic reviews and surveys, accompanied by strong rhetoric imploring funds to make more progress. These settings provide little clarity around future expectations and assessment practices, while fund RIS are becoming more detailed. At some point expectations and assessment will evolve, creating the significant risk of unintended consequences and retrospectivity issues. Regulatory uncertainty hinders innovation and incentivises a wait-and-see approach from funds.
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- 05. Policy and regulatory settings restricting trustees in providing personalised retirement advice and guidance.** The economics and the supply shortages in traditional financial advice motivate the need for a scalable and low-cost mechanism for super funds to provide retirement guidance and advice to their members. We acknowledge significant policy intent on this issue and that Phase 2 of the Delivering Better Financial Outcomes reforms may improve pathways forward. Nevertheless, progress in this area will remain inhibited until the policy uncertainty is resolved.
- 
- 06. Retirement 'frictions' make navigating retirement difficult for consumers.** Consumers face difficulties in navigating retirement in terms of both understanding and implementing what they need to do. There is complex jargon and inconsistent labelling. Opening an account based pension (ABP) is not always straightforward. ABPs cannot accept contributions. It is cumbersome to switch retirement providers. All this deters retirees from meeting their retirement needs and suppresses competition.

**Diagram: Six Challenges to Further Progress**



NEXT STEP: A RETIREMENT LICENSING REGIME

Under a retirement licensing regime, super funds could choose to apply for a licence to provide retirement services to their members including guidance, advice and retirement solutions. Funds would need to meet licensing requirements, which we envisage being based around the capabilities required to deliver retirement services of a reasonable quality. A retirement licensing regime can be broken into three simple components:

1. **Clear capability-based criteria that act as licensing requirements for RSEs to be able to provide retirement services.** We consider the high-level requirements to be self-evident:
  - Capability to guide and advise a large range of different member types into appropriate retirement solutions;
  - Capability to design and deliver tailored retirement solutions that potentially consist of investments via an ABP, a longevity product, and a drawdown plan; and
  - The competencies required to deliver and maintain oversight of a RIS, such as suitable governance and management structures and resources such as systems capabilities.
2. **Regulatory assessment that is linked to the licensing requirements.** This means that the assessment would be based around whether a fund has maintained and developed the required capabilities to deliver a reasonable quality RIS.

3. **An opt-out option for RSEs that choose not to provide retirement services to their members.** There would be an accompanying requirement to follow a set of prescribed rules to ensure members find their way to another retirement provider, for example, by engaging with members prior to retirement and referring them to another fund. In effect, non-licensed funds would be choosing to be accumulation-only funds.

The result would be that the super system's retirement frontline would consist of funds that are committed to retirement. Further, linking ongoing assessment by regulators to the capability-based criteria would help to address regulatory uncertainty.

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*Funds would need to meet licensing requirements, which we envisage being based around the capabilities required to deliver retirement services of a reasonable quality.*  
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The table below considers the licensing regime proposal against the first four challenges, noting that the fifth and sixth challenges are somewhat distinct and are being addressed separately.

**Table: Licensing Regime Proposal**

CHALLENGE INHIBITING SUPER SYSTEM PROGRESS ON RETIREMENT	HOW RETIREMENT LICENSING ADDRESSES THE CHALLENGE
1. Inability to rely on market forces to drive progress by funds on retirement	<ul style="list-style-type: none"> <li>Licensing regime would ensure minimum standards, where market forces would fail to do so</li> </ul>
2. Difficulty of catering for diverse member needs	<ul style="list-style-type: none"> <li>Capability-based requirements would clarify the minimum degree to which diverse member needs must be catered for</li> </ul>
3. Lack of prioritisation of retirement by some super funds	<ul style="list-style-type: none"> <li>Clarifies minimum requirements to be a retirement provider, affording a clear business decision</li> <li>Opt-out mechanism provides a decision point for funds, and allows uncommitted funds to sit out</li> <li>Ensures that retiring members will not be serviced by funds operating beneath minimum standards</li> </ul>
4. Uncertainty around future regulatory assessment	<ul style="list-style-type: none"> <li>Significant clarity created around medium-term regulatory assessment</li> </ul>

The benefits of a retirement licensing regime would flow in particular to retirees. In addition, super funds would benefit from regulatory clarity, and the regulators from having an effective lever to move the industry forward.

#### FEEDBACK SO FAR

We are seeking feedback on this proposal. While we will reach out directly to many reading this article, there is no need to wait if you have perspectives to share.

Here are some of the insights we have received so far, along with our reflections:

- A number of people express concerns about what future regulatory assessment would look like for retirement, and see benefit in clarifying the future regulatory environment.
- Some question the need for the licensing mechanism, suggesting that simply establishing capability-based criteria would deliver the majority of benefits. We consider that without a harder penalty for not meeting the requirements, and without a clear opt-out, laggard funds will continue to deliver sub-standard outcomes for retirees.
- We have heard concerns over additional regulatory burden. While there is some truth in this objection, the licensing regime would only be requiring funds to establish capabilities they should have anyway, and regulatory burden and cost is reduced for funds that opt out.
- Some people expressed the view that, by the time a retirement licensing regime came into effect, most of the industry will be in good shape. We wish we could agree. The current trajectory leaves much to be desired with significant dispersion across funds. Further, announcing the intent to introduce a licensing regime would have an immediate impact on fund behaviour. Establishing capabilities-based licensing requirements would sharpen industry focus. All this brings forward the realisation of benefit to retirees.

Reflecting on this last piece of feedback has only strengthened our belief in the merits of the retirement

licensing regime. We are cognisant of timeframes, with around 250,000 Australians entering retirement age each year. We challenge policymakers, regulators and those funds leading the way on retirement to think at a system level by considering what happens to the members of those funds that are lagging. We cannot envisage a better way to avoid these members being left languishing in funds with sub-standard retirement strategies.

Through the lens of both time and system-level outcomes, we are strong advocates for a retirement licensing regime. It would ensure a system of fit-for-purpose funds maximising the flexibility afforded by the principles-based RIC to meet the diverse needs of retirees in a modern world. RM

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*We challenge policymakers, regulators and those funds leading the way on retirement to think at a system level by considering what happens to the members of those funds that are lagging. We cannot envisage a better way to avoid these members being left languishing in funds with sub-standard retirement strategies.*

**Dr David Bell is executive director at The Conexus Institute and Dr Geoff Warren is research fellow at The Conexus Institute and Honorary Associate Professor at the Australian National University.**

## OPINION

# Retirement is Ripe for a Revival

SHAWN BLACKMORE

**For nearly 40 years, the superannuation system has helped Australians save, invest and grow their super. But it needs to change if it is to continue to effectively serve the needs of members as they negotiate a complicated time in life.**



**Shawn Blackmore is chief officer, retirement, at AustralianSuper.**

**A** SURGE OF retirees is coming, and Australia needs to be better prepared. Over the next 40 years, the number of Australians over the age of 65 will more than double. As our savers turn into spenders, they're redefining what retirement looks like and exposing frictions in our legacy system settings.

Australia's ageing population is working longer and even re-entering the workforce after retirement – we are indeed seeing the great “unretirement”. More time in the superannuation system means higher-than-average balances and members that are engaging with their fund more frequently.

AustralianSuper has the privilege of listening to a growing number of members. We hear their stories, concerns and expectations. While moving into this important phase of life is deeply personal, and no one-size solution fits all, we are seeing a desire for a more dynamic and iterative transition to retirement.

Approaching retirement is a complicated time, with both financial and life decisions to make. Understanding the changing needs of Australians approaching and in retirement is critical. One thing that doesn't change is that the biggest concern members have is how long their super will last.

Our research shows that one in every two pre-retirees worry they don't have enough money to retire with, and three-quarters of members

approaching retirement don't know what they'll do with their super when they get there. We've also spoken with many members who struggle with the difficulty of coordinating multiple income sources, including from work, super, government benefits or private savings. The fears and frustrations of a fragmented and inflexible system are real and widespread.

## BUILDING CONFIDENCE

Australians work hard and deserve to feel confident about the next stage of their lives – confident to make choices about their future, to navigate the system, and to drop tools or log-off and enjoy a dignified retirement when the time is right.

AustralianSuper's *Retirement Confidence Study* of more than 5000 Australians delves deeper into the cultural shift we're seeing around how people define and feel about retirement. Only 46 per cent of Australians feel confident they will live well in retirement. The data reveals the strongest factors driving confidence are goal setting and planning (36 per cent), and financial literacy and behaviours (33 per cent). Health-related factors – social, mental and physical – have less of an impact.

The study also shows there is a gap between the expected and actual retirement age of Australians. While the planned retirement age tends to cluster around age milestones – 60, 65, or 70 – the reality is more varied.

With Australians retiring both earlier or later than they expected, confidence wobbles, ebbs and flows. The insights emphasise the importance of providing Australians with different product options, and tailored guidance to suit such individual and evolving needs.

#### ENDING THE DIVIDE

Before and during retirement, members want to know how they can best use superannuation and other income sources to meet their needs, and they're looking to their fund for guidance and direction. This presents an opportunity to develop a world-class "spending system" that is simple and member-centric.

The first step to achieving a more seamless member experience is to end the divide between contribution and drawdown phases. Currently, when a member opens a decumulation or retirement account, contributions cannot be made into that account. Allowing members to concurrently draw an income after they meet preservation rules and to continue making contributions will help them to maximise their retirement income.

For many, gone are the days of taking your super savings out in one lump sum. For the growing number of retirees who move fluidly between work and retirement, this flexibility would remove the complexity – and fees – associated with managing multiple accounts.

#### INCOME INTEGRATION

Just as integrating the accumulation and retirement phases will simplify the experience for retirees, so too will integrating their three sources of income: the government Age Pension, superannuation, and private investments or savings. Without a holistic view of their entitlements and wealth, planning can be complex and burdensome for members.

Treasury's *Intergenerational Report* published in 2023 predicts the primary source of retirement income for many future retirees will be superannuation, with the Age Pension continuing to play an important supplementary role. However, many don't know if they're eligible for the Age Pension; 56 per cent of eligible people delay applying, and these delays cause loss of income.

Whether due to uncertainty, lack of confidence in dealing with the application process, or reluctance to accept government benefits, these barriers may be overcome with the right guidance.

The *Retirement Reality: Advice and the Age Pension* whitepaper, published by Link Group in 2022, found that 72 per cent of respondents wanted their super fund to assist with their application for the Age Pension. Allowing super funds to assist, on the request of a member, with Age Pension eligibility assessments and applications, and managing their different sources of income, would go a long way to boosting confidence in retirement.

#### CONSISTENCY, DATA AND GUIDANCE

As the system has grown and matured, so too has its complexity. One of the pain points for members is the inconsistency of industry jargon and the lack of plain language. Along with quality filtering of retirement products and enhanced education and engagement,

standardisation of terminology across the industry would improve the effectiveness of product disclosure and support member understanding.

Of course, to deliver services effectively, funds need access to a more complete view of their members' financial positions. Data is the missing piece of the puzzle for superannuation funds. We're heartened that members already trust their fund with their money and personal information. An effective data-sharing model already exists between super funds and the Australian Taxation Office. Expansion of this capability, with appropriate security measures and consent, would give funds – and members – a better picture of their situation, including assets, income, debts, marital status, and dependents.

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*The first step to achieving a more seamless member experience is to end the divide between contribution and drawdown phases.*  
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Empowering members to securely share their data would enable funds to help, guide and advise them on products and strategies that reflect their situation, needs and objectives. With a shortage of financial advisers to meaningfully service the wave of new retirees, super funds must be able to support those who seek it. And they will need to do so at an unprecedented scale.

For nearly 40 years, the superannuation system has helped members save, invest and grow their super. Australia has one of the best superannuation systems in the world, accumulating more than \$3.8 trillion of workers' savings. But the system has reached maturity, and it needs to change. It lacks the flexibility to service the modern retiree. To avoid a crisis of confidence, reforms must focus on ensuring it is fit for purpose to meet the changing needs of retirees for the next 40 years and beyond. RM



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# Designing a Retirement Experience that Hits the Mark with Members

JENNY NGUYEN

While the purpose of superannuation has always been to provide an income in retirement, up until recently, super fund propositions have concentrated on the accumulation phase. Focusing on member experience, including with a digital lens, can help ensure retirement propositions resonate with this growing audience.



Jenny Nguyen is general manager, digital experience at TAL.

**B**ETWEEN 2022 AND 2032, the portion of Australia's superannuation assets held by over-65s is expected to jump from 40 per cent to 55 per cent.<sup>1</sup> As the industry evolves to better serve the needs of their older members, there is a growing focus on delivering products that will help members manage their retirement savings more effectively.

However, designing these products is only part of the equation – just as important is the underlying member experience. This includes how members learn about their product options and choose the right one for their circumstances, through to how they interact with the product over time and access any advice they need along the way. With retirement solutions, we also have an opportunity to think through a digital-first lens, without the need to retrofit to legacy products and systems.

## UNDERSTANDING MEMBER NEEDS

For many Australians, choosing how to structure their retirement income is a daunting task. Members want to know how much money they'll need to retire comfortably, how much they're likely to have, and how to make their nest egg stretch further. According to TAL's recent research<sup>2</sup>, 51 per cent of pre-retirees and 37 per cent of retirees are looking to their super fund for these answers.

This presents an opportunity for funds to offer personalised, relevant and timely support so members can make informed choices. This might include building interactive tools that help members estimate their retirement income, compare different products to understand the trade-offs, and manage the interaction between their superannuation, investments and Age Pension entitlements.

<sup>1</sup> Retirees projected to own 55% of all superannuation assets. Rainmaker Information. 2023.

<sup>2</sup> What I wish I knew about retirement. TAL. 2024.

Spending habits are likely to change between the member's early, active retirement years through to when they eventually slow down. Dynamic calculators that allow members to adjust their income and spending strategies accordingly could help build financial confidence, especially as TAL's research shows a significant drop in confidence among members after age 80.

As members move through the phases of retirement, they may also face new challenges such as reduced mobility or cognitive decline. So, as funds continue to build out their retirement propositions, they could look to incorporate insurers' health support tools that empower members to improve their wellbeing. This could extend to connecting members with health services available within their community.

#### MEMBER TESTING AND INTUITIVE DESIGN

As funds develop their retirement products, tools and services, it's important to ensure they will be relevant and user-friendly for as many members as possible. This means understanding the preferences, behaviours and challenges of a wide range of older users.

Member testing is essential for evaluating the effectiveness of these solutions and adapting their design or functionality if needed. It is also helping funds validate how the solutions perform among different cohorts and in different scenarios or contexts.

Design principles should take into account factors to help funds cater to the diversity of their membership by ensuring that members have an intuitive and consistent experience regardless of factors such as their age, gender, ethnicity or financial literacy. A focus on accessibility

will ensure the solutions are effective and usable for members facing challenges like visual, auditory, cognitive and motor impairments. The design should also offer the flexibility for members to customise the experience if they wish, particularly as their needs and preferences change over time.

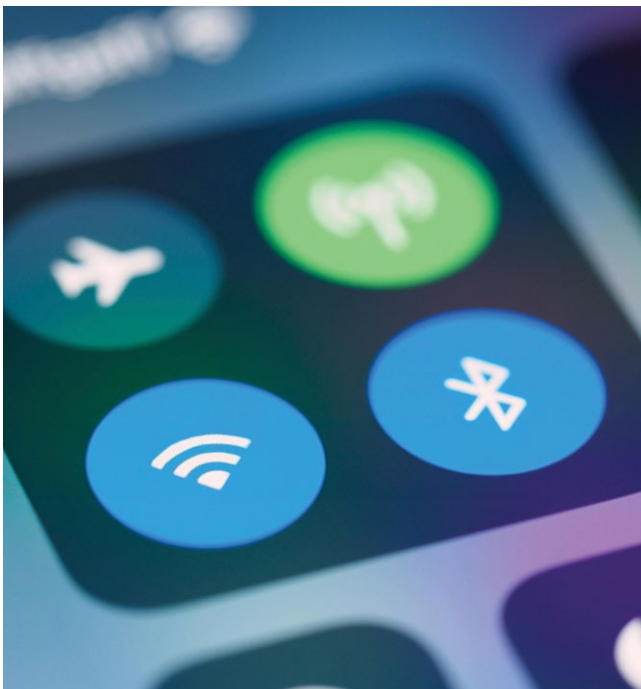
#### COLLABORATION ACROSS THE ECOSYSTEM

TAL's own member testing indicates that members are less inclined to take up their fund's retirement product if the overall journey is presented as multiple components. It's therefore worth creating a holistic journey that seamlessly carries members from the product awareness phase to selection and onboarding, through to when they're accessing benefits and auxiliary services.

Different players within the ecosystem can play a role in building this integrated journey. This includes life insurers, who can deliver products that protect members against longevity risk, with the support of digital specialists to design a simple and accessible member experience.

Funds should also arm their advice partners and frontline teams with the right education and training so members can access the guidance they need at different points in the journey. And as the fund's retirement offering matures, there is further potential to extend the member journey to provide access and options for health and aged care services.

By considering the evolving needs of older Australians, and drawing on the right expertise and insights to meet those needs, funds will be able to help more members achieve their income and lifestyle goals so they can enjoy a happier and healthier retirement. RM



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*Design principles should take into account factors to help funds cater to the diversity of their membership by ensuring that members have an intuitive and consistent experience regardless of factors such as their age, gender, ethnicity or financial literacy.*

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**For more information on how TAL can help you give your members confidence in retirement, visit [group.hq.tal.com.au/retirement](http://group.hq.tal.com.au/retirement).**

## ESSAY

# Reimagining Fund Governance in a Post-Covenant World

DR PAMELA HANRAHAN

The challenge created by the Retirement Income Covenant invites a reconsideration of the existing conventions of superannuation fund governance. Trustees need governance arrangements that support them in discerning retiring members' interests, balancing them and remaining loyal to them, while regulators could acknowledge some problems are better addressed collectively.



**M**ARSHALLING ONE GROUP of people to deliver on a complex objective for the benefit of another is a challenge. To succeed, the first group must accurately discern the interests (not just preferences) of the second, including when those interests are heterogenous or need to be balanced against others' claims or societal concerns. Then, it must be competent to deliver on the objective, scrupulously (if not exclusively) loyal to the second group, and transparent in and accountable for the decisions and actions it takes.

When the Retirement Income Covenant (RIC) came into operation in July 2022, it created exactly this challenge for RSE licensees. As trustees of superannuation funds, they are required to deliver on the complex objective of

converting Individual members' accumulated savings into optimal retirement incomes. The *Superannuation Industry (Supervision) Act 1993* (Cth) (SISA) requires the trustee to "formulate, review regularly and give effect to a retirement income strategy that meets the requirements in section 52AA". Section 52AA leaves it to each trustee to devise the strategy within broad parameters.

There are myriad difficulties in designing and implementing retirement strategies. In a survey conducted by the financial regulators and released in July 2024<sup>1</sup>, trustees identified common difficulties in implementing the covenant as including "uncertainty around the financial advice framework, privacy, security, and cost concerns on collecting more member data, and a lack of member

<sup>1</sup> Industry Update: Pulse check on retirement income covenant implementation. APRA and ASIC. 2024.

engagement and financial capability.” The regulators’ predictable response was to express disappointment at trustees’ efforts, including in developing metrics to track “the success of their strategies”, without acknowledging that some of those difficulties are of successive governments’ making or are better addressed collectively.

#### STEWARDSHIP AND ACCOUNTABILITY OF DIRECTORS

The challenge created by the RIC invites a reconsideration of the existing conventions of superannuation fund governance. Trustees need governance arrangements that support them in discerning retiring members’ interests, balancing them – both with those of other fund members and with systemic concerns such as financial stability and sustainability – and remaining loyal to them. The governance arrangements must ensure that the trustee has, or has access to, the competencies needed to develop and implement the strategy and to communicate it effectively to fund members and regulators. They must support transparency and – most importantly – promote effective accountability at the level of both the management team and the board. In the final report of the Perth Casino Royal Commission, released in March 2022, the commissioners (led by the Hon Neville Owen AO) described corporate governance, at a conceptual level, as “primarily concerned with the stewardship and accountability of the directors and officers of the corporation in respect of the interests of the corporation”. Superannuation fund governance is primarily concerned with the stewardship and accountability of the directors and officers of the trustee in respect of the interests of the fund members, acting fairly between them when their interests diverge.

That stewardship and accountability occurs within what Justice Owen described twenty years earlier in the HIH Royal Commission as “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled”. In superannuation, the “rules” include the legal requirements imposed on the RSE licensee and its officers by the SIS Act, APRA’s prudential standards relating to governance including SPS 510 and SPS 511, the *Corporations Act 2001* (Cth) (including corporate, financial services and annual reporting laws), the fund’s trust deed, the trustee’s corporate constitution, and – from March 2025 – the Financial Accountability Regime. They also include the voluntary codes, norms and cultures of governance adopted across the different parts of the sector and by individual funds.

Many of the established conventions of corporate governance – including those expressed in the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations* – do not translate easily to fund governance. And differences between accepted governance practices in corporate, retail, industry and public sector funds, and as between trustees with different ownership and capital structures or with equal representation and non-equal representation boards, make generalisations difficult.

#### RETIREMENT STRATEGY RESPONSIBILITIES

Nevertheless, some fundamental principles hold. The board of the trustee must, collectively, have the capability to oversee development and implementation of a viable

retirement strategy by the management team. Nothing in superannuation law relieves individual directors of their fundamental duties as directors, including what one judge described as “the core irreducible requirement of directors to be involved in the management of the company and to take all reasonable steps to be in a position to guide and monitor”. This includes guiding and monitoring the delivery of a retirement strategy.

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*The board of the trustee must, collectively, have the capability to oversee development and implementation of a viable retirement strategy by the management team.*

*Nothing in superannuation law relieves individual directors of their fundamental duties as directors.*

Directors of a superannuation trustee are not directly accountable to fund members in the way that directors of listed companies – who are elected by the general meeting – are to shareholders. This puts a heavy onus on those who control the composition of trustee boards to ensure directors have the knowledge and experience to anticipate likely risks and opportunities for members in the retirement phase. These arise across technical, regulatory, financial, commercial, behavioural and political dimensions. And all while ensuring the fund administration is up to providing the level of cybersecure customer service delivery expected by the regulators. This is not the same as needing people to represent the experience or preferences of retirees.

For now, it may be that funds will need to supplement their capability by forming specialist retirement committees to oversee management in delivering the retirement strategy, bringing in external expertise where needed. But, ultimately, the retirement buck stops with the slightly fewer than 500 individuals who occupy the seats at the trustees’ boardroom tables. RM

**Dr Pamela Hanrahan is an Emerita Professor of the UNSW Business School and a consultant at law firm Johnson Winter Slattery. She is a member of The Conexus Institute Advisory Board.**

## OPINION

# Decarbonisation: The Super System's Biggest 'Retirement Challenge'

JEREMY COOPER

**Superannuation funds have been the beneficiaries of more than 30 years of economic growth, and therefore have financed or benefited from the activities that have accelerated climate change. They must now be part of a solution so that their members can retire into a world worth living in.**



**Jeremy Cooper is a non-executive director and strategic adviser on ESG and financial services. He is chair of The Conexus Institute Advisory Board.**

**T**HE CHALLENGE OF decarbonising the Australian economy is the ultimate retirement challenge for the super system.

What has decarbonisation got to do with super or retirement? It's a marriage made by dates and time horizons.

Around the time that super started, the great acceleration of greenhouse gas (GHG) emissions also kicked off. The Berlin Wall came down in 1989. The Chinese economy roared after the Deng Xiaoping years (1978–89) and globalisation was in full swing.

Super funds have been the beneficiaries of more than 30 years of economic growth, during which time annual GHG emissions have almost doubled from around 20 gigatons in 1990 to around 40 gigatons a year now.

As part of funds' duty to invest contributions in the best financial interests of their members, they have, one way or another, been financing or benefiting from the activities that have contributed to climate change.

Australia is over-exposed to carbon emitting exports, so we therefore have much to gain as a nation in becoming a renewable energy superpower. We can start to move away from our dig-and-ship, carbon-emitting economy. Australia is the world's largest exporter of fossil gas (although the US and Qatar sometimes take the top spot); largest exporter of coal (by energy content); and largest exporter of iron ore.

All these exports contribute to significant downstream CO2 emissions, principally in south-east Asia. A very recent estimate has it that Australia is responsible for around 4.5 per cent of annual global emissions, factoring in exported emissions not measured under Paris methodologies.

We can change this, but we have to move more quickly. The reason for urgency is that carbon emissions have a time value, like money. The reduction of a tonne of CO2 emissions today is worth more than a tonne reduced in the future. This is because, once emitted, CO2 continues to warm the planet for hundreds of years. Not emitting that tonne of CO2 this year therefore must have a higher value than abating it later on. Just like repaying a portion of a home loan early reduces the compounding of interest on that portion for the balance of the term. The energy sector is the biggest emitter in Australia, so it is a logical place to start the race for decarbonisation. This is well recognised by key energy industry bodies such as the Australian Energy Market Operator (AEMO) and the federal government itself.

## DEGREE OF CLIMATE NATIONALISM

Super is ideally placed to capitalise on the incentives offered by the Albanese government to allocate capital to our immediate challenge: decarbonising the electricity grid.

Is there a problem in preferring the decarbonising of Australia when the climate benefits are distributed globally? Economists might see this as a 'free rider' problem. Conversely, there is an argument that it would be better to allocate capital where the de-carbonisation impact is most significant (likely emerging markets perhaps).

There is some degree of 'climate nationalism' in focusing just on Australia, but this is a worldwide trend. Also, it is of benefit to members for investments in renewables to take advantage of domestic incentives, such as the Capacity Investment Scheme.




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 Unfortunately ... a  
 super fund investing in  
 renewable energy assets  
 is currently penalised  
 under the Your Future  
 Your Super performance  
 test because there is no  
 legislated index against  
 which such an investment  
 can be properly measured.”

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Most importantly, with Australia's economy so heavily dependent on fossil fuel and iron ore exports, there is yet more capital that needs to be employed to transition our iron ore industry. The risk is that an Asian Carbon Border Adjustment Mechanism (CBAM) would penalise our miners for the latent carbon emissions in untreated iron ore exports.

The solution is to deploy more capital to develop a 'green iron' capacity in the Pilbara. This would see the export of 'hot-briquetted iron' that emits far less CO<sub>2</sub> in a blast furnace. The thesis is that such a product will be what the market expects in the decades ahead.

Unfortunately, though, a super fund investing in renewable energy assets is currently penalised under the Your Future Your Super performance test because there is no legislated index against which such an investment can be properly measured. This means that a fund that makes such an investment is taking 'unrewarded' tracking error under the test. It is hoped that the government will act on this defect in subsequent refinements to the test.

#### SIGNALS FROM GOVERNMENT

As for the links between decarbonisation and retirement, it's important to consider the timeframes involved. Let's take a concrete example:

Emily is 24. Born in 2000. This year, she joined a super fund. In 2050, the year of reckoning on the Paris Agreement targets, Emily will only be 50. She is very likely to still be alive in 2090 and could live to 2100 (unless we really do cook the planet).

Effective decarbonisation globally will be critical to her financial future. Put simply, she can't retire

comfortably on a 'cooked' planet.

The pressure will be on the super system to do more heavy lifting and at the same time capitalise on the renewable energy superpower opportunities such as green iron, large-scale solar, solar panel manufacture, renewable liquid fuels and green hydrogen.

But in order to invest in the solutions to climate change, investors – including super funds – need clear signalling from governments or, at the very least, the removal of disincentives.

The *Climate Change Act 2022* committed Australia to reduce net GHG emissions to 43 per cent below 2005 levels by 2030. AEMO, in its 2024 Integrated System Plan, has estimated that the capital cost of all utility-scale generation, storage, firming and transmission infrastructure in its 'optimal development pathway' has a present value of \$122 billion each year to 2050.

There is much to be optimistic about though. In July 2024, IFM Investors, Ampol and Graincorp signed a memorandum of understanding to explore establishing Australia's own renewable fuels industry, with the government playing a key role in providing financial and policy support.

In 2023, Australia added 5.9 GW of renewable energy capacity according to the Clean Energy Council. South Australia is on track to achieve a 100 per cent renewable electricity grid by 2027, potentially becoming the first in the world to do so.

Super can and does play its part in funding these and other exciting renewable energy initiatives. Members like Emily and many more to come will be depending on it for their wellbeing in retirement. RM

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# Don't Wait to Embrace a Simple Retirement for Members



SIMON BRINSMEAD



STEPHAN RICHARTZ



AARON MINNEY

**Some superannuation funds seem eager to hold back their delivery of better retirement outcomes to members until the financial advice reforms are bedded down, or members have more money, or the SG rate increases. But the tools are available now to provide a better solution to members. The key ingredient is keeping it simple.**

**A**USTRALIA'S SUPER SYSTEM is the envy of the world in accumulating defined contribution savings for retirement. As noted by government reviews and the follow-up to the retirement income covenant (RIC), there is scope to deliver a better retirement outcome for members.

There are some advocates who argue that it is better to wait until we get the financial advice reforms legislated, wait until members have more money, wait until we have 12 per cent [superannuation guarantee] contributions, just wait.

If we put ourselves in the shoes of members that are at or near retirement today, this is not an acceptable course of action. There are many members retiring today who cannot afford to wait and superannuation funds that delay their progress could find themselves providing a disservice to these retiring members, and, as a result, risk losing a large number of their members at retirement.

MEMBERS' COMMON OBJECTIVE

Let's not forget the core purpose of why superannuation exists. The core purpose of super is to provide income

to members in retirement – this does not have to be complicated. In fact, we have learned from experience that retirement income can be simple and can be delivered at scale. To be successful, a fund needs to ensure that members can get the most retirement income from the savings they have accumulated – we call this “doing the best with what a member has”. This is the essential requirement of the RIC noting that the risks to members, specifically longevity, investment and inflation risks need to be managed. This requires an efficient return of capital as well as good investment returns.

## KEEPING IT SIMPLE

Managing an efficient return of capital over an uncertain horizon is a complex problem even for financial professionals. Members need (and want) a simple solution that does the job of what is being asked. They don't need to be spending their time in retirement managing complex financial decisions that they haven't done their whole life. Furthermore, with the volume of members moving into retirement, it is disingenuous to expect all retirees to receive ongoing advice to fine-tune their desired annual income. This is not scalable, adds complexity, and is unnecessary in light of the intelligent blended retirement income streams that fund trustees can offer, that contain an appropriate mix of account-based pension for flexibility and lifetime income for certainty.

Members will engage with things that are of genuine interest, attractive and a solution that is simple, easy to understand and helps them attain a pre-blended income stream. Members that want to engage further, could opt up for additional forms of guidance to help tailor the blended offer as well as additional retirement advice.

Research has shown that a blended solution of an account-based pension and a guaranteed lifetime income stream produces better results for retirees<sup>1</sup>. A blended solution will provide income that can benefit them with positive market returns over time as well as having some secure income that will always be there when the member needs it. It also provides confidence to members by managing the risks that funds need to manage under the RIC and can ensure that they enjoy a lifestyle that always exceeds the Age Pension safety net.

Funds can deliver better results to members by providing:

- Simple, fit-for-purpose blended solutions that offer immediate benefits;
- Flexibility to adapt these solutions as member needs evolve; and
- Education about their options and the benefits of regular engagement.

## ENGAGING ON THEIR OWN TERMS

It is practically impossible for a fund to know the perfect solution for each member. Not everyone will need or want a completely tailored solution. Funds can utilise a range of options to guide members to their right solution. These include:

- Direct options for members capable of making a fully-informed choice independently.
- General advice to provide guidance and enable members to self-select.
- Trustee-guided outcome where the member accepts a fund's recommendation.
- Comprehensive advice for those members who want the fully-tailored option.

Funds can use these approaches today. The pending second tranche of financial advice reforms might make the guided outcome easier to implement which can and is being utilised by funds today. Funds that are already acting are putting their members in a better position.

## BETTER RETIREMENT OUTCOMES FOR MEMBERS

By acting now, funds can deliver better outcomes for their members already in retirement and be prepared for the wave of members that will be reaching retirement in the coming years. Success in retirement with super means maximising the income that members get (once they have built their nest egg). This is no longer a future pipe dream.

Funds can – and some are – already delivering these better retirement outcomes to members. **RM**

**Simon Brinsmead is general manager, institutional client solutions; Stephan Richartz is director, institutional client solutions; and Aaron Minney is head of retirement income research at Challenger.**

**Contact the solutions team  
solutionsgroup@challenger.com.au or  
visit [challenger.com.au/institutional](https://challenger.com.au/institutional)**



<sup>1</sup> *Personalised drawdown strategies and partial annuitisation to mitigate longevity risk.* Wen Chen, Aaron Minney, Peter Toscas, Bonsoo Koo, Zili Zhu, Athanasios Pantelous. Finance Research Letters. 2021.

## FEATURE

# Financial Advice Reform a Thorn in Retirement's Side

ALEKS VICKOVICH AND SIMON HOYLE

**Superannuation funds are being called upon to do more to assist the millions of Baby Boomers currently transitioning to retirement. But the task of developing retirement income strategies for members has been tripped up by the nation's notoriously complex financial advice laws. And the project's success now hinges on a reform agenda that remains far from certain.**



**A**S THE MAN who lent his name to the parliamentary inquiry that led to Labor's landmark Future of Financial Advice (FoFA) reforms, former federal MP Bernie Ripoll is synonymous with that sector's transformation from an industry to a profession.

His report into the scandalous practices of now-defunct financial planning outfit Storm Financial, and many others, paved the way for a decade of regulatory change, including a ban on investment commissions and introduction of a fiduciary duty for advisers.

Ten years after FoFA, Ripoll is proud of his role in ushering in new consumer protections and cultural change in the advice industry. But he also says the glaring national priority surrounding advice is no longer focused on improving the quality of services.

"The biggest problem we've got today is not the problems of old, it's the new problems. It is, 'how do you get advice to super fund members if your super fund has more than a million members?'" Ripoll tells *Retirement Magazine*.

The comment reflects the bipartisanship that has emerged around the goal of broadening access to affordable financial advice. The previous Coalition government led by

Scott Morrison – acting on a recommendation of the Hayne royal commission – instigated a review of the laws and regulations surrounding advice.

However, despite the title of the Quality of Advice Review (QAR), that government also arguably narrowed the terms of reference to focus more on the commercial considerations around access to advice, rather than the quality of services provided or consumer protections inherent.

Nonetheless, upon its election in May 2022, the Albanese Labor Government re-committed to the project and kept in place the previous government's chosen reviewer, Michelle Levy, a partner at blue-chip commercial law firm Allens. Minister for Financial Services Stephen Jones made clear the new government agreed with Ripoll's assessment that ensuring workers could access advice was a priority.

Underpinning this policy impetus was the demographic challenge of a rapidly ageing population and retiring workforce. We are in the midst of an unprecedented transition, with an estimated 5 million Australians expected to retire between 2021 and 2027.

And yet, despite the veneer of bipartisanship, as the government approaches the end of its first term, the vast

bulk of Levy's recommendations remain unlegislated, fighting for a place in what the government has called an "ambitious" Treasury portfolio agenda.

In July 2024, Parliament passed the first piece of legislation as part of the government's Delivering Better Financial Outcomes (DBFO) agenda, acting on the findings of the recommendations of the QAR. The legislation removed the requirement for financial advisers to issue fee disclosure statements to clients and clarified procedures around the deduction of advice fees from superannuation funds.

But it stopped short of introducing some of the flagship QAR recommendations aimed at assisting funds to provide more advice to members, such as the introduction of a new category of "qualified adviser" for simple advice to members and relief from satisfying the so-called safe-harbour steps of the FoFA best interests duty.

Until these measures are enacted, funds will remain cautious about providing much guidance to members around their financial lives, for fear of triggering the complex advice laws.

#### PERSONAL ADVICE PICKLE

A High Court ruling in 2019, in a dispute between Westpac and the Australian Securities and Investments Commission<sup>1</sup>, determined that super funds should be considered as giving "personal" financial advice wherever there is a reasonable customer expectation that advice is what is being provided. Since then, super funds have been doubly cautious about extracting any information from members which may add to that presumption of personal advice, which is effectively a high-level professional service and uneconomic to provide to many regular members with relatively simple financial affairs. Many have restricted their use of tools such as nudges or retirement calculators or shut down or streamlined their inbound and outbound call-centre operations.

These outcomes have arguably not been in the interests of the millions approaching retirement, who plainly need answers to their questions about this life transition. But it has also presented a new risk for superannuation trustees, who by law must now play a more active role in assisting their members prepare for retirement.

Separate to its instigation of the QAR, the Morrison government legislated a Retirement Income Covenant (RIC), obliging funds to develop an appropriate retirement income strategy for their members. Regulators have said repeatedly they are dissatisfied with the progress of funds in meeting their obligations under this new covenant, with research suggesting far too many members still feel unprepared for retirement.

The covenant as legislated does not explicitly state that a fund must provide financial advice to members in order to meet these obligations. But when it comes to communicating the retirement income strategies to members, many experts believe providing advice is a practical corollary of the law.

Levy, who has now returned to private practice following her year-long deep-dive into the advice laws, says it is difficult to fathom how retirement strategies can be effectively deployed without some form of personalised advice.



“Retirement I don't think is well-suited to ‘collective treatment’ in the same way that investing is

– MICHELLE LEVY

“Retirement I don't think is well-suited to ‘collective treatment’ in the same way that investing is,” Levy tells *Retirement Magazine*. “Pooling is important to investment returns, but ... is at odds with the intention really behind the retirement income covenant. It's a real tension for trustees and the system.”

The practice of “cohorting”, in which super funds break their memberships down into smaller groups based on relatively homogeneous demographics or circumstances, will always be inferior to tailored advice that takes personal circumstances into account, Levy says. It may even result in consumer harm when applied incorrectly.

“It [cohorting] is a poor substitute for individual advice, but it's the best that funds can do with the law as it stands,” she says.

She describes the omission of an explicit advice provision mandate as a “shortcoming” in the RIC's drafting. But it is one that it is effectively moot, she says, given funds have a separate obligation to act in the best financial interests of their members.

“[Not giving advice] is not necessarily consistent with acting in the financial interests of members to implement something that doesn't have regard to the individual needs of members,” she says.

The tension Levy outlines serves as an implicit argument for the implementation of her recommendations, which are widely supported across the often-fractured financial services industry. Although the recommendations are opposed in part by consumer advocates, who harbour fears that opening new pathways to advice for corporates may result in the kind of cross-subsidisation and product sales activity that featured heavily during the testimony of the royal commission.

The concerns of these activists, especially Choice and the affiliated Super Consumers Australia, has played at least some role in the lengthy consultation process and legislative delays, given they are an influential constituent for a Labor government and given there is broad consensus in the industry.

<sup>1</sup> The High Court subsequently upheld an appeal by Westpac. *Westpac Securities Administration Ltd v Australian Securities and Investments Commission (HCA 3)*. High Court of Australia, 2021.

## ADVICE INFLECTION POINT

The growing regulator and public expectation that super funds will play a larger role in the provision of retirement advice reflects a profound (though perhaps inevitable) shift in the traditional value proposition of the superannuation system.

Since its hard-won inception almost 40 years ago, the super industry has excelled at developing cost-effective solutions to help members maximise accumulation of savings over their working lives.

For a large part of that same period, delivering advice to Australians on how to create income in retirement was largely the domain of a separate and distinct financial advice industry.

While that industry traces its roots back to the days of the old life insurance agent, the modern profession was created by a steady stream of retirees receiving lump sum benefits from the then-nascent super funds and then seeking advice on how to invest it – often literally turning up to an adviser's office on the first day of retirement clutching a cheque issued by their super fund.

Artefacts of that history can be seen even today. For example, RI Advice, which was owned by ANZ and then Insignia Financial before being spun out as part of Rhombus Advisory, takes its name from a business set up by John Blewitt in 1979: RetireInvest.

The advice and superannuation industries tracked these parallel and separate paths for many years – super funds taking care of accumulation, advisers taking care of retirement.

But as the superannuation industry matured, and the regulatory environment changed dramatically in the years before and after the seminal Hayne royal commission, these paths inevitably began to converge.

Both sectors are now arguably at an inflection point, as super funds are called on to focus more on retirement, and the advice industry around the world is turning attention to a new generation of wealth accumulators as millions of Millennial and Generation Z investors have become participants in financial markets via low-cost technology platforms and exchange-traded funds since the COVID-19 pandemic.

The system is now crying out for a more nuanced and collaborative approach to advice provision depending on the level of complexity attached to the individual or household in question. The development of a triage system akin to the healthcare industry would reflect a common-sense outcome for retirement advice, with in-house advisers at funds or other financial institutions able to provide simple or digital advice under the regulations attached to the new Levy-recommended category; and a referrals system in place to either employed, aligned or external professional personal advisers for more complex advice needs.

## A HEATED HISTORY

A handful of funds are already travelling in this direction, expanding in their relationships with professional advisers and investing in their adviser-facing portals. But the prospect of a more collaborative ecosystem remains plagued by a fractious history.



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The power of numbers and the ability to  
use technology means super fund fees  
are fantastically low and getting lower.  
And I think advice needs to be the same.

– BERNIE RIPOLL

Through the 2000s and early 2010s the relationship between the advice industry and the profit-to-member sector of the superannuation was characterised by deep mistrust, if not outright hostility. For their part, industry funds accused advisers of encouraging members to quit the low-cost haven of industry funds to join relatively higher-cost retail super funds in pursuit of product sales commissions.

Advisers of a certain age well remember an industry fund campaign against commissions paid to advisers; this was widely interpreted by the advice community as a clear anti-adviser message.

Advisers, on the other hand, mistrusted the links between industry funds and trade unions, and argued that their clients were often demonstrably better off in retail funds, where the standard of service was higher and where a greater range of investment options existed. Both sides had at least some evidence underlying their emotive arguments.

“I would generally agree with the theory that there was a bit of a war raging, industry funds against advisers,” says Ripoll.

“There was this sort of general perception that was being perpetrated to the outside world of the ‘dodgy adviser.’”

Ripoll says that once that label stuck, it was difficult to shake. It “created a really difficult place for advisers to exist, and for super funds and for other people and for the community to look at it in any other light”, he says.

“Certainly, at the core of all of that, it would be hard to argue against the fact that commissions incentivised a particular type of behaviour which, if we’re going to be polite, wasn’t ideal,” he says.

Echoes of the dormant conflicts emerged earlier this year when the newly established Super Members Council – a lobby group for profit-to-member super funds born out of the merger of Industry Super Australia and the Australian Institute of Superannuation Trustees – issued a public statement referencing “dodgy advisers”.

The fact that the organisation’s chief executive, Misha Schubert, chose to apologise for the comments, however, is perhaps a sign that the tension has thawed. Ripoll says the super industry should acknowledge the professionalisation of advice.

“Even though today there’s half the number of advisers [than there were in 2017], they’re very much more professional,” he says.

“The standards are super high; the education levels are super high; now they all have to do ethics courses. It’s really changed. It’s just not the same world – you can’t even compare them.”

#### SOLID AND SOUND ALIGNMENT

Today there is broad alignment between the fiduciary duties of super fund trustees and the best interest duty of financial advisers, Ripoll says.

“You might recall we stopped short of going down the pathway of requiring a fiduciary requirement, we all needed to be sensible about this,” he says. “It’s a really good, solid and sound alignment now.”

There is alignment, too, in the promise of efficiencies gained, not just via possible legal reform, but technological innovation. Ripoll – who, full disclosure, was previously chair and remains a director and shareholder of digital advice provider Otivo – says digital iterations of financial advice must logically be part of the solutions.

“What we want is more advice on a regular basis for cheaper and cheaper and cheaper,” he says. “It can only be provided in a digital format; it can’t be all done by humans on the phone. That’s preposterous.”

The experience of super funds may be instructive to that end. Waves of regulation, especially the introduction of the Your Future Your Super performance test alongside the best

financial interest duty, have pushed investment fees in the super system on a downward trajectory.

“The power of numbers and the ability to use technology means super fund fees are fantastically low and getting lower,” Ripoll says. “And I think advice needs to be the same.”

Levy agrees that technological developments present a potential pathway for funds to meet the growing demand for advice, irrespective of what happens (or does not happen) in Canberra.

“There is more and more ability to give personal advice which is in the best interests of consumers and trustees’ members, through more data, through better technology, and even AI,” she says.

However, Levy says it is understandable that super funds are hesitant to experiment with these emerging technologies, given they operate in a highly regulated and politically sensitive environment. “If you’re not a fiduciary it becomes a bit easier to take a risk,” she concedes.

That leaves the solution to the widely acknowledged social problem of access to advice largely in the hands of policymakers. Minister Jones has said he still intends for the Parliament to legislate the more substantive elements of DBFO before the next election, although has described the project as a “narrow path”.

In August, *The Sydney Morning Herald* detailed 12 big policy ideas the government was scrambling put before the Parliament over the final six sitting weeks of its first term. Financial advice reform was not among them.

Levy – who handed her final report to government almost two years ago now – declines to comment on the legislative timeline, saying it is a matter for government.

But she admits she does have concerns that the government’s response to her report will “not be sufficient” or will retain too much of the red tape she sought to ameliorate, or even counterintuitively add more regulation.

“Every time you add more rules, it just gets harder and harder and harder [to provide advice to consumers] and people are less inclined to do it.” RM



“  
*Minister for Financial Services Stephen Jones has said he still intends for the Parliament to legislate [advice reform] before the next election, but has described it as a “narrow path”.*

## OPINION

# Why Consumers Can't Count on Retirement Calculators

XAVIER O'HALLORAN AND DR KATRINA ELLIS

**For all the super industry talk of wanting to do more to help people plan for retirement, many funds either do not have a retirement calculator on their website, or are providing flawed guidance to members. But the industry hasn't got a strong record of innovating. Ultimately, government must take responsibility for the complex system it has created.**



**Xavier O'Halloran is chief executive of Super Consumers Australia. He is a member of The Conexus Institute Advisory Board.**



**Dr Katrina Ellis is deputy director of Super Consumers Australia.**

**T**HE PROMISE OF super is to deliver an income for retirement alongside the Age Pension and personal savings. For the average person, figuring out what they'll need to spend and how much they'll need to save to cover their expenses in retirement is daunting. People are faced with an array of unknowns: how much super will I have at retirement? How should I invest and spend across my retirement? Will I get an Age Pension? How long will I live? Will markets go up or down? What will my expenses look like as I age?

So, how are people meant to go about this task? Some will have the means and willingness to pay a professional financial adviser to help them. For many, digital tools like retirement calculators offered by super funds are a low-cost way to fill this need at scale.

We road-tested retirement calculators to see if super funds are up to the task of helping people plan for retirement. We looked at the public websites of 50 of the biggest funds, which is where we found our first surprise.

For all the super industry talk of wanting to do more to help people plan for retirement, only half had a retirement calculator publicly available on their website. We were aware one or two had them behind a member portal, but many had nothing, instead sending people to the calculator on ASIC's Moneysmart website. To foreshadow, this may have

been a blessing in disguise given the poor quality of many of the calculators on offer.

People's circumstances are different and these differences have big impacts on their capacity to save and spending needs in retirement. Some will have more super, some less, some will own a home outright, be paying down a mortgage or renting, some will be single, some in couples.

Good calculators should grapple with these scenarios and attempt to square what people have to spend with what they need to spend. Unfortunately, we found most didn't.

## ONE-SIZE-FITS-ALL APPROACH

The vast majority of calculators (77 per cent) ignored a person's actual super balance in suggesting an appropriate income. Instead defaulting to a one-size-fits-all target, like the ASFA comfortable standard, or a percentage of a person's pre-retirement income. These both fail to account for someone's personal circumstances. ASFA's comfortable standard is set higher than what the typical retiree spends and is based on the assumption that you own your home outright. Targets based on a percentage of a person's pre-retirement income, known as 'replacement rates', also assume you own your home outright. If you're one of the growing group of people who rent or have a mortgage at retirement, the higher housing costs you are

likely to face are not accounted for in the income target suggested by these funds.

For example, one calculator suggested someone at 67 with a typical retirement balance of about \$200,000, spend at the ASFA comfortable target, blowing through their savings in about 11 years, more than a decade shy of how long a person is likely to live. It ignores what the person currently spends and fails to give helpful guidance about what they might expect to spend as they age. This is painfully dumb guidance and highlights the complete lack of personalisation being delivered by these calculators.

Calculators using replacement rates take an equally ham-fisted approach. Several of the super funds guide someone with a typical wage and balance to draw down at such a low rate that they'd still have a substantial balance in super at age 100. That's great for the kids who stand to inherit, or the small minority who make it to 100. But for everyone else it's dud guidance and out of line with the purpose of super in providing retirement income.

Cruelly, if they had used more reasonable assumptions, like the longevity expectation of 92 recommended by ASIC guidance, this person could have had more than an additional \$10,000 a year. For Australia's low income earning retirees this would be a life changing boost to their standard of living.

#### CARVE-OUT FROM BEST INTEREST DUTY

This is just a flavour of the poor retirement guidance our final report details over 30 pages<sup>1</sup>. In the context of many funds lobbying the government to be given carve outs from the best interest duty and training standards for their 'advisers', the poor standard of fund calculators is concerning.

So, what is the solution? Obviously, funds could try to improve, but after more than 30 years of super it is clear they're not great innovators. Also, the reality is that good consumer guidance is costly, requires constant iteration and refinement, meaning many funds will simply not be up to the task.

The solution we've been advocating for has started to get some attention after Treasury proposed it in their

'Superannuation in retirement' consultation<sup>2</sup>. The government needs to take responsibility for the complex retirement system it has built and help people through the mess with high quality retirement guidance, including a calculator. Imagine if all the scattered government resources were brought together to form a one-stop-shop to assist Australians with retirement planning. It is the approach the UK government has taken with its Pension Wise service. It provides independent guidance about pensions and retirement, calculators and comparison tools and the ability to book a free phone or face-to-face consultation.

The service could build on what is already being delivered by ASIC's under-valued and under-funded

Moneysmart. Despite its resource constraints, ASIC revealed at the recent Retirement Conference – a joint initiative of *Retirement Magazine* publisher Conexus Financial and The Conexus Institute – that Moneysmart's super and retirement section had more than 4.3 million pageviews in the last 12 months, reaching approximately 2.1 million Australians.

The most visited content was the superannuation calculator (with over 800,000 views) and the retirement planner (with over 560,000 views). In a sector that's plagued by low consumer engagement, it's clearly a place many people already trust for independent retirement planning resources. RM

#### **Calculator Check-list**

After spending months reviewing retirement calculators and drawing on our years of experience in consumer research, we've developed some best practice for retirement calculators:

01.

**Use information about a person's life circumstances to help them work out how much income they will need** in retirement (e.g. homeowner, mortgagee, renter, couple, single status).

02.

**Provide useful guidance, benchmarks and examples** to help people to understand their spending needs in retirement (e.g. what do retirees with similar expenditure needs spend).

03.

**Help people to understand how much income they are realistically likely to have** from all available sources (e.g. super, partner, Age Pension, rent assistance).

04.

**Help people to understand the calculator's outputs**, including any limitations (e.g. what are the component sources that make up someone's income and what's the impact of longevity assumptions).

05.

**Use a step-by-step approach**, with guidance at each stage, to help people understand what information they are being asked to input and any trade-offs they may need to make (e.g. between accessing lump sums and drawing a higher regular income).

06.

**Be informed by behavioural research, rigorous consumer testing, user feedback, and ongoing monitoring** of how consumers are using the calculator in practice.

07.

**Be maintained appropriately** and kept up to date with changes in key assumptions, such as product fees.

1 *Can we count on them? Assessing the usefulness of Super Fund Retirement Calculators*. Super Consumers Australia. 2024.

2 *Retirement phase of superannuation. Discussion paper*. The Treasury. 2023.

## PARTNER CONTENT

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# How Global Expertise is Shaping Australia's Retirement Future

SIMON ABOUD

**As Australia navigates its evolving retirement landscape, looking to the lived experience in offshore markets for insights can be invaluable. Drawing on the US experience, where innovative solutions have shaped retirement planning for over a decade, can offer crucial perspective.**



**Simon Aboud is chief product and marketing officer at Allianz Retire+.**

**G**LOBAL RETIREMENT MARKETS share striking similarities, particularly in the quest for reliable income in retirement. Drawing on the US experience, where innovative solutions have shaped retirement planning for over a decade, can offer Australia crucial perspectives as it develops its own strategies.

## A GLOBAL QUEST FOR CERTAINTY

Both Australian and American retirees face a common challenge: ensuring a reliable income throughout retirement. Research from both countries reveals that retirees are increasingly seeking solutions that offer increased confidence and peace of mind. They desire more than just a stable income; they want assurance that their retirement savings will adequately cover their living expenses for decades to come.

Recent research from the Allianz Life 2024 Annual Retirement Study found that 63 per cent of Americans worry more about running out of money than death. And it pointed to factors such as high inflation, social security and taxes as big drivers of these fears. These concerns are not confined

to a single country but are shared by retirees across different regions, highlighting the universal nature of retirement planning challenges.

Addressing this need has resulted in the widespread adoption of guaranteed lifetime income solutions, which provide a steady stream of income regardless of market conditions. Similarly, Australian retirees are showing a growing preference for products that can deliver predictable income, reflecting a broader trend towards securing financial stability in retirement.

“Retirees are looking for more certainty, and they’re looking to make sure that there’s some way that their basic needs and expenses can be met in a really volatile environment,” says Jasmine Jirele, president and CEO of Allianz Life in the US.

## DIVERSE APPROACHES TO FINANCIAL ADVICE

The landscape of financial advice varies between the US and Australia, but both markets recognise its importance. In the US, financial advice is sought through various channels, including employer-sponsored plans, independent financial advisers, and digital tools. The trend indicates that



Adrian Stewart and Jasmine Jirele

retirees who utilise financial advice and employ multiple strategies to manage risk tend to achieve better outcomes.

Australia mirrors this trend, with a focus on improving the retirement outcomes of all Australians by providing greater education, access, choice, and flexibility when it comes to retirement planning. It is also worth recognising that not everyone will be able to access financial advice, so the role of guidance enabled by education and technology is critical to meeting the needs of a broader range of retirees. This approach aligns with the US experience, where technology has played a crucial role in helping retirees make informed decisions.

#### EDUCATION IS KEY TO DRIVING CHANGE

Research conducted in collaboration with bestselling author, podcaster, and retirement educator Bec Wilson, provides further context to the evolving retirement landscape in Australia. The study, titled "How do we make retirements more epic?" revealed that while 80 per cent of survey respondents are aware of annuities, only 17 per cent would consider them as a source of retirement income. However, 59 per cent indicated they might consider them with better education, suggesting that this evolving product category could become more appealing than the annuities of the past.

The study found that 44 per cent of respondents who have not considered an annuity assumed a lack of access to money. Other concerns included inflexibility (31 per cent), worry about death benefits (39 per cent), and a lack of knowledge and information (31 per cent). With nearly half of respondents having heard of lifetime income streams but not knowing much about them, there is a clear opportunity for education and discussion.

The research highlights that 71 per cent of respondents identified lifetime income as the most important element for retirement income, followed by investment growth (50 per cent), protection against market volatility (45 per cent), and use in conjunction with the Age Pension (43%). The message is clear: people want to ensure they have sufficient income and access to capital to fund the years ahead.

"Consumers have clearly articulated their priorities for retirement income," says Adrian Stewart, CEO of Allianz Australia Life Insurance. "They want guaranteed lifetime income, income certainty, easy access to their money, investment growth, and protection against market volatility."

#### LONG-TERM PERFORMANCE AND GLOBAL EXPERIENCE

"Over the past decade, we've seen guaranteed lifetime income solutions demonstrate resilience through various economic conditions, consistently meeting their objectives and often outperforming market alternatives. This long-term success provides a valuable benchmark for assessing the potential of similar solutions in Australia," said Jirele.

Allianz Guaranteed Income for Life (AGILE) is an example of a new-era retirement income stream that was modelled from Allianz Life in the US and now available in Australia. It's unique in that it straddles both the accumulation and pension phases, blending a growth investment with an annuity. It offers downside protection in the growth phase to protect the client's capital and then generates a predictable income for the rest of their life while still providing flexibility to cater to sudden expenses.

"The US experience is hugely valuable for the Australian marketplace, and we're in a position to leverage that," says Stewart.

#### LESSONS AND OPPORTUNITIES

Global insights offer valuable lessons for Australia as it continues to innovate in retirement income planning. The focus on member experience, simplicity, technology, and flexibility are key factors to consider as Australia builds its retirement income market. By adapting successful strategies from around the world and continuing to innovate, Australia can develop a more robust and responsive retirement income system that meets the evolving needs of retirees. Embracing these lessons will be crucial in ensuring a secure financial future for all Australians.

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“  
*Global insights offer valuable lessons for Australia as it continues to innovate in retirement income.*  
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"We as an industry have been a beneficiary of this wonderful superannuation regime, which is the envy of the world, but we need to work harder to help Australians convert this into a retirement income that is going to support them for life," says Stewart.

"It's a great dilemma, that many Australians aren't aware of until they start thinking about retirement, and for some that is too late, so this fear of running out of money becomes real. It's a moral imperative that we need to solve."

As Australia navigates the complexities of its retirement landscape, the experiences and innovations from global markets provide a valuable roadmap. By leveraging these insights, Australia can enhance its retirement income solutions, ensuring that retirees enjoy financial stability and peace of mind. The journey towards a secure retirement is a shared global challenge, and through collaboration and innovation, Australia can lead the way in creating a sustainable and resilient retirement system. RM

**For more information on AGILE our new era retirement income stream, please visit [www.allianzretireplus.com.au](http://www.allianzretireplus.com.au)**

## OPINION

# Data Determinism will Redefine Retirement

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 PETER CHUN
 

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**Deep member insights and data, a mature suite of products, digital-first engagement, AI integration and a robust advice offering are the features that will define superannuation for the next 30 years and make a real difference to members.**



**Peter Chun is chief executive of UniSuper.**

**S**UPERANNUATION IS ONE of the most significant economic reforms of our time. It enables all working Australians to benefit from growth in the economy. Markets usually only within the purview of the ultra-wealthy have become accessible to all Australians. Fierce competition and a clarity of vision has ensured the sector has served members well in accumulation, offering members strong returns, low fees and good governance.

But the features that have served members well for the last 30 years will not define the next 30. Our nation is on the brink of a seismic demographic shift. In the next decade alone, 3.6 million Australians are set to enter retirement.

For the past 30 years funds have focussed almost exclusively on accumulation. A simple measurement where one size really does fit all: keep fees low, keep returns high.

Retirement is not so straightforward.

For every single one of those 3.6 million soon-to-be retirees, there will be a unique combination of circumstances: health, wealth, lifestyle aspirations, caring and family obligations. The full spectrum of human complexity, writ large across multiple cohorts. One size will not fit all.

Where accumulation has been straightforward, members approaching retirement ask simple questions that lead to complex answers. Superannuation funds must have robust responses, stepping into the role of a wise and trusted partner to members through retirement.

Engagement as members approach retirement is crucial. Members rightly expect funds to have a robust suite of options and products to suit their needs, and if they don't, they will increasingly vote with their feet and their life savings.

Advice, too, will play an important role. But as adviser numbers fail to meaningfully increase, demand on their time and capability is set to far exceed supply.

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*From Netflix to banking to even their library book recommendations, personalisation enabled by technology is the norm. Members will expect this from us in the decumulation phase.*

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Still from *The Last Dance*, ESPN Films and Netflix (2020).

In a market with finite resources for advice and guidance, and rigorous monitoring of cost, how can funds set themselves up to meet the individual demands of so many members? Technology must be a key solution.

At UniSuper, I've set the goal for us to be the 'Netflix of retirement'. When it comes to hyper-personalisation, Netflix is an industry leader in leveraging data – both individual and cohort data – to best serve its customers content that is highly relevant and satisfying.

If a customer watches lots of sport documentaries, the app knows they will be likely to enjoy shows like *Drive to Survive* and *The Last Dance*, but it will also suggest a range of other options based on the preferences of hundreds of millions of other users who have a similar watch pattern. This ensures customers are made aware of relevant options that they previously may not have even known to search for. This approach has strong lessons to share with the superannuation industry.

#### 'DATA IS THE NEW OIL'

Members increasingly receive this sort of personalisation across the services they access every day. From Netflix to banking to even their library book recommendations, personalisation enabled by technology is the norm. Members will expect this from us in the decumulation phase. Our members over 60 are more likely to be digitally engaged than those in their 40s. There is a strong demand for this engagement with funds.

So how can funds approach this challenge? As mathematician Clive Humby said back in 2006, "data is the new oil". Funds can start by modernising data collection and analytical practice, identifying gaps and putting in place the sort of long-term investments that will pay off over time. They can look to partner with reliable external providers to fill gaps – for example, UniSuper has partnered with a major bank to better understand real consumer spending habits for Australians in retirement right around the country. This will help retirees spend more confidently, rather than the ASFA averages.

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*AI ... frees up capacity for funds to better deploy their human capital and skill in the areas in which humans excel.*

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But even the best data alone does not a personalised experience make. After all, we aren't necessarily interested in outputs, but rather outcomes. And in 2024, one cannot discuss data analytics without also mentioning artificial intelligence (AI) and the way this technology could enhance outcomes.

AI allows analysis of enormous data sets at speeds that were impossible just a few years ago. Not only does this yield insights that humans would either take too long to glean, or perhaps simply miss, but more importantly it frees up capacity for funds to better deploy their human capital and skill in the areas in which humans excel – creative thinking, problem solving, and above all, providing member services in ways that build, enhance, and cherish trust. Hybrid financial advice will be an example of this – combining technology with human interaction.

Taken in combination, deep member insights and data, a mature suite of products, digital first engagement with people when it matters, AI integration and a robust advice offering – these are the features that will define superannuation for the next 30 years and make a real difference to members.

It's a far cry from the simplicity of low fees and strong performance, but providing great retirements is the business we're in. Now it is incumbent on all funds to heed the call, and rise to the challenge. Our members are relying on us. RM



# Provide certainty in retirement. **For life.**

At Challenger we believe retirement and in particular, longevity risk doesn't have to be complex. Our group annuity enables your fund to provide financial security to your members, retain assets under management, and helps meet the requirements of the retirement income covenant.



#### **Market leader in retirement**

Successful track record in delivering longevity and retirement income solutions.



#### **Innovative and flexible solutions**

Retirement solutions can be tailored at a member or cohort level.



#### **Superior member experience**

Give your members the confidence to spend in retirement with guaranteed income for life.



#### **Trust and leadership**

Peace of mind from a solution that is backed by an APRA-regulated institution.



#### **Simple implementation**

Tailored support to ensure member take-up and avoidance of legacy product risk.

**Contact our Institutional Solutions Team:  
[solutionsgroup@challenger.com.au](mailto:solutionsgroup@challenger.com.au)**

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**Talk to the experts in our Institutional Solutions team and together, we can design and implement a retirement solution that matches your members' specific needs.**



## ESSAY

# Plight of Renters Must Factor in Retirement Income Policy Discourse

DR DEBORAH RALSTON

**Rising superannuation balances and property values have helped Australia become one of the wealthiest nations on the planet. But the reality for certain groups within the economy, especially those who rent in the private residential real estate market, is very different. Superannuation funds can play an important role in understanding and supporting members in these more vulnerable cohorts.**

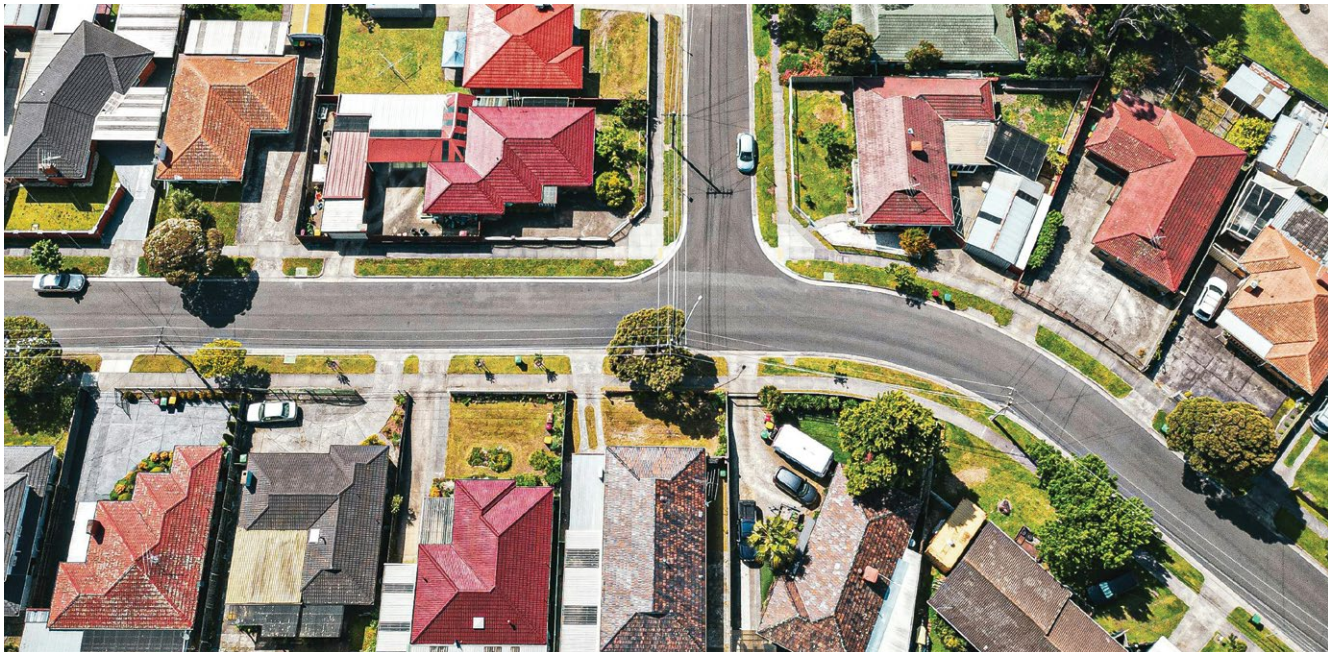


**O**VER RECENT YEARS, thanks to increasing superannuation balances and property values, wealth in Australia has been growing. The *2024 UBS Global Wealth Report* released in July states that Australia has the second highest level of median household wealth amongst 56 nations, second only to Luxembourg. At the same time, we rank third in terms of wealth equality as calculated by the Gini co-efficient, again behind Luxembourg and also Sweden.

In the same month the Productivity Commission released its report *Fairly equal? Economic mobility in Australia*. This report indicates that despite increased household wealth,

poverty has been steadily rising over the past two decades. Of the 14 per cent of Australians who experienced poverty in 2022, people over 65 were most likely to experience persistent poverty, that is poverty that lasts for three years or more.

This accords with the Commonwealth Treasury's *2020 Retirement Income Review (RIR)*, of which I was a co-author, which found that while the Australian retirement income system is effective and sound, with broadly sustainable costs, there are two groups of retirees who are vulnerable to living in poverty: those who rent in the private residential real estate market, and early retirees, who leave the workforce prior to age pension eligibility.



RENT ASSISTANCE FAILED TO KEEP PACE

Single renters are the most disadvantaged, followed by early retirees. The latter group are usually forced into early retirement by ill health, carer responsibilities, or loss of job opportunities. Renters who retire before the age pension have the highest level of financial distress in retirement. Too often, individuals in this group will expend any superannuation they might have before reaching age pension eligibility.

In previous times, governments played a major role in the provision of social and public housing. Indeed, between the 1940s and the 1970s, following the 1944 Commonwealth Housing Commission report which attested to a shortage of 300,000 dwellings, Australian governments built around 23 per cent of all new homes to provide secure accommodation for those on low incomes and affordable rentals for middle income earners<sup>1</sup>. Subsequently, housing supply agreements were drawn up between the Commonwealth and states, but these have reduced over time, becoming increasingly targeted at those in highest need.

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*Renters who retire before the age pension have the highest level of financial distress in retirement. Too often, individuals in this group will expend any superannuation they might have before reaching age pension eligibility.*

In the early 1990s Commonwealth Rent Assistance (CRA) was introduced to provide support for those in private rental markets. While the CRA was designed to relieve the burden, indexation to the CPI has meant that it has failed to keep pace with rapidly escalating housing costs.

The CRA pays 75 per cent of rental costs above a specified minimum and, as at March 2024, was capped at \$328.20 for single renters, and \$406.40 for couple renters per fortnight. From September 2024, these caps will increase by 10 per cent and be indexed going forward if the necessary legislation from the 2024–25 Budget is passed. But with national median rentals reaching \$600 per week (i.e. \$1,200 per fortnight) at the end of the March 2024 quarter<sup>2</sup>, it is evident that for many private market renters, the CRA does not adequately cover housing costs.

HIGHEST RISK COHORT OF FINANCIAL DISTRESS

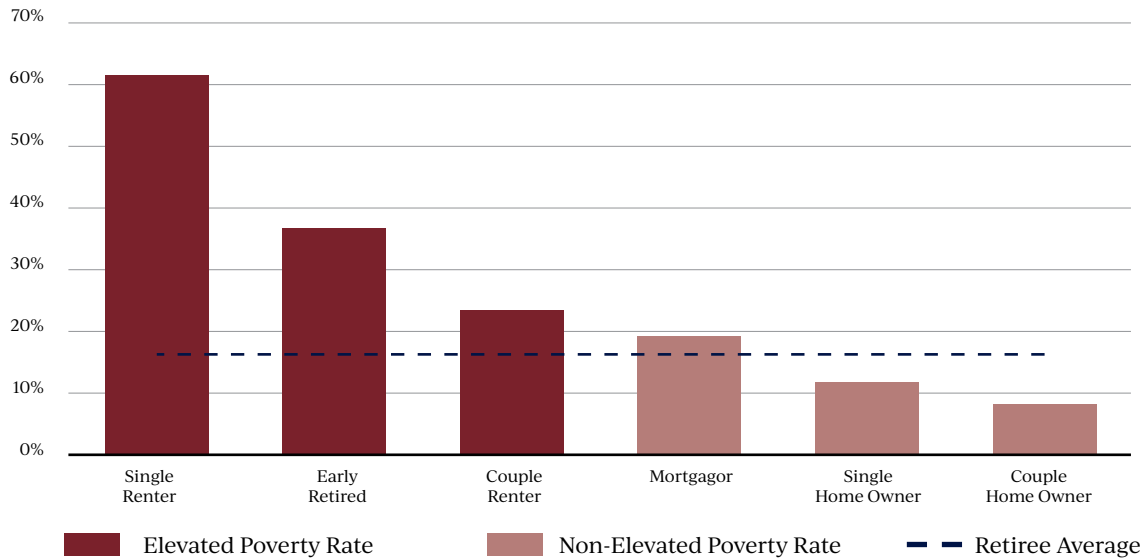
In 2020, the RIR found that the CRA only covered around 45 per cent of retirees’ rent expenses. For two-thirds of recipients, it covered less than one third. Single renters are most disadvantaged, and single women renters comprise around two thirds of retirees on the CRA. Modelling from the RIR showed that even with a 40 per cent increase in the maximum CRA rate, the number of renting retiree households in poverty would only be reduced by around 3 per cent. The situation has only worsened since then.

At the same time, the cost of the CRA is blowing out. In 2022–23, the federal government spent \$4.9 billion on these payments, up from \$1.4 billion in 1993–94 when it was introduced. The cost of the CRA is expected to increase to \$6.6 billion in 2024–25 with the additional cost of the 10 per cent increase in caps.<sup>3</sup>

1 *Reforming Rent Assistance: Ending Rental Stress Across Australia*. Maiy Azize, Anglicare Australia. 2023.  
 2 *PropTrack Rental Report – March 2024 Quarter*. Cameron Kusher, realestate.com.au  
 3 *Housing assistance in Australia 2024*. Australian Institute of Health and Welfare, Australian Government. 2024.

### Chart 1: Income Poverty Rates of Retirees

Source: Analysis of ABS Survey of Income and Housing Confidentialised Unit Record File, 2017-18.



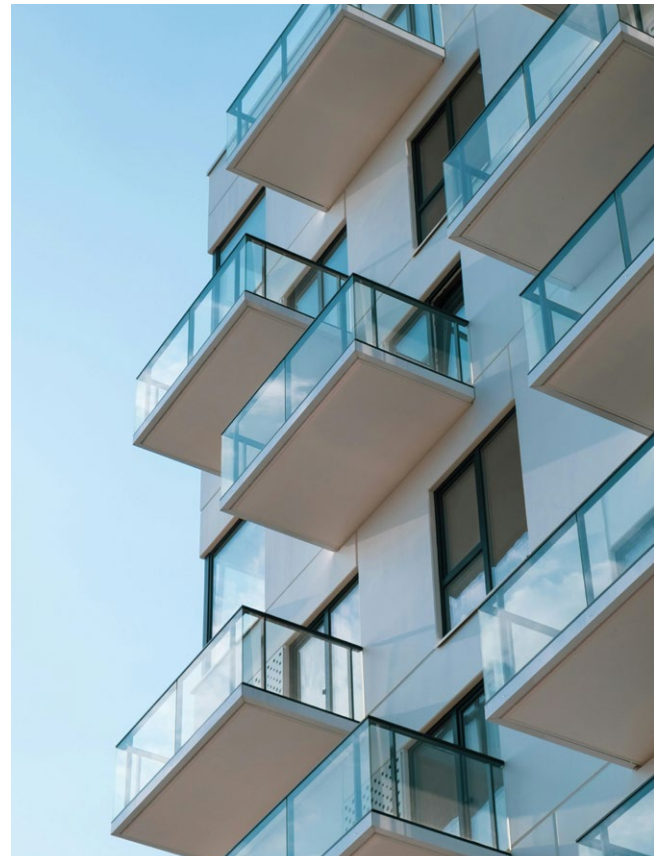
With lower home ownership rates among younger Australians – our future retirees – a better solution for assisting housing costs in retirement is badly needed. The high levels of recurrent CRA expenditure are most unlikely to be sustainable and/or resolve the issue into the future.

#### ADDRESSING THE HOUSING CHALLENGE

To tackle these challenges, the federal government has established the National Housing Accord<sup>4</sup> which has set an aspirational target of 1.2 million new homes over five years from mid-2024. States and territories have agreed to match a federal commitment to build a combined target of 20,000 affordable homes in the next five years. The Accord has a broad agenda including providing enabling infrastructure for housing development, updating land use plans and streamlining building approvals as well as providing tax incentives for build-to-rent developers. The agenda also encourages older Australians to downsize with the downsizer super contributions and asset test incentives for age pensioners who sell their homes. Training more construction workers will also be a critical component.

While rising property prices have enhanced median wealth across the nation, they impact very adversely on renters. Government has stepped up with plans to address the issue, and funds such as HESTA and AustralianSuper have become part of the solution by investing in build-to-rent projects, but the problem won't be resolved overnight.

In the meantime, super funds can play an important role in understanding and supporting renting retiree members in these very difficult situations. Funds might also choose to promote the First Home Super Saver Scheme which allows younger members to save for a home deposit by making withdrawable voluntary super contributions of up to \$50,000 at a tax preferred rate. **RM**



**Dr Deborah Ralston is a Professorial Fellow at Monash University and board director with more than 25 years' public and private sector experience across education, banking, superannuation and financial technology. She is a member of The Conexus Institute Advisory Board.**

<sup>4</sup> *Delivering the National Housing Accord*. The Treasury. 2023.

## PARTNER CONTENT

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# A Five-Dimensional Framework for Retirement Income



DR BERG CUI



JESSICA SCLAFANI

**By comprehensively reviewing the existing universe of retirement income solutions and analysing the trade-offs inherent in various product designs, we were able to identify five key attributes that are specific, mutually exclusive, exhaustive and that we believe fully characterise the in-retirement experience.**

**U**NLIKE THE ACCUMULATION phase of retirement investing, during which most individuals share a common goal of saving as much as they can afford and growing those savings through investments, investors' goals typically are more diverse during the decumulation phase.

As more defined contribution retirement providers evolve beyond exploring the landscape of available retirement income solutions to adopting an implementation-oriented stance, we believe that the system could benefit from:

- Research that fully appreciates and accounts for the trade-offs inherent in individual retirement income needs and solutions; and
- A common framework for evaluating retirement income solutions to help retirement providers evaluate products for their members.

To address this challenge, T. Rowe Price's global multi-asset research team, in partnership with our global retirement strategy team, has developed a patent-pending five-dimensional (5D) framework for exploring retirement income needs and potential solutions.

Our 5D framework establishes the foundational attributes of the "in-retirement experience" for individual investors and quantifies the economic trade-offs between these attributes.

Our unique approach starts with a simple assumption that every aspect of the in-retirement experience is captured by at least one retirement income product currently available in the marketplace.

By comprehensively reviewing the existing universe of retirement income solutions and analysing the trade-offs inherent in various product designs, we were able to identify five key attributes that are specific, mutually

exclusive, exhaustive and that we believe fully characterise the in-retirement experience (Figure 1).






Using these five attributes, we then analysed various retirement income solutions to identify and articulate the trade-offs inherent in each solution, such as understanding how a specific solution balanced the goal of hedging against longevity risk with the objective of achieving a desired

level of income payments.

Our research revealed a parallel between our 5D framework and the traditional risk/return investment trade-off. The 5D framework enabled us to conduct quantitative studies of retirement income solutions based on various well-defined metrics, similar to how the risk/return trade-off has been studied for decades.

**Figure 1: Key attributes of the in-retirement experience**

Source: T. Rowe Price.

ATTRIBUTE	DEFINITION	REAL-LIFE MEANING
 Longevity risk hedge	Portfolio duration/planning horizon	How many years will my retirement savings last?
 Level of payments	Income yield	What will the amount of my annual income be?
 Volatility of payments	Income volatility	How much can my "pay checks" change from year to year?
 Liquidity of balance	Asset liquidity	If a need arises, how much of my savings can I access?
 Unexpected balance depletion	Asset preservation	How high is the risk of my money running out earlier than planned?

**A FRAMEWORK FOR EVALUATING RETIREMENT INCOME SOLUTIONS**

While traditional metrics such as risk-adjusted returns and the familiar mean-variance frontier may suffice for traditional investments during the accumulation phase, retirement providers and their consultants or advisers need a more sophisticated approach to evaluate retirement income solutions.

Leveraging the five key attributes in Figure 1, we use our 5D approach to analyse how various retirement income solutions prioritise these five aspects of the in-retirement experience.

We believe our 5D approach better captures the diverse needs and preferences of retiree populations

and, importantly, quantifies the relationships between these preferences.

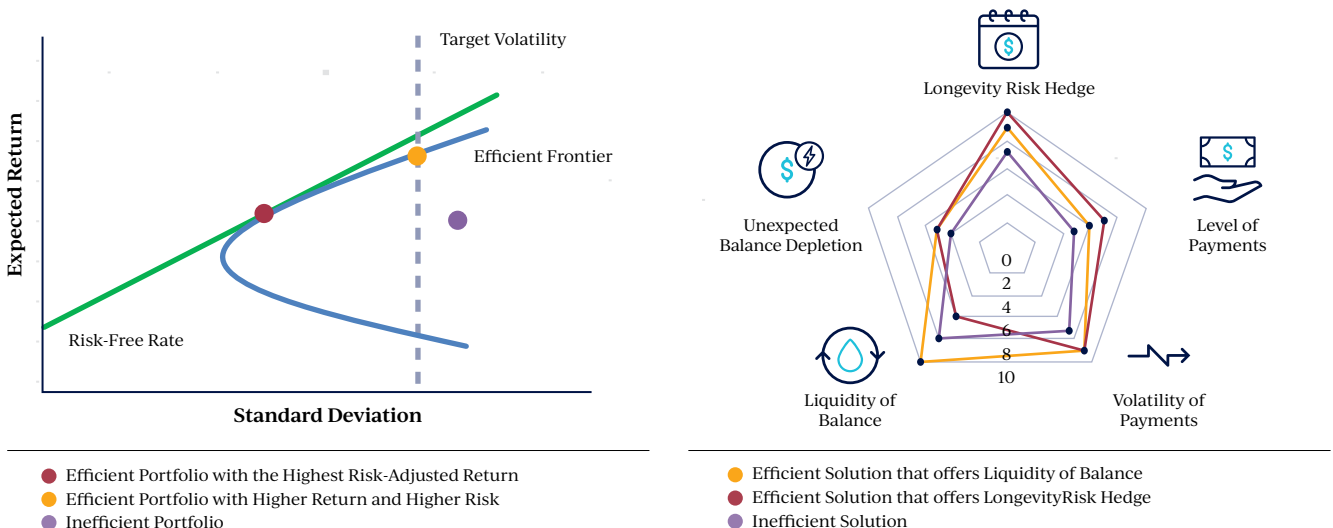
For example, in the accumulation phase, investors primarily seek to achieve the highest return possible for a given risk budget, which typically grows more conservative as they near retirement age.

During decumulation, risk and return are still important metrics but fall short of fully representing investors' objectives at the point of retirement, which tend to be more varied and unique to each individual.

Because the in-retirement experience includes these five attributes, potential solutions must be optimised against five dimensions instead of the traditional two - risk and return - that dominate the accumulation phase (Figure 2).

**Figure 2: Hypothetical examples of two-dimensional and five-dimensional frameworks**

Source: T. Rowe Price. For illustrative purposes only. Not representative of an actual investment.



- Efficient Portfolio with the Highest Risk-Adjusted Return
- Efficient Portfolio with Higher Return and Higher Risk
- Inefficient Portfolio

- Efficient Solution that offers Liquidity of Balance
- Efficient Solution that offers LongevityRisk Hedge
- Inefficient Solution

HOW DOES THE 5D APPROACH DIFFER FROM EXISTING FRAMEWORKS?

In addition to establishing the five key attributes by which a retirement income solution can be evaluated, our 5D framework captures and quantifies the trade-offs that a retiree must make in prioritising across these attributes. Much of the retirement income research conducted to date has focused on identifying retired participant preferences – e.g. “I want a guaranteed stream of income” – but failed to consider the other side of the ledger – e.g. “I am willing to give up X per cent in monthly income to achieve that goal.”

Under the financial market efficient frontier, our 5D framework quantifies retirement income needs by precisely calibrating trade-offs between the five attributes and assigning quantitative values to each of those attributes based on well-defined metrics. Quantifying participant needs for each of the five attributes allows us to identify how members would spend their savings to create desired in-retirement experiences.

Using a radar chart (a way of displaying multivariate data on an axis with the same central point), we can quantify and visualize these trade-offs.

For example, consider the radar charts in Figure 3. The left chart represents one possible hypothetical preference profile for the in-retirement experience. A retiree with this

preference shape is primarily concerned about hedging against longevity risk—perhaps because of a family history of great health—and wants guaranteed income for life. This hypothetical retiree also prefers a stable income stream to allow for better travel planning in retirement, but wants a higher income level (measured as a percentage of balance) to compensate for past under saving.

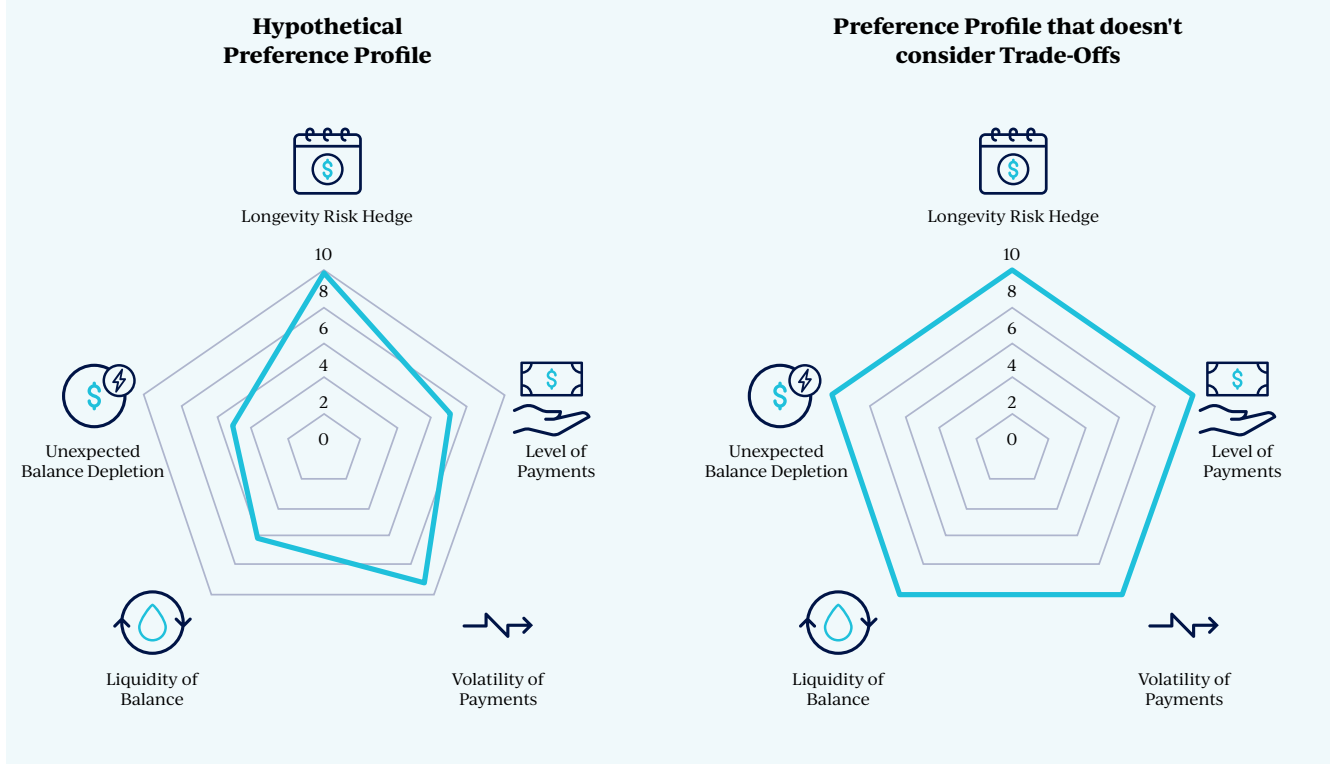
Given these priorities, the retiree is willing to accept a moderate level of balance depletion risk while giving up some liquidity under the efficient frontier constraint. As one can imagine, preference profiles for different retirees can and do vary widely because of differing in-retirement needs. Because preferences can change across all five dimensions, the range of desired in-retirement experiences can be immensely diverse.

Figure 3 also highlights the difference between our 5D framework and those retirement income studies that fail to consider the trade-offs inherent in retirement income products. There will be only one preference profile in such studies—a perfect pentagon in which maximum values for all five attributes are selected (as shown in the radar chart on the right in Figure 3) without acknowledging that it is impossible to attain all five under the efficient frontier.

T. Rowe Price’s proprietary 2024 study of approximately 2,500 individual investors in the US shed light on how investors, as a group, actually prioritised each of the five in-retirement attributes.<sup>1</sup>

**Figure 3: Visualisation of Hypothetical Sample Preferences**

Source: T. Rowe Price. For illustrative purposes only. Not representative of an actual investment. Radar charts illustrate how retirees make tradeoffs between attributes to best seek to achieve their desired in-retirement experiences.

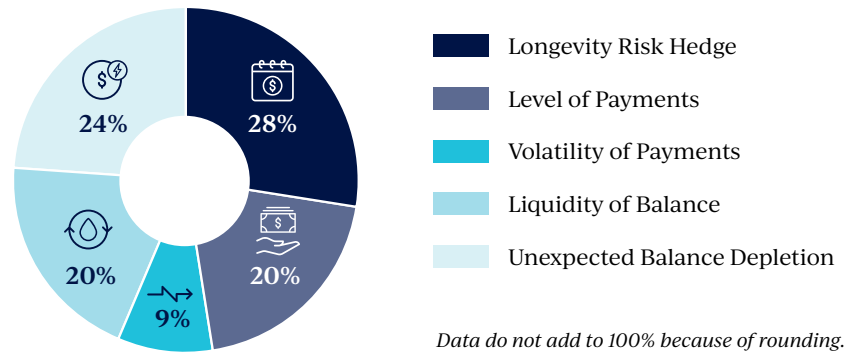


1 Exploring Individuals’ Retirement Income Needs and Preferences. T. Rowe Price. 2024 . Data reflect responses from 2,582 individual investors age 40 to 85 that were currently enrolled in a DC plan and had at least \$100,000 saved in their plan accounts. The survey was fielded December 2023 through February 2024.

As illustrated in Figure 4, the data indicated that individuals who were approaching or in retirement were most concerned about how many years their savings would last (longevity risk), followed by the risk that they might run out of money earlier than expected (unexpected balance depletion). Level of payments and liquidity of balance were assigned equal importance, while volatility of payments was viewed as the least important attribute by the investors surveyed.

**Figure 4: Relative Importance Scores for Preference Attributes**

Source: T. Rowe Price, 2024 Exploring Individuals' Retirement Income Needs and Preferences.



POTENTIAL APPLICATIONS OF THE 5D FRAMEWORK<sup>2</sup>

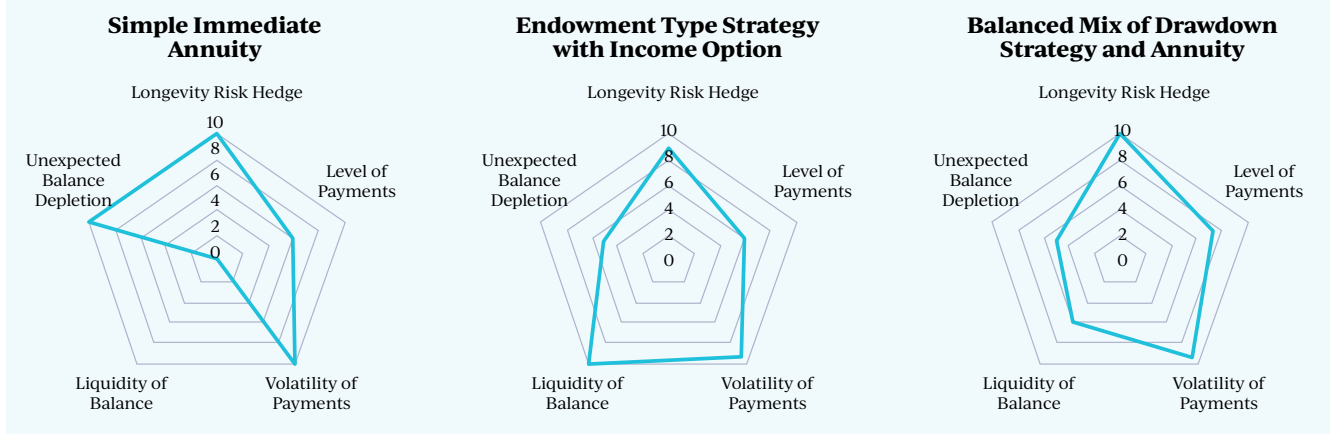
Once a retirement provider understands the distribution of preferences within their member population—whether that’s based on a member survey or a qualitative review that prioritises the five attributes—we think they will be better positioned to identify potential solutions that prioritise the needs of that population.

Similarly, retirement income products can be plotted using our 5D framework to visualise which products appear to align best with the provider’s retirement

income priorities (Figure 5). Notably, the 5D framework provides an opportunity to compare different retirement income products using a uniform and unbiased process, much like mean-variance optimisation can be used to compare products suited for traditional investments. The 5D framework shows how a retirement income product scores across each of the five attributes, and this output can then be compared with the same output for another product.

**Figure 5: Hypothetical Solutions with Attribute Scores**

Source: T. Rowe Price. For illustrative purposes only. Not representative of an actual investment. This analysis contains information derived from a Monte Carlo simulation. This is not intended to be investment advice or a recommendation to take any particular investment action.



Retirement providers, in partnership with their consultants or advisers, can compare the findings of a 5D analysis and the specific retirement income needs of their member populations to identify “best fit” solutions. Any retirement income solution can be analysed using our 5D framework under a commonly accepted set of capital market assumptions to understand and quantify how well the

product meets each of the key attributes.

We believe our 5D framework is a novel approach that offers superannuation funds the ability to better understand the unique preferences of their members, enabling them to narrow the retirement income product universe to the solutions that are most likely to meet the needs of their unique populations. RM

**Dr Berg Cui is senior quantitative investment analyst and Jessica Sclafani is global retirement strategist at T. Rowe Price. Contact your T. Rowe Price representative to learn more about applying our 5D approach to your evaluation of retirement income solutions. To read the full paper and learn about the study methodologies, please visit the URL below.**

[www.troweprice.com/content/dam/gdx/pdfs/2024-q3/a-five-dimensional-framework-for-retirement-income-needs-and-solutions-apac.pdf](http://www.troweprice.com/content/dam/gdx/pdfs/2024-q3/a-five-dimensional-framework-for-retirement-income-needs-and-solutions-apac.pdf)

<sup>2</sup> The methodology used for our hypothetical case study is a proprietary method developed by T. Rowe Price that combines traditional quantitative investment research techniques, such as Monte Carlo simulations, and a quantitative marketing research method commonly used to understand consumer preferences. Fees and other expenses associated with actual products were not considered in our analysis.



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**ESSAY**

# The Factors that Make a Great Retirement Offering

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IAN FRYER

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**In order for a superannuation fund to deliver what would be considered a leading retirement offering, they must ensure sufficient attention to the three prongs of investments, product and guidance/advice. The different objectives between retirement and accumulation suggest different strategies may be required – not just a rehash of accumulation.**

**A**T CHANT WEST we spend a lot of time assessing superannuation funds, which includes the retirement offering of each fund. When we talk about retirement offering, we're not just interested in the destination – the account-based pension product that most people end up in. We are also interested in how funds help members along the journey before they get to a pension product. So, what do we believe makes a great retirement offering?

At a high level, it means products and investments that a member needs to meet their retirement goals, the guidance and advice to help put these together into a strategy, and then making it easy to implement that strategy.

## DIFFERENT OBJECTIVES

A great retirement offering shouldn't look just the same as in accumulation, as the objectives of retirement are very different. Accumulation is focused on growing your super balance through strong returns over many years – it is all about growth. But in retirement, it is also about managing risk, as you don't have decades to make up any fall in value.

The different objectives between retirement and accumulation suggest different strategies may be required – not just a rehash of accumulation.

So what do we look for in the main areas of investments, product and guidance/advice?

## INVESTMENTS

Ideally, funds should offer a range of well-performing diversified investment options across different risk profiles, to cater for the needs of different retired members. Almost all funds offer these, but they are almost always exactly the same as accumulation options, even though there is zero tax in the retirement phase and they are pitched at members who are more risk-aware.

Only a small number of funds invest differently in retirement. Some notable examples are Aware Super and TelstraSuper, both of which have unique asset allocations and tailored equity investments for retired members that focus more on lower volatility and franked income. We believe these types of strategies should have a place in most retirement offerings, and the primacy of member outcomes for all members should drive funds to seriously consider this.

## PRODUCT

The traditional approach has been to provide an account-based pension which is just like an accumulation account, but the money goes out rather than coming in. But the problem of how best to work out how much to draw down, one of the trickiest problems in finance, remains in the lap of each member. Members set up a strategy and hope that sequencing and longevity risk don't mess it all up.

The good news is that an emerging range of lifetime income products provide another lever to help members meet their retirement goals. And we are seeing a coalescing around products that offer a market-linked income for life, where an external insurer covers longevity risk that are only 60 per cent Age Pension assessable. The early reports from these products is that members are drawing down much more income, as they are now confident their money will last and they get more Age Pension.

Another aspect of product is the drawdown rate – the level of annual income drawn down by each member. The pension application forms in most funds set up the legislative minimum rates as a quasi-default and about 50 per cent of members take that. But many retired members could have a much higher standard of living than they currently have. AustralianSuper and NGS Super, for example, offer a set of higher drawdown rates to address this issue.

So if we believe that members with the right investments and product settings will have better outcomes, how can funds help members get set up with what's right for each of them based on their individual circumstances?

## GUIDANCE & ADVICE

Funds need to start with education on retirement issues, delivered through a range of channels. Online information should clearly explain what types of products and investments suit members in different circumstances – case studies are really useful for this.

Retirement seminars should be offered to explain how to get the most out of a fund's retirement offering.

Retirement calculators need to help members answer the key questions, such as how much income can I draw down, and what products/investments should I choose? And it should show a member approaching retirement what they can do to improve their retirement income. While most

funds provide reasonable retirement calculators, few cater for the member already in retirement who just wants to see whether they can keep drawing down their current income.

Member online portals and apps are also important to conveniently show members their balance but also what income they can expect in retirement. It can also be used to deliver highly personalised nudges to direct members to make the choices that best suit them.

The best way to get members well set-up in retirement should include member input about their situation, preferences, goals, and so on. And this is best achieved through personal advice. At the moment, advice is generally either basic and free (investment choice) or full and expensive (for example, \$5000). Most funds provide personal intra-fund advice on investment choice, additional contributions, insurance, and the like, but provide members with very little advice to set up their retirement strategy. Members are largely on their own, unless they pay for comprehensive advice.

Funds need to find a way to deliver the sort of one-off advice most retirees need at the point of retirement. This should cover which investment options to choose, the need for a lifetime income product and how much annual income can be sustainably drawn down – all of which should be based on the member's super balance and other assets, as well as those of their spouse.

### % OF SUPER FUNDS OFFERING THESE FEATURES

Investments – different to accumulation	20%
Product – higher drawdown rate option	7%
Product – lifetime products	11%
Advice – on simple retirement including spouse for under \$1,000	11%

But this sort of advice is currently provided by very few funds, even though the potential demand for this advice is greater than both basic and full advice. A few funds like TelstraSuper and Russell now provide advice like this for less than \$1000. We believe this is the biggest missing piece of super funds' retirement offerings, as it is very difficult for members to navigate all these retirement decisions without help.

While Tranche 2 of Delivering Better Financial Outcomes should make this more possible, we believe that more can be done now – and indeed some funds are showing that this is possible.

Funds can also use digital advice, where a member enters all their information, and the tool provides a recommendation. Or better yet, a hybrid version, where members can start digitally and move to an adviser for any questions, or to confirm they are doing the right thing.

We believe guidance and advice is the most important part of a retirement offering. If a fund doesn't do a really good job in this area, they are unlikely to get their members to where they need to be in retirement. **RM**

**Ian Fryer is general manager of research house Chant West. He is a member of The Conexus Institute Advisory Board.**



# Whatever life holds

We're here to help your members live it.

With 38% of Australian pre-retirees worried their nest egg won't last the distance<sup>1</sup>, TAL's Retirement Income Solutions can help you give your members the confidence to enjoy their golden years.

Find out more today at [grouphq.tal.com.au/retirement](https://grouphq.tal.com.au/retirement)

**TAL** / Insuring  
This Australian Life

<sup>1</sup>TAL, *What I wish I knew about retirement* whitepaper, 2024. Based on a qualitative survey of 1000 Australian super fund members aged 55 or older.

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## FEATURE

# Retirement Conference Wrap

DR DAVID BELL AND DR GEOFF WARREN

The 2024 edition of the Retirement Conference was held on 14 September at Old Parliament House, Canberra. A collaboration between Conexus Financial and The Conexus Institute, the event runs open-forum style with attendees from the 14 largest super funds, representatives from Treasury, APRA, ASIC, Government and the opposition, and thought leaders including industry partners. The 2024 edition continued a purpose-led format that focused on some of the key challenges faced by the industry in developing quality retirement income strategies.

**O**UR MAIN REFLECTION is that a large gap remains between the current state of the system and its potential to deliver retirement outcomes. Momentum is building amongst super funds, but some are lagging. APRA and ASIC were united in their message that funds need to do more. Both emphasised the need to develop internal measures of outcomes and incorporate these into business plans. Minister Stephen Jones MP said that the government is trying to enable super funds to guide

their members into suitable retirement solutions through Phase 2 of the Delivering Better Financial Outcomes reforms.

Super funds remain cautious around providing specific forms of guidance and advice under current regulatory settings. The role of blended solutions, which incorporate an account-based pension, lifetime income strategy, and a drawdown plan, appears to remain aspirational for many funds, although some leading examples are emerging. RM



To read the full *Review & Reflections* document go to:  
<https://theconexusinstitute.org.au/wp-content/uploads/2024/09/Retirement-Conference-2024-Review-Reflections.pdf>

**Retirement Conference 2024 Gallery**



Photo credit: Jack Smith

**Retirement Conference 2024 Gallery**



Photo credit: Jack Smith

Investment Magazine

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# Chair Forum

30 - 31 January 2025 | Intercontinental Sorrento, VIC



The annual *Investment Magazine* Chair Forum is Australia's leading conference on governance, regulation and business tailored to chairs, deputy chairs and investment committee chairs of superannuation funds.

Register: [events@conexusfinancial.com.au](mailto:events@conexusfinancial.com.au)

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# ADVICE POLICY SUMMIT

10 - 11 February 2025 | Old Parliament House, Canberra



The inaugural *Professional Planner* Advice Policy Summit will bring together the nation's financial advice leaders across licensees, advice firms and superannuation funds to discuss and debate the policy and regulatory settings to underpin a bright future for the profession.

Register: [events@conexusfinancial.com.au](mailto:events@conexusfinancial.com.au)

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## *the* **conexus** INSTITUTE

The Conexus Institute is a not-for-profit think-tank established in 2020 to be a catalyst for improved retirement outcomes for Australians. It applies a “research-for-impact” model to improve public policy relating to superannuation and retirement. The Institute connects the dots between industry, academia, regulators and policymakers and aims to be a constructive critic willing to challenge the status quo. It is philanthropically funded by, but independent of, Conexus Financial.

# Retirement Magazine

[retirementmagazine.com.au](http://retirementmagazine.com.au)

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