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Investment-linked lifetime income streams

Exploring the (considerable) benefits for members

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Executive summary

We outline the potential benefits of allocating to investment-linked lifetime income streams (ILLIS) for superannuation (super) fund members. ILLIS are not just a mechanism to deliver longevity protection but can provide a significant boost to expected retirement income relative to allocating to an account-based pension (ABP) using the same underlying investment strategy. There are also potential behavioural benefits.

We outline how the boost to expected income arises from a combination of access to mortality credits and the possibility of a meaningful Age Pension uplift for members who traverse the 'taper zone' during their retirement. The Age Pension uplift might be further enhanced by allocating to an ILLIS during accumulation. Modelling shows that splitting assets at retirement between an ABP and an ILLIS could increase expected income by between 3% and 24% depending on assumptions such as the retiree's available assets and whether the ILLIS allocation is made at retirement or during accumulation.

Behavioural benefits relate to providing confidence to retirees to draw more income and potential to encourage ILLIS take-up upon retirement to capture any available Age Pension uplift associated with allocating during accumulation. While allocating to an ILLIS requires giving up some flexible access to funds, an element of access can still be retained via the ABP and possibly death and exit benefits attached to the ILLIS.

Super fund trustees should understand the potential benefits of an ILLIS allocation and whether they should be offered to members. We also suggest that policymakers aim to provide the industry with policy certainty, especially around Age Pension treatments.

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1. Introduction

Lifetime income streams (LIS), also known as lifetime income products, offer benefits that seem underappreciated not only by retirees but also by some industry participants. This report specifically focuses on investment-linked LIS (ILLIS), which some refer to as innovative retirement income streams or 'IRIS'. We highlight the potential benefits of superannuation (super) fund members allocating some assets to an ILLIS alongside an account-based pension (ABP). We outline how this retirement solution design can offer a combination of higher expected income, improved sustainability of income and beneficial behavioural effects, relative to investing only in an ABP. The potential benefits are discussed in Section 2, and reflect the following mix of factors:

- *Access to mortality credits* through the ILLIS, which supports higher and more sustainable income (although the actual income gain will depend on realised investment returns);
- *Age Pension uplift* stemming from favourable treatment of ILLIS under the assets test relative to an ABP and other financial assets for retirees who traverse the means test 'taper zone' at some stage;
- *Potential for additional Age Pension uplift* through allocating to an ILLIS during accumulation, as the ILLIS value counted for the assets test upon retirement reflects the amount initially allocated adjusted at the deeming rate (currently 2.75% maximum) rather than actual returns earned;
- *Capacity to retain a preferred underlying investment strategy* in allocating to an ILLIS by layering of mortality credits (i.e. longevity pooling) on an available investment option;
- *Behavioural benefits* that may lead to better member outcomes, including providing confidence to draw more income by assuaging the fear of 'running out', and possibly encouraging take-up of ILLIS at retirement to secure any additional Age Pension uplift from allocating during accumulation; and,
- *Some access to capital will be conceded* in allocating to an ILLIS, although a reasonable degree of flexible access to funds may be retained through the ABP as well as possibly death and exit benefits.

Section 3 presents modelling to illustrate the potential income uplift. We find that splitting assets between an ABP and ILLIS using the same underlying investment strategy may boost expected income by between 3% and 24% relative to investing only in an ABP, depending on assumptions such as the retiree's assets and whether the ILLIS allocation is made at retirement or during accumulation.

In essence, combining an ABP and ILLIS can deliver a better balance across the three Retirement Income Covenant (RIC) objectives of maximising expected income, managing income risk and providing flexible access to funds – especially for those members who travel through the 'Age Pension taper zone' sometime during retirement. The approach might be of particular interest to super funds due to potential to layer ILLIS on top of existing investment options and retain control over the assets.

Our message for super fund trustees is that it is important to understand the potential for ILLIS to benefit members and consider whether they should be included in the suite of product offerings. Our message for policymakers is to make their policy intentions clear in order to provide certainty to the industry at large, especially regarding the treatment under the Age Pension means test.

The roadmap for this paper is as follows:

- Section 2 outlines the key features of LIS, with a particular focus on ILLIS.
- Section 3 presents modelling to illustrate the potential benefits of allocating to an ILLIS.
- Section 4 discusses the drivers behind low LIS take-up, and potential actions to address it.
- Section 5 offers reflections for policymakers.
- Section 6 wraps up with final thoughts.
- Appendices present detailed results from the modelling.

A comprehensive overview of LIS in an Australian super setting appears in the ninth edition of our Retirement Explainer series titled *Lifetime income streams*. This paper builds on that work, including delving more deeply into the Age Pension implications of LIS allocation.

2. Key features of LIS and benefits of ILLIS

This section initially outlines the key features of LIS in Section 2.1, before focusing on the potential benefits of ILLIS. The scope to increase expected income through access to mortality credits is addressed in Section 2.2 and through potential for an Age Pension uplift in Section 2.3. We close by discussing how ILLIS help address income risk and can provide behavioural benefits in Section 2.4.

2.1. LIS concepts, advantages and disadvantages

Breakout box #1 outlines the main concepts behind the operation of LIS, while Figure 1 over summarises main LIS advantages and disadvantages. LIS may be viewed as 'hybrid instruments' that supply income for life that is funded from a combination of invested assets and mortality credits, but require conceding access to some capital. A key feature is that the baseline income that can be supported by the investments alone is equivalent whether the assets are either directly invested or allocated to a LIS for the same asset mix. What distinguishes the LIS from investing directly through (say) an ABP is the availability of mortality credits, which helps to supply income for life as the assets of those who die are debited back into the pool to fund income for those who survive. In essence, the availability of mortality credits provides an income bonus over investing directly, especially for those who survive to older ages.

BREAKOUT BOX #1: Core concepts regarding lifetime income streams (LIS)

A comprehensive overview of LIS in an Australian super setting appears in Explainer #9 *Lifetime income streams*. Here we overview the core concepts. In general, LIS may be viewed as hybrid instruments that generate income for life funded from two components – investments and mortality credits. However, LIS inevitably involve conceding some access to capital in order to provide the mortality credits.

- ***Investments*** – The income paid by a LIS is partly funded from investments in a similar fashion as occurs through investing the assets directly, i.e. from a combination of drawing from investment income and capital. A general rule is that investing in riskier assets offering higher expected returns boosts expected income but gives rise to greater income risk. This rule applies to both ILLIS and investing directly such as through an ABP. If returns are poor, then income must either ratchet lower or will prove less sustainable simply because there will be less assets available to fund income payments. Thus, allocating to an ILLIS that invests via (say) a 70/30 balanced fund offers the prospect of higher income but carries more income risk than allocating to a LIS paying a fixed income stream and is implicitly underpinned by an investment in fixed income.
- ***Mortality credits*** – These are generated under an arrangement whereby the residual capital of those who die are used to support ongoing income generation for those who survive, i.e. their assets are debited back into the 'pool' to be redeployed. Through this mechanism, mortality credits effectively act as another potential funding source of income that enhances the income derived from the investments alone, at least for those who survive and hence remain in the pool (and after adjusting for any additional costs of providing the longevity pooling).
- ***Constraints on flexible access to funds*** – For the arrangement around mortality credits to work, the LIS purchaser *MUST* be willing to contribute some capital back into the pool upon death to support paying ongoing income to survivors. While LIS may be provided along with death or exit benefits, these payments are often restricted to residual capital after accounting for income already paid out. Within super, these benefits are limited by the Capital Access Schedule (CAS) that restricts payouts with reference to life expectancy (see Section 3.3 for further discussion). Thus, even when some access to capital is made available through a LIS, the access typically erodes over time. Providing some access to capital through a LIS also comes at the cost of some reduction in expected income[1].

In summary, a LIS holds out the possibility of delivering higher expected income than investing directly (say) via an ABP using the same underlying investment strategy as a consequence of access to mortality credits. However, the mortality credits do not arise without being willing to concede access to some capital upon death to be debited back into the pool to fund ongoing income for those who survive.

[1] Lower income payments are necessary as less capital is available to be debited back into the pool.

Figure 1: Advantages and disadvantages of lifetime income streams (LIS) in super

Advantages	Disadvantages
1. Income for life • Reduced risks to sustainability of income • Protection against outliving savings **2. Potential to boost expected income** • Mortality credits are additional income source • Potential Age Pension uplift, which can be higher for investment-linked LIS (i.e. ILLIS) • Confidence to draw more income[2] **3. Reduced 'fear of running out'** • Underpins confidence to draw more income • Increased peace of mind	**1. Capital needs to be committed** • Reduced flexibility • Reduced scope for leaving an inheritance • Access via death and exit benefits is constrained (by Capital Access Schedule) **2. Lock-in effects** • Reliance on provider • If exit is possible, it can be difficult and costly, e.g. exit fees, lower income offered **3. Complex and often opaque** • Hard for members to understand • Visibility around costs can be low

2.2. Mortality credits as the 'magic sauce'

A key concept raised in Section 2.1 is that the baseline income supported by the investments is broadly equivalent whether the assets are allocated to a ABP or an ILLIS using the same asset mix. What distinguishes the ILLIS is the availability of mortality credits, which help to supply income for life. In essence, the availability of mortality credits provides an income bonus within an ILLIS over a similarly-invested ABP, especially for those who survive to older ages. Mortality credits thus both increase expected income while providing longevity protection. They are the 'magic sauce'.

The mechanism through which mortality credits boost expected income is not just about their accrual to survivors as they age. The fact that mortality credits will become available upon survival allows drawdowns and hence income to be increased *earlier* in retirement. This feature will become evident in the modelling, and may be understood in intuitive terms in three related ways. First, mortality credits are similar to a *return bonus* on top of investment income. And higher expected returns make more income affordable throughout the retirement phase. Second, the longevity protection provided by mortality credits *reduce the risks associated with drawing more income* earlier (when the purchaser is more likely to be alive and able to enjoy it). Third, the presence of longevity protection can give members the *confidence* to spend their assets rather than holding back due to 'fear of running out'. In effect, access to mortality credits through a LIS can both directly raise expected income and encourage members to spend their retirement savings for both rational and behavioural reasons.

2.3. Age Pension uplift

Figure 2 summarises the main parameters that currently determine Age Pension eligibility under means testing. Of particular interest in the context is the differential treatment of LIS and other assets, which includes ABPs. The means test determining Age Pension eligibility applies both an assets test and an income test, with the binding test being the one that indicates a lower payment. For an ABP, the prevailing balance is fully counted under the assets test, while income is estimated at a deemed rate (currently set at a maximum rate of 2.75%, or about 0.25% real at 2.5% inflation). For LIS, 60% of the initial LIS purchase value is counted under the assets test until age 85 and 30% thereafter, while the income test counts 60% of payments made[3]. The differential treatment leaves room for the Age Pension eligibility rules to favour one allocation choice over the other. For reasons outlined below, the assets test rules are particularly favourable to ILLIS relative to ABPs (and other financial assets).

[2] This effect is potentially stronger for LIS paying a fixed income (i.e. traditional annuities), to the extent that a known amount of income is 'guaranteed' for life, versus an ILLIS where the income delivered depends on realised returns.

[3] The discounts afforded to a LIS recognise that LIS payments partly include a return of capital, and that the underlying effective capital value embedded within a LIS diminishes over time as income is drawn. They were put in place as a mechanism for placing LIS on a more similar footing to other financial assets such as an ABP, where the asset value can trend down over time as income is drawn.

Figure 2: Age Pension eligibility: Key parameters

From 1 July 2025 *A$ per year*	Assets test limits		Income test limits	
	Full Age Pension asset threshold	**Part Age Pension disqualifying limit**	**Full Age Pension income threshold**	**Part Age Pension disqualifying limit**
Single, homeowner	$321,500	$704,500	$5,668	$65,416
Single, non-homeowner	$579,500	$962,500		
Couple combined, homeowners	$481,500	$1,059,000	$9,880	$99,954.40
Couple combined, non-homeowners	$739,500	$1,317,000		
Taper rate	-$78 pa per +$1,000 in assets		-0.50 cents per +$1 of income	
Income deeming rate on assets (excluding the family home)			0.75% up to $64,200 for singles and $106,200 for couples 2.75% over these thresholds	
Percentage of purchase value and income recognised for LIS	60% prior to turning age 85 30% after turning age 85		60%	

In broad terms, ILLIS can generate an Age Pension uplift relative to allocating to an ABP through providing access to greater Age Pension earlier than otherwise for retirees either within or likely to traverse the means testing taper zone, i.e. for retirees with financial assets or income sitting between the part Age Pension disqualifying limits and the full Age Pension thresholds shown in Figure 2 above. The Age Pension benefits are irrelevant for members either below the lower threshold or never likely to be in the position of being a part age-pensioner (e.g. due to being very wealthy). They could even be (modestly) negative for some members depending on personal circumstances.

Underpinning the largely positive impact is a complex set of interacting factors that determine *how much* Age Pension uplift could be available from an ILLIS and *when* it is received:

- *Assets test tends to favour ILLIS* – Noting that the assets test is often binding for an ABP[4], the 60% and the 30% weight applied to the ILLIS purchase value can provide an immediate and potentially significant uplift to Age Pension eligibility relative to allocating the same amount to an ABP.
- *Income test can become binding for ILLIS* – The Age Pension uplift available from an ILLIS under the assets test may be constrained if the income test becomes binding. This is more likely to occur from age 85 when the percentage of the ILLIS purchase value counted under the assets test declines to 30%. The level of ILLIS income payments and their pattern[5] over time also matter. The effect can often be to reduce Age Pension availability under the ILLIS relative to an ABP at older ages, assuming that the ABP balance is run down over time.
- *Allocation to ILLIS in accumulation* – Allocating to an ILLIS during the accumulation phase,[6] can further enhance the Age Pension uplift. The mechanism is that the ILLIS value counted under the assets test is based on indexing the amount invested at the (upper) pension deeming rate (currently 2.75% per annum). Where the realised return exceeds the deeming rate, the purchaser is able to transition into an ILLIS at a lower asset value under the assets test than would occur from rolling over into an ILLIS from a standard super account, thus potentially further boosting Age Pension eligibility. The potential impact should be larger for more aggressive asset mixes that deliver on the expectation for higher returns (due to a larger margin over the deeming rate); as well as the earlier

[4] Under the assets test, an additional $1,000 of assets reduced the Age Pension by $78 per annum under the prevailing taper rate. For the purpose of the income test, income is calculated at a deemed rate that currently stands at 0.75% on financial assets up to $64,200 for singles and $106,200 for couples (combined) and then 2.75% over these thresholds. Thus $1,000 of additional assets generates $27.50 in deemed income, which leads to a $13.75 reduction in the Age Pension after the 50% taper rate is applied. The assets test is thus binding by a significant margin.

[5] The pattern can depend on the assumed investment return (AIR) under an ILLIS, which acts to tilt the income stream. Refer Retirement Explainer #9 *Lifetime Income Streams* for discussion.

[6] For example, the AMP MyNorth Lifetime Super product accepts allocations to an account that can transition into their Lifetime Income ILLIS series at retirement. Insignia recently offered a similar product under the MLC Expand brand called Retirement Boost.

that a member enters the product (more time for the gap between the underlying and deemed asset value to widen). Breakout box #2 discusses some considerations that arise with this strategy.

BREAKOUT BOX #2: Considerations around allocating to ILLIS during accumulation

The possibility of allocating to an ILLIS during the accumulation phase in order to enhance Age Pension eligibility raises a few issues:

- ***Will the opportunity persist?*** – Allocating to an ILLIS during accumulation seems to be taking advantage of the Age Pension eligibility rules in a way that may not have been intended by policymakers. The risk thus exists that the rules might be changed in due course (although policymakers have given no indication that they intend to do so). Considerations include whether policymakers are content to support increased ILLIS take-up; the appetite for pursing complex policy change; and the degree to which the rules are being exploited and impacting on the Government budget. Whether existing products might be grandfathered against any policy changes is also relevant. The available benefit could also be impacted by increases in Age Pension deeming rates, noting that the current maximum of 2.75% sits below term deposit rates for instance and will be reviewed in March 2026. Refer to Section 5 for further discussion of the considerations for policymakers.
- ***'Free option' for members*** – Gauged by the way that the products available in the market operate (e.g. AMP North and MLC), members allocate the same investment strategy as a standard accumulation account while retaining a 'free option' to transition into an ILLIS or redeploy their assets elsewhere at retirement. An allocation can thus deliver a broadly equivalent asset value at retirement while leaving the member to decide whether and how much they wish to transition into an ILLIS.
- ***Partial withdrawals (commutations)*** – We understand that partial withdrawals from the balance at retirement (e.g. rolling into an ABP) are treated as a 'commutation' and directly deducted from the ILLIS value counted for the assets test. This can further boost the Age Pension benefit.
- ***Transitioning to ILLIS within 14 days*** – The member must transition from their account into the ILLIS within 14 days after entering the retirement phase (i.e. meeting an unconditional condition of release) to secure the Age Pension deeming benefits. Close engagement by the provider may be required to ensure that members take action on the transition in order not to miss out on any Age Pension benefits.
- ***Issues around member response*** – The need to transition into the ILLIS being offered by their super fund to capture the Age Pension benefits creates an incentive for members to remain with their fund into retirement. It may thus amount to a form of soft default with a 'lock-in' effect. This could benefit some members by encouraging ILLIS take-up. However, the lock-in effect may be to their detriment if a better ILLIS is available at the time, perhaps with another provider. The potential member retention effects may be attractive to the super funds but could dampen competitive pressures in the market.
- ***May encourage a whole-of-life view*** – Accessing ILLIS in accumulation creates a link between the accumulation and retirement phase that may help encourage members to take a whole-of-life view.
- ***Benefits contingent on markets delivering*** – The Age Pension benefits only accrue to the extent that realised returns exceed the deeming rate used to determine value counted for the assets test.
- ***Implementation*** – Issues include *which* members to encourage allocating to a LIS in accumulation, *when* members might be best doing so, and the *amount* that should be allocated.

- *Investment returns matter* – The Age Pension impact of allocating to an ILLIS relative to an ABP will depend on investment returns. For higher returns, there are three major impacts (noting that lower returns will have the opposite effect):
  - *Assets test* - Higher investment returns can increase the available ABP balance and reduce Age Pension availability from the ABP (unless offset by increased drawdowns), but have no impact on the ILLIS as the value counted under the assets test is anchored to the initial purchase value. Thus, higher returns can enhance relative Age Pension availability under an ILLIS versus an ABP.
  - *Income test* - Higher investment returns can boost income payments for ILLIS, which can lead to the income test becoming binding both earlier and to a greater degree. To the extent that this impact exceeds the impact of higher returns on eligibility under the ABP, Age Pension availability for ILLIS will be reduced relative to an ABP. This effect is most likely to be felt at older ages (especially from age 85) when the income test is more likely to bind for the ILLIS.

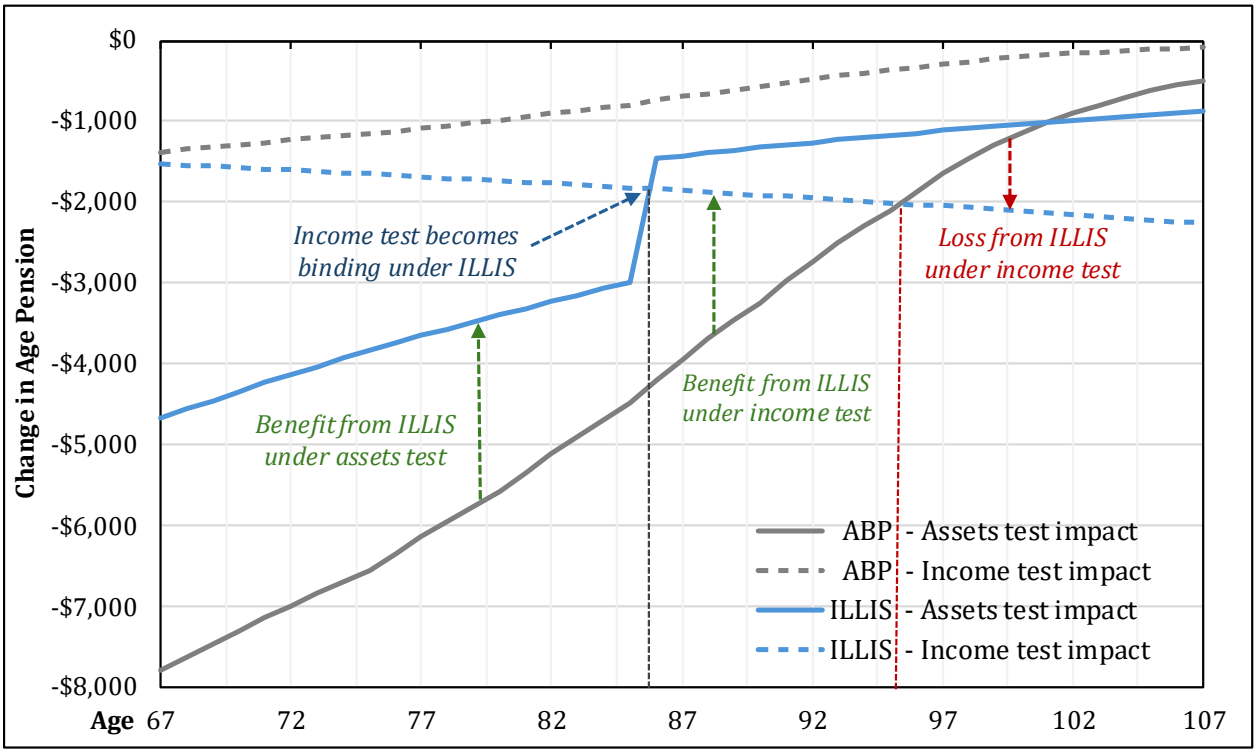
- *ILLIS in accumulation* - Higher investment returns enhance the relative benefit of allocating to an ILLIS in accumulation. (There is no benefit[7] from allocating to an ILLIS in accumulation if realised returns come in below the deeming rate.)

- The *income deeming rate*[8] can impact in two ways:
  - An increase in the income deeming rate would reduce the potential advantage from allocating to an ILLIS in accumulation.
  - An increase in the income deeming rate could change the relative Age Pension availability under an ABP versus an ILLIS if it were to lead to the income test becoming binding for the ABP. However, this would require significant increases in the deeming rate relative to current levels.

We illustrate the features discussed above by modelling the Age Pension impacts arising from allocating $100,000 to an ILLIS versus an ABP upon retirement at age 67 through to age 107 for an Australian female who remains in the Age Pension taper zone until death[9] (see Figure 2). The analysis is conducted in real (inflation-adjusted) terms, applies the minimum drawdown rules to the ABP and assumes that the Age Pension increases in line with inflation. The baseline modelling allows for 3% real returns, with impacts under real returns of 0% and 6% also explored. (Further details on the assumptions underpinning the modelling presented in this report can be found in breakout box #3 in Section 3.) Details on estimates by year appear in Appendix A but are summarised in Figure 3 and 4 below. In considering these results, readers should bear in mind that they reflect the underlying assumptions and hence should be viewed as broadly indicative but not generally applicable.

Figure 3 displays the operation of the Age Pension means test by plotting the reduction in Age Pension arising from allocating $100,000 to an ILLIS and an ABP under both the assets test and income test. The binding test under each option is represented by the lower line between the assets and income test. The difference between the binding test under the ILLIS and ABP reflects the Age Pension impact of allocating to an ILLIS versus the ABP and is flagged by dashed line arrows (green = gain; red = loss).

Figure 3: Age Pension reduction of allocating $100K to ILLIS and ABP under means tests



[7] There is also no cost (save any fee difference). The situation is similar to an option expiring out of the money.

[8] The Government has announced an intention to review the deeming rate every six months in March and September. Historically there has been a loose relationship with term deposit rates, suggesting some increase is quite possible.

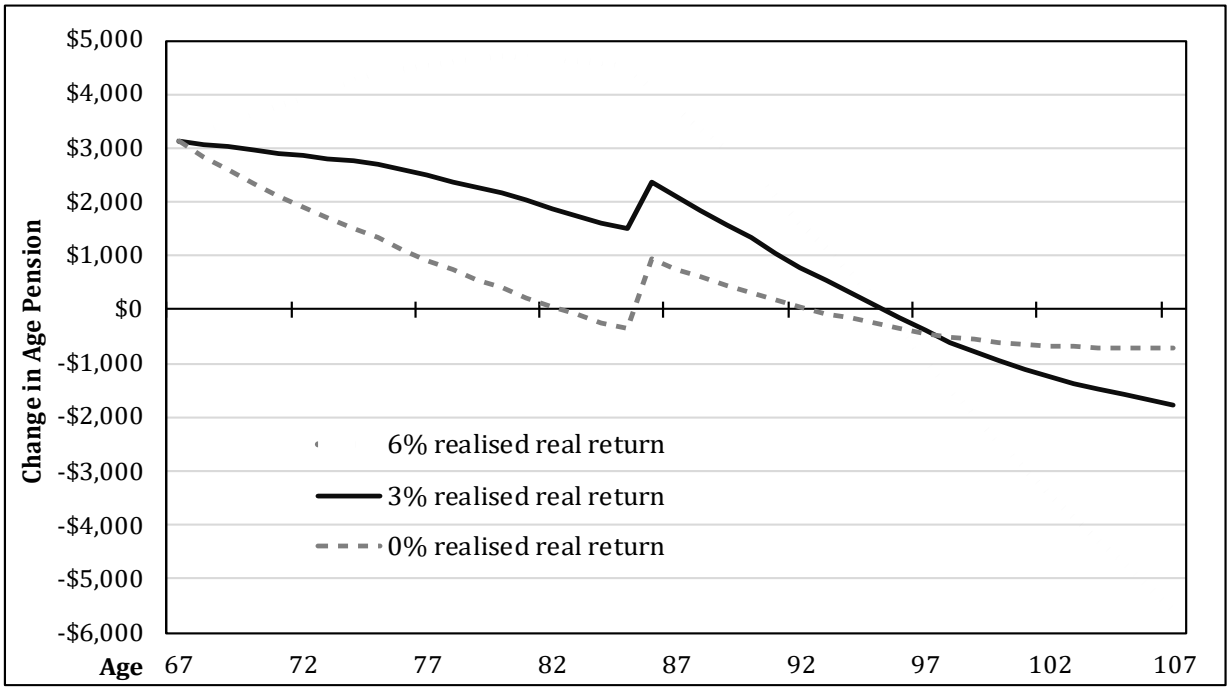
[9] This simplifying assumption is more likely to operate to the detriment of the ABP, to the extent that a retiree is likely to have run down their assets and hence move out of the taper zone by older ages.

Figure 3 reveals that the assets test is always binding for the ABP, with the reduction in Age Pension decreasing with age as the ABP balance is run down (grey upward-sloping straight line). For the ILLIS, the assets test[10] is initially binding, but this switches to the income test from age 85 when the percentage of purchase value counted under the assets test drops from 60% to 30%. Nevertheless, there remains some Age Pension benefit from the ILLIS versus the ABP until age 95 when the ILLIS income test and the ABP assets test lines cross, after which the relative Age Pension impact from the ILLIS turns negative versus the ABP.

Figure 4 plots the net difference in Age Pension eligibility under the ILLIS versus the ABP for real returns of 0%, 3% (as per Figure 3) and 6%. Figure 4 shows that the Age Pension uplift from the ILLIS (relative to the ABP) declines with age and turns negative at older ages. In addition, the difference depends on realised investment returns, with higher returns boosting the net expected Age Pension benefit from allocating to an ILLIS versus an ABP (see Appendix A for estimated averages) due to increasing the relative access to the Age Pension earlier in retirement. However, higher returns exacerbate the reduction in Age Pension at older ages. Here there are two effects at play:

- Higher returns raise the Age Pension reduction for the ABP under the assets test (while having no effect on eligibility under the income test for the ABP or under the assets test for the ILLIS).
- Higher returns boost ILLIS income, which raises the Age Pension reduction for the ILLIS under the income test later in retirement.

Figure 4: Age Pension impact of allocating $100,000 to an ILLIS *vs.* an ABP



A side comment for trustees about member balances with the fund

The extent to which the Age Pension uplift from an ILLIS is available to a member will depend on their broader household situation. Trustees might thus remain aware that a member's prevailing balance with the fund could be misleading with regard to Age Pension impacts. For instance, some low balance members could capture an Age Pension uplift where they are not full age pensioners due to having financial assets outside of super or a partner with significant assets. Conversely, while some members with high balances might be expected to eventually enter the Age Pension taper zone based on their prevailing balance, others could have further substantial assets outside of super and may never access the Age Pension uplift. Overall, visibility around total assets and the household situation is required.

[10] The assets test line slopes upwards as we adjust the ILLIS purchase value for 2.5% inflation over time as we model in real terms. That is, while the purchase amount is stable in nominal terms, its value decreases in real terms.

2.4. Addressing income risk and behavioural effects

LIS including ILLIS can also offer benefits related to addressing longevity risk and potentially helpful behavioural effects, which we discuss together as they are closely related. Longevity risk (see Explainer #12 *Longevity uncertainty*) might be thought of as the possibility of a retiree outliving the capacity of their savings to deliver their desired level of spending. Concern over this risk is often expressed as the 'fear of running out' and is believed to be a key contributor to retirees failing to spend their retirement savings to the extent they can afford.

The fact that LIS provide longevity protection by guaranteeing some income for life is well-recognised and sometimes considered *the* key benefit. While important, longevity protection is better seen as one benefit amidst a cluster of related benefits. The capacity of LIS and ILLIS in particular to enhance expected income and longevity protection are connected as mortality credits act as *both* a source of higher expected income *and* longevity protection. The longevity protection element can also give rise to beneficial behavioural effects stemming from retirees feeling that there will always be some income available if they live to older ages. This can provide confidence[11] to draw more income (as recognised earlier), as well as peace of mind. There is some evidence that providing confidence in this way can lead some members to draw more income[12].

One caveat on using ILLIS to address income risk is that income will be subject to realised investment returns. Low returns will have the effect of reducing the income delivered by an ILLIS, potentially to much lower levels if there is a particularly poor run of returns. Only fixed LIS can offer a guaranteed level of income that provides a solid floor, although this may come at the cost of lower income[13]. Nevertheless, an ILLIS may still provide a boost to confidence through creating an *expectation* that income will be delivered for life, even if the quantity of the income is uncertain.

Further potential behavioural benefits may stem from allocating to an ILLIS in accumulation. Any build-up of Age Pension access benefits arising from the difference between realised returns and the deeming rate (see Section 2.2) should act as an inventive to transfer into an ILLIS at retirement to secure those benefits. This could boost the take-up of ILLIS at the point of retirement thus leading to more members enjoying the income benefits discussed earlier. Allocating to an ILLIS in accumulation also links the accumulation and retirement phase in a way that might help draw attention towards retirement income and thus dilute the tendency to focus on account balance.

[11] We discuss confidence and the contexts in which it is used in Explainer #13 *Confidence*.

[12] AMP North analysis of member data for 2025 reveals that 87% of those taking up their Lifetime Income product draw down at more than the minimum rate versus 56% who do not invest in the product.

[13] One approach could be to combine a fixed LIS as a form of defensive allocation that also provides access to mortality credits with an ABP invested in a pre-mixed portfolio with relatively high growth exposure to generate higher expected income. This structure might achieve a similar aggregated investment mix to combining an ILLIS and an ABP using a balanced portfolio with lower growth exposure. We mention this potential structure as an aside while noting that design options for retirement solutions is beyond the scope of this report.

3. Modelling

This section summarises our modelling to illustrate how allocating to an ILLIS can boost expected income. While the uplift in expected income depends on the assumptions, we find expected income increases in the 17%-24% range from allocating 50% of assets at retirement to an ILLIS for the member cases with medium and high financial resources. We find a modest 3% uplift for the low financial case members who qualify for the full Age Pension[14]. Further, we show how longevity protection can be delivered in the form of a substantial income boost at older ages due to accessing mortality credits. Overall, the income benefits are potentially significant for many members.

3.1. What we do

We model nine scenarios comprising three member cases that vary by financial resources and three strategies for allocating the available assets. The underlying investments are assumed to generate an equivalent return throughout regardless of allocation choice, meaning that the income benefit from allocating to an ILLIS relative to an ABP stems entirely from access to mortality credits and any Age Pension uplift with some offset from higher costs associated with the ILLIS. Our analysis is conducted in real terms using deterministic (i.e. fixed) real returns of 3%, although we also investigate how the results change if real returns of 0% are assumed.

The three member cases are designed to span the Age Pension eligibility range. The member with 'low' financial resources sits towards the bottom end of the income distribution and accrues assets of $300,000 at retirement, below the maximum full Age Pension threshold under the assets test of $321,500. The member with 'high' financial resources sits above the 75th percentile of the income distribution and retires with $1.1 million, which is meaningfully above the part Age Pension limit of $704,500. The 'medium' case member earns around median income and retires with assets of $650,000, which qualifies for a part Age Pension.

We model the following three allocation strategies for each member:

(a) Invest the entire balance at retirement into an ABP.

(b) Allocate 50% of available assets to an ILLIS upon retiring at age 67, with the remainder allocated to an ABP.

(c) Allocate sufficient assets at age 47 to an account that transitions into an ILLIS at retirement of the same value as under (b), i.e. 50% of total assets. The remainder is allocated to an ABP.

Breakout box #3 provides details on the modelling method and assumptions. Of note is that ABP drawdowns follow the minimum drawdown rules (MDRs), which we choose for two reasons. First, the MDRs operate as a type of default drawdown strategy that is followed by many members. Second, the MDRs are formulated under similar assumptions to those underpinning the determination of ILLIS income payments, where future expected returns (and mortality credits in the case of the ILLIS) as well as life expectancy are taken into account in determining drawdown rates[15].

[14] The percentage uplift is attenuated for the low financial case as the Age Pension constitutes a much larger portion of total income, i.e. due to baseline effects. There is also some loss of Age Pension under the income test.

[15] See Appendix 1of Explainer #5 *Drawdown strategies* for an explanation.

BREAKOUT BOX #3: Modelling method and key assumptions

We undertake basic deterministic modelling in real (inflation-adjusted) terms to illustrate the impact of allocating 50% of the available balance at retirement to an ILLIS for three notional super fund members. We compare against a baseline of transferring the entire balance at retirement into an ABP. The underlying investments are assumed to generate the same deterministic return in accumulation and in retirement for both the ABP and the ILLIS. Any difference thus largely relates to differential access to mortality credits and the Age Pension between the ABP and ILLIS, although we also allow for larger costs through the ILLIS by imposing a 'loading' that is paid up-front. We draw on a model developed by A/Prof. Adam Butt and Dr William Lim of ANU for the US Society of Actuaries to estimate the income from the ILLIS, and conduct other parts of the modelling ourselves in Microsoft Excel.

Key assumptions

- A single female homeowner retiring at the beginning of age 67 is modelled through to age 107.
- The assets within super that are modelled represent the total financial assets of the member.
- Three strategies are modelled:
  (a) Invest the entire balance at retirement into an ABP.
  (b) Allocate 50% of available assets to an ILLIS upon retiring at age 67, with the remainder being allocated to an ABP.
  (c) Allocate sufficient assets at age 47 to an account that transitions into an ILLIS at retirement of the same value as under (b), i.e. 50% of total assets. The remainder is allocated to an ABP.
- All parameters (e.g. Age Pension amounts and thresholds) accord with values observed as at the end of 2025, with modelling occurring in real terms under the assumption that reference parameters rise along with inflation unless otherwise stated. In particular, contributions, income paid and the Age Pension and eligibility thresholds are all assumed to rise in accordance with inflation.
- Deterministic net real return of 3% per annum on the investments is assumed throughout for the baseline modelling. The return assumption is then varied under sensitivity testing.
- Any ILLIS allocation made during accumulation is indexed at a rate of 0.25% real (reflecting the prevailing maximum deeming rate of 2.75% nominal and 2.5% inflation) to determine the reference value used for the assets test during the retirement phase.
- ILLIS attracts a 5% loading upon investment, which reduces the ILLIS income stream by 5%.
- ILLIS 'assumed investment return' is 2% (1% below expected return), which acts to tilt the expected income stream upwards, i.e. income trends higher over retirement from a lowered starting level.
- Mortality is based on the Australian Government Actuary's Life Tables with mortality improvement for all females. Note: Life expectancy for a 67-year old female is approximately age 91.
- ABP drawdowns follow the minimum drawdown rules (MDRs).
- Age Pension eligibility is assessed against both the assets test and the income test. For ILLIS under the assets test, the weighting of 60% until age 85 and 30% thereafter is adjusted for inflation of 2.5% per annum to account for the value of the purchase amount decreasing in real terms over time.
- Any contributions and income payments occur at beginning of year.
- Three member cases are modelled with intent of spanning the Age Pension eligibility range:
  - *Low case*: $300,000 balance age 67, net contributions of $3,500 p.a. Aligns with income of around $35,000, between the 10th and 25th percentile based on weekly earnings as reported by the ABS[16].
  - *Medium case*: $650,000 balance age 67, net contributions of $7,500 p.a. Aligns with income of ~$75,000, which is around the median based on weekly earnings as reported by the ABS.
  - *High case*: $1,100,000 balance at age 67, net contributions of $12,500 p.a. Aligns with income of ~$125,000, which sits above 75th percentile based on weekly earnings as reported by the ABS.

[16] Based on Australian Bureau of Statistics "Characteristics of Employment, Australia" release for 2024 adjusted for subsequent wage increases.

3.2. What we found

Figure 5 plots expected (i.e. average) income and its sources. It reveals the progressive increase in income for the three member cases that arises in moving from allocating the balance at retirement entirely to an ABP (strategy a), to allocating 50% to an ILLIS upon retirement at age 67 (strategy b) and then allocating to the ILLIS in accumulation at age 47 (strategy c). The analysis finds that allocating 50% of the balance at retirement at age 67 (strategy b) *increases expected income* by 3% for low case, 18% for the medium case and 17% for the high case[17] versus allocating 100% to an ABP. This illustrates how ILLIS can provide a meaningful boost to expected income due to the combination of access to mortality credits and Age Pension uplift. If an allocation is made at age 47 to an account that transitions into an ILLIS at retirement of equivalent value (strategy c), the increase in expected income remains at 3% for the low case but is boosted to 23% for the medium case and 24% for the high case. This reflects the additional Age Pension uplift enjoyed under the medium and high case arising from making the ILLIS allocation 20-years prior to retirement and thus reducing the value counted for the assets test under the deeming rules. There is no additional benefit under the low case where a full age pensioner is modelled[18]. Figure 6 (see over) is a summary table of the main estimates, including percentage changes and contributions from the various income components. Tables detailing the income estimates breakdown by year can be found in Appendix B through Appendix D.

Figure 5: Expected income and sources under nine scenarios

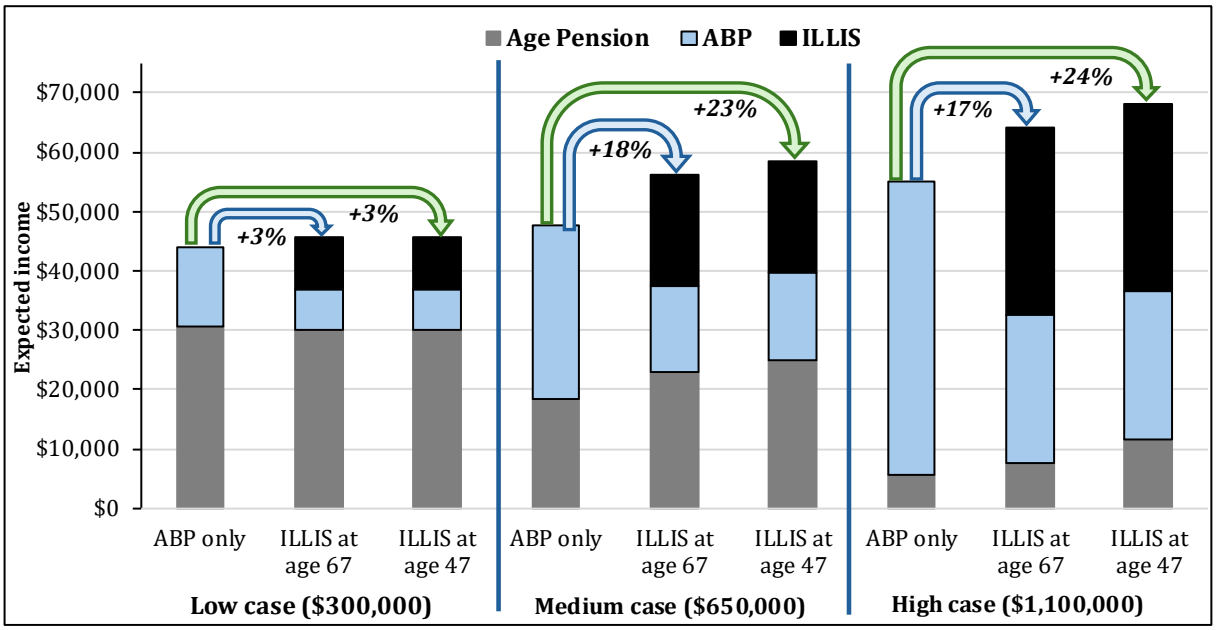


Figure 7 contains 'income layer' charts that depict the difference in the level and sources of income per year between allocating 100% to an ABP at retirement (strategy a) versus allocating to an ILLIS at age 47 (strategy c). It shows how allocating to an ILLIS can both increase expected income *throughout* most of retirement and generate *more sustainable income* relative to investing entirely in an ABP. The increase earlier in retirement stems from a combination of making it affordable to draw more income (in anticipation of receiving mortality credits later) along with earlier access to the Age Pension. The subsequent increase in income is particularly marked at older ages as mortality credits increasingly kick in and more than offset any loss of Age Pension (as seen in Figure 4). This illustrates that allocating to an ILLIS offers both the direct benefit of boosting expected income while also providing longevity protection, which in turn can help combat the fear of running out for members. Higher confidence might also encourage the member to draw from the ABP at higher rates than the MDRs and thus further boost expected income, but we have not analysed this possibility.

[17] These figures would be 2.5% higher if the 5% loading on the ILLIS were to be excluded, noting that this loading lowers the LIS income stream by 5%. The cost of providing an ILLIS should be lower for a super fund using member pooling as there is no profit component, although internal pools would entail a cost to set-up and run.

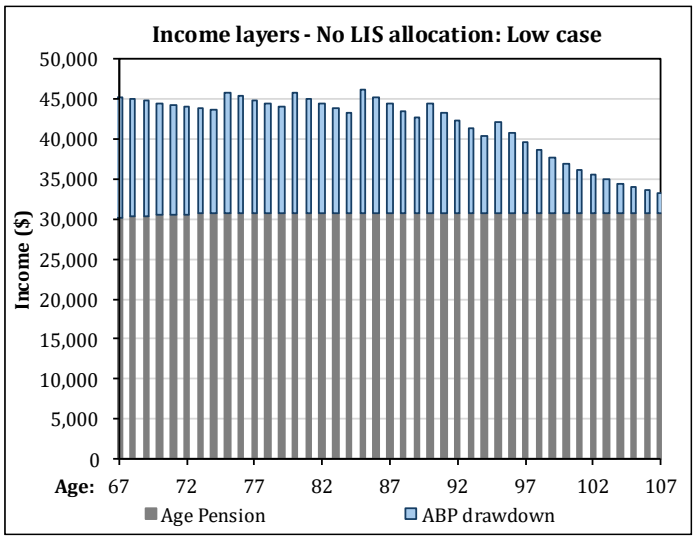
[18] A very slight reduction to below the full Age Pension of $30,646 occurs for the low case because the income test becomes binding early in retirement under the assumptions.

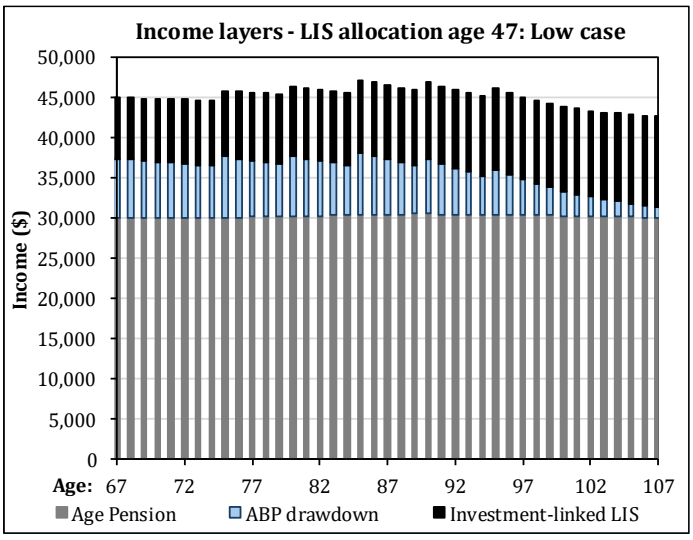
Figure 6: Summary of main results

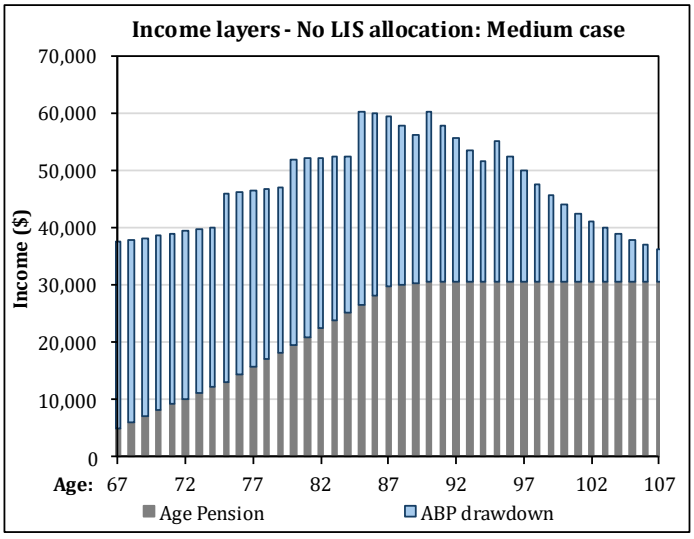
Allocation	100% ABP	ILLIS 50% allocation at age 67			ILLIS 50% allocation at age 47		
			vs.100% ABP			vs. 100% ABP	
Estimate	$	$	% change	Contribution	$	% change	Contribution
Low financial resources case							
Net contributions, age 47 to 67	$3,500						
Total available assets at age 67	$300,000						
Allocation to ILLIS at age 47					$83,051		
% of account balance at age 47					74%		
Allocation to ILLIS at age 67		$150,000					
% of account balance at age 67		100%					
Underyling asset value age 67		$150,000			$150,000		
Deemed amount for assets test		$150,000			$87,304		
Expected retirement income *							
Age Pension	$30,575	$30,191	-1%	-1%	$30,192	-1%	-1%
Account-based pension	$13,522	$6,761	14%	4%	$6,761	14%	4%
Lifetime income stream	$0	$8,655			$8,655		
TOTAL EXPECTED INCOME	**$44,097**	**$45,607**	**3%**	**3%**	**$45,608**	**3%**	**3%**
Medium financial resources case							
Net contributions, age 47 to 67	$7,500						
Total value of assets at age 67	$650,000						
Allocation to ILLIS at age 47					$179,945		
% of account balance at age 47					73%		
Allocation to ILLIS at age 67		$325,000					
% of account balance at age 67		100%					
Underyling asset value age 67		$325,000			$325,000		
Deemed amount for assets test		$325,000			$189,159		
Expected retirement income *							
Age Pension	$18,391	$22,855	24%	9%	$25,069	36%	14%
Account-based pension	$29,297	$14,649	14%	9%	$14,649	14%	9%
Lifetime income stream	$0	$18,753			$18,753		
TOTAL EXPECTED INCOME	**$47,688**	**$56,256**	**18%**	**18%**	**$58,470**	**23%**	**23%**
High financial resources case							
Total value of assets at age 47	$417,496						
Total available assets at age 67	$1,100,000						
Allocation to ILLIS at age 47	$12,500				$304,522		
% of account balance at age 47					73%		
Allocation to ILLIS at age 67		$550,000					
% of account balance at age 67		100%					
Underyling asset value age 67		$550,000			$550,000		
Deemed amount for assets test		$550,000			$320,115		
Expected retirement income *							
Age Pension	$5,551	$7,723	39%	4%	$11,679	110%	11%
Account-based pension	$49,580	$24,790	14%	13%	$24,790	14%	13%
Lifetime income stream	$0	$31,735			$31,735		
TOTAL EXPECTED INCOME	**$55,131**	**$64,248**	**17%**	**17%**	**$68,204**	**24%**	**24%**

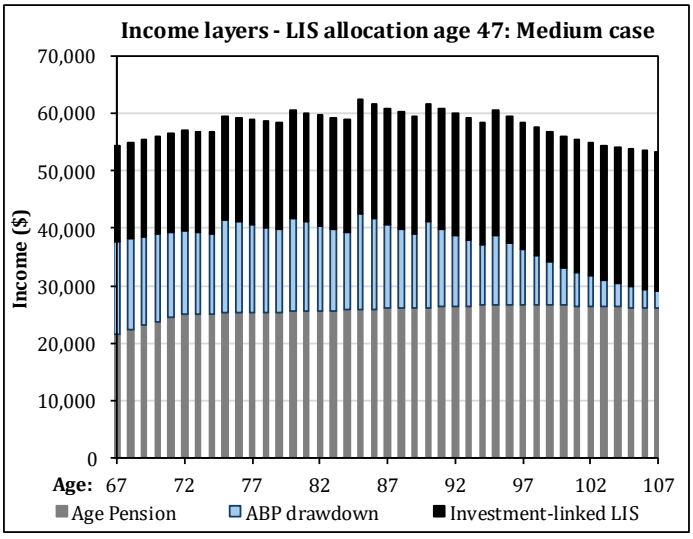
** Estimated as a survival-weighted average from age 67 to 107. Simple average of income to age 92 is very similar, reflecting that age 92 is close to expectancy at age 67*

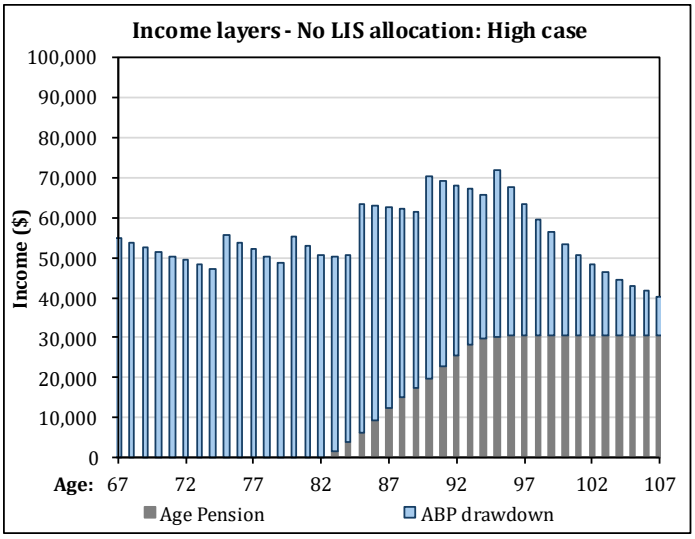
Figure 7: Income layer charts

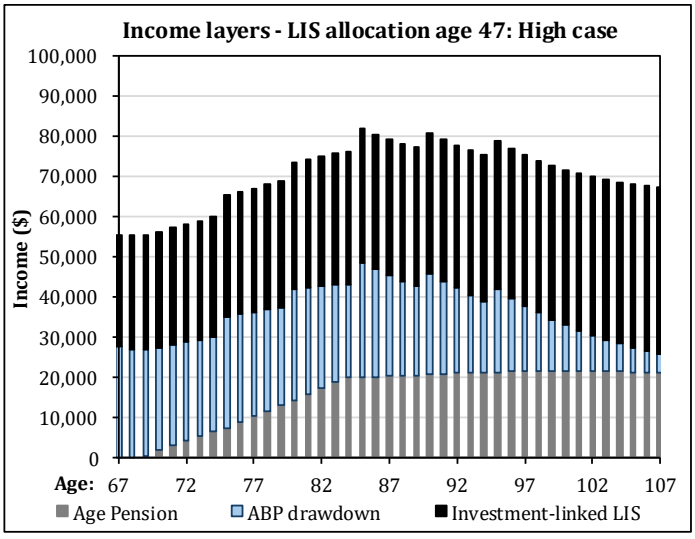












Another takeaway is that allocating to an ILLIS leads to an increase in expected income for *all* member cases. While the gains are far greater for the medium and high case members who benefit from an Age Pension uplift, the low case member also receives a 3% increase in expected income. Here the increase in income is concentrated later in retirement, as can be seen in Figure 7 and Appendix B. This indicates how access to mortality credits can have the dual benefit of increasing expected income and providing longevity protection even for members with lower balances, albeit a more modest degree.

The income boost might be further enhanced by an increased ILLIS allocation but this involves further lessening access to funds. How much allocation to an ILLIS is appropriate depends on how this trade-off is viewed. We do not address this trade-off in any more depth than recognising that it exists.

3.3. Accessible funds

Figure 8 provides insight into potential access to capital. It contains three charts comparing the ABP balance with and without ILLIS allocation, and a fourth chart presenting the Capital Access Schedule (CAS). The key takeaway is that flexible access to funds can still remain available albeit to a diminished degree when allocating to an ILLIS for two reasons. First, partial allocation to an ILLIS allows access to capital through the ABP, potentially to a meaningful extent especially earlier in retirement before the ABP balance is run down. Second, ILLIS are often offered with death and exit benefits which provide some access to capital. However, access is constrained by the CAS and so diminishes with age and is capped at life expectancy. A typical approach used by many providers is to provide access benefits that are limited to the original purchase amount less any subsequent payments.

Figure 8: Access to capital

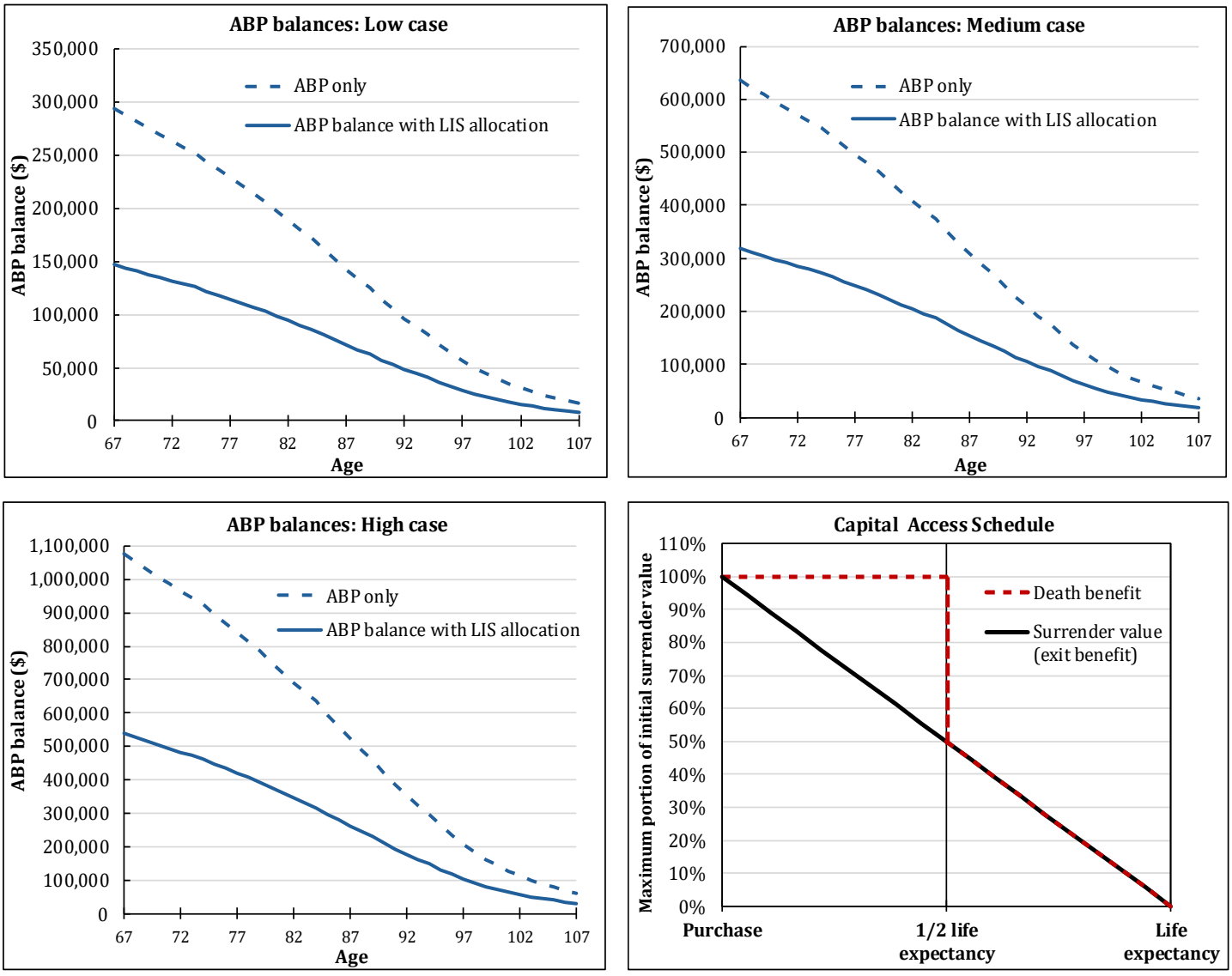
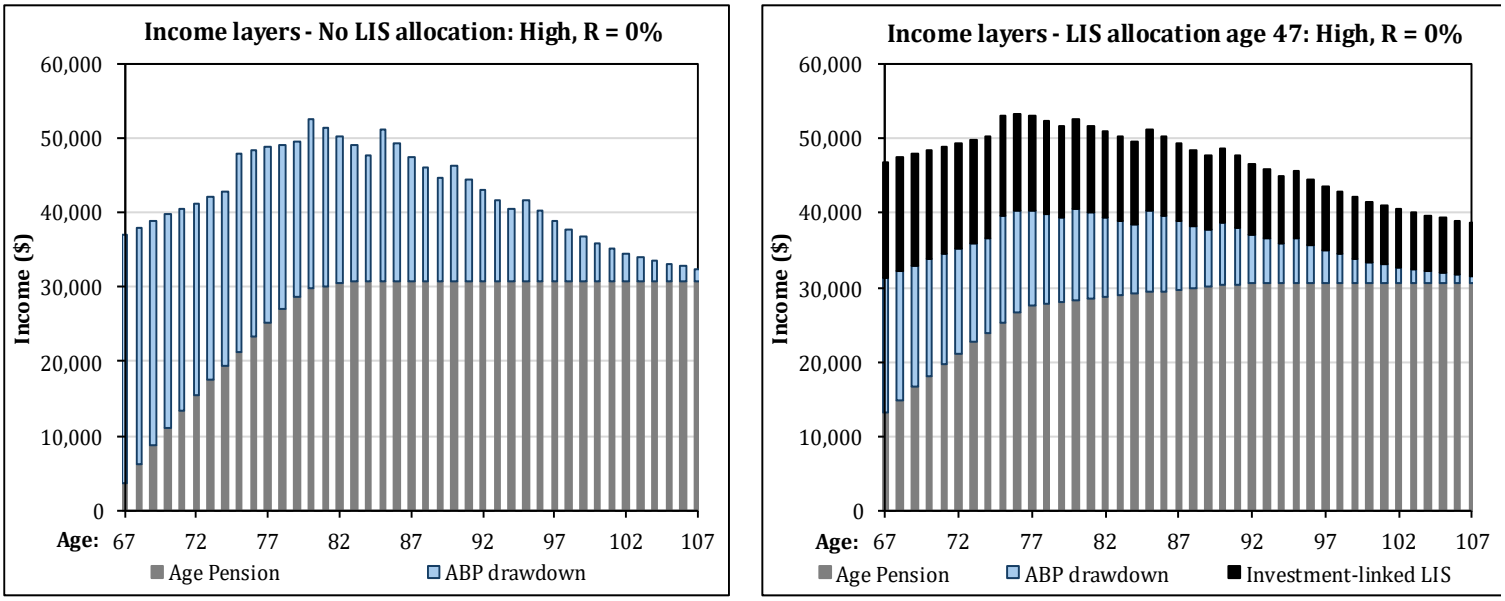


Figure 8 helps put the benefit of providing access to funds through an ILLIS (or any LIS) via death or exit benefits into the broader context of an integrated retirement solution. Arguably the need for access to funds through an ILLIS is rendered less valuable in this context as it tends to be provided at the same time that access via any ABP balance is likely to be substantial, i.e. earlier in retirement. In addition, securing this access requires accepting lower income through the ILLIS, to the extent that it diminishes the assets that may be available to contribute back into the pool upon death. The value of providing members with access to funds through an ILLIS in the context of an overall retirement solution thus becomes debatable. Nevertheless, such access may still need to be offered to encourage members to accept an ILLIS, given the reluctance of many retirees to give up complete access to any capital they invest as well as assuage their concerns about 'losing out' if they happen to die early.

3.4. Sensitivity to return assumptions

Deterministic modelling obscures the sensitivity to return outcomes. We hence re-model the high case under 0% realised real return to demonstrate the impact of lower returns (see Appendix E for income estimates). There is an overall reduction in income during retirement, which occurs in large part because there are less assets available to fund income payments. More to the point in the context, the potential income uplift from allocating 50% of assets to an ILLIS declines from 17% to 11% if the allocation is made at age 67, and from 24% to 10% if the allocation is made at age 47. Further, the longevity protection provided by the ILLIS is lessened significantly. As Figure 9 reveals, the difference in both the level and pattern of income through retirement from allocating to a LIS under lower returns is diminished. We also experimented with a realised return of -3% under the high case. The income boost from allocating to an ILLIS further diminishes to only around 2%-3% while the longevity protection benefits are very significantly attenuated[19].

Figure 9: Income layer charts for high case with zero real return



Reflecting on the results for the 0% return scenario, a potpourri of factors is evident:

- Available assets at retirement drop from $1.1 million to about $667,500, lowering the income level.
- Lower realised returns during retirement further decrease the income available from both the ABP and the ILLIS.
- With regard to the ILLIS, below-expected returns impact on the pattern of income which now declines through retirement. This reflects lessened mortality credits as the assets available to be contributed back into the pool are reduced as well as the direct impact of lower returns on income.
- Age Pension payments increase overall as eligibility kicks in earlier due to the impact of lower assets on the assets test, and later in retirement for the ILLIS due to lower income under the income test.
- Allocating to an ILLIS at age 47 yields no additional Age Pension uplift because returns during accumulation sit below the deeming rate.

3.5. Key takeaways from the modelling

The modelling reveals that allocating to an ILLIS should increase income, although the extent to which this occurs will depend on a range of factors including the member's financial resources, the amount allocated, whether and when an allocation is made during the accumulation phase, realised returns and a range of other assumptions. Nevertheless, our analysis reveals that some income benefit is highly likely to accrue across a relatively broad range of members and investment return scenarios.

[19] The 2% assumed investment return (AIR) assumption is retained for the ILLIS, which results in a substantially lower income over time as realised returns come in considerably below the AIR.

4. Low LIS take-up – Drivers and possible actions

The Appendix to our Explainer #9 *Lifetime income streams* lists 38 reasons suggested in the literature why the take-up of LIS is much less than 'rational' models suggest, albeit the reasons offered vary in plausibility. Overall, there is likely to be multiple drivers behind the so-called 'annuity puzzle'. Below we discuss what we see as the key reasons why take-up has been very modest within the Australian super industry, noting that both supply and demand forces are at play (covered in Section 4.1 and Section 4.2, respectively). Section 4.3 finishes with some actions that could help to increase take-up.

4.1. LIS offerings by super funds are currently limited

On the supply side, only a minority of super funds offer LIS to their members, many of which have done so for a short period of time[20]. This means that LIS have been largely unavailable for the majority of those members who rely on their super fund as a conduit for investing their retirement savings. There are also some obstacles related to super funds themselves in making LIS available to members:

- **Time to develop** – Many super funds are currently working towards developing the capacity to offer LIS to their members, but it all takes time. This is especially the case for funds who are developing ILLIS using member pooling, which can have the advantage of allowing the fund to retain management of the investments while reducing the cost and thus maximising member benefit. Developing product internally is difficult and may take at least 2-3 years to complete.
- **Priorities** – Super funds face many competing priorities but have limited resources and management bandwidth. Developing a LIS offering may be assigned lower priority by some funds, especially those with a relatively modest number of members in retirement.
- **Reluctance** – Some super funds appear to be pushing back on developing a LIS offering. Some view their members as not needing LIS because of a skew towards lower balance members who can rely on the Age Pension for guaranteed income for life. Other funds are wary about a lack of willingness of members to take up LIS, leading to concerns over whether the development costs are justified and the potential legacy product risks.
- **Understanding** – We also feel that limited understanding of LIS is holding back some of the industry, in a large part because the benefits are not fully appreciated. This report aims to help address this issue for a specific type of LIS, i.e. an ILLIS.

4.2. Reluctance of members to take-up LIS

From the demand side, members are not taking up LIS to any significant degree even when they are made available. Amongst many potential reasons, four are worth highlighting:

- **Lack of understanding** – Members are often not aware that LIS exist. Further, when they are aware, they may not understand these products or their benefits.
- **Framing** – LIS are often framed as a stand-alone investment product, which encourages a focus on the notional running yield and a concern that capital might be sacrificed for little gain if they die early. Narrow framing of LIS as a stand-alone product also misses the role they can play within an integrated retirement solution, including that access to capital can be provided through other components such as an ABP and potential for LIS to also provide an Age Pension uplift.
- **Reluctance to give up access to capital** – Retirees may feel 'locked in' to a LIS and fear that circumstances may change, notwithstanding there may be some access to capital available through death and/or exit benefits (see Section 3.3).
- **How LIS are offered** – LIS are typically offered on a menu of options for retirees to purchase if they desire, positioning them as a complex and confusing choice product. Take-up of products becomes more likely where an option is presented as a default, or at least presented as part of a strong

[20] Explainer #9 *Lifetime income streams* discusses the LIS offerings in the super industry at the beginning of 2025.

recommendation (or nudge). This rarely occurs for LIS in a super context, although could be enhanced if Tranche 2 of the Delivering Better Financial Outcomes (DBFO) reforms is enacted[21].

4.3. Actions that could boost take-up

Some actions that super funds might take to increase LIS take-up by members include the following:

- *Build understanding of how LIS operate and their benefits*
  - Internally from board through to operational staff, to engender organisational support
  - Externally with members, to establish a base of familiarity
- *Develop a capability to offer LIS to members*, i.e. make supply available
  - Potentially internal, out-sourced or hybrid
- *Embed LIS within integrated retirement solutions*, supported by procedures to offer solutions containing LIS to members for which they are suitable:
  - Capacity to identify members who would benefit from solutions that include a LIS
  - Solutions presented as either a type of 'default'[22] or recommendation to those members
  - Ability to implement those retirement solutions for members
- *Establish a capacity for members to allocate to ILLIS in accumulation*
  - Ability to offer investment options in format that supports transfer into an ILLIS at retirement
  - Communicate potential benefits, i.e. same investment plus ILLIS option without commitment
  - Procedures to encourage and assist members to transfer into ILLIS at retirement
- *Care with framing*
  - Describe LIS using 'consumption' framing rather than investment framing, i.e. as a product that provides some income for life while also potentially boosting expected income
  - Focus on role ILLIS can play within an overall retirement solution in conjunction with an ABP

[21] A recommendation to take up a LIS is more likely to be made under a financial advice process, but this is only relevant for a relatively small number of members and mainly applies to those who pay for bespoke advice. Elements of DBFO may enable super funds to provide accessible retirement advice to the broader membership.

[22] See our November 2025 report titled *Default retirement solutions: Why, what and how*.

5. Reflections for policymakers

Our main recommendation for policymakers is to make intentions with regard to the policy framework around ILLIS clear to the industry at large. The importance of doing so is heightened by the possibility of a significant expansion in ILLIS offerings by super funds. We sense that super funds are looking closely at recent developments in the offering of ILLIS to members, including making them available during accumulation. Many funds might follow the lead of the early-movers incentivised by a combination of the benefits of ILLIS for members as documented in this report, scope to base ILLIS around existing investment options and thus retaining control over the assets, and the member retention possibilities of offering access during accumulation. In any event, the industry will be building product based on the existing rules and many must hold some concern over the rules being changed at some stage. While we understand that policymakers have provided no indication of doing so in private, a more definitive statement of intentions to the industry at large would be helpful.

Below we raise a number of issues that policymakers might consider in crystallising their position, with the treatment of ILLIS under the Age pension means test being a particular flashpoint. The range of issues raise are complex, deep and often debatable, and hence may we worthy of a close look.

5.1. Broader issues around policy design

Policymakers face an interesting situation with regard to the treatment of LIS in general and ILLIS in particular under the Age Pensions assets test. Our analysis reveals that ILLIS are favoured under the Age Pension means test relative to other products, offering the possibility of a significant uplift for super fund members who traverse the means test taper zone sometime during retirement that is potentially further boosted if the ILLIS allocation is made during accumulation. On the other hand, LIS currently appear under-used within the super system, presenting a case for policymaker to support greater take-up for the reason that many retirees are missing out on the potential benefits and better outcomes under the RIC objectives.

- **Overall policy goal** – To what extent is encouraging the take-up of longevity protection a desirable policy goal; and if so, is providing an incentive via a net Age Pension uplift an effective way to achieve the goal? We note that the potential Age Pension uplift arises from allocating to ILLIS not only in the retirement phase, but also during accumulation (discussed in the next dot point).
- **Efficiency of policy design** – To what extent does a relation between investment returns and Age Pension benefits available from an ILLIS represent efficient design, and if not, what might be done? This issue arises from the value counted under the Age Pension assets test being anchored to the initial amount allocated. Specifically, purchase of an ILLIS at retirement is anchored to a reduced value of 60 cents in the dollar until age 85 and 30 cents thereafter for the purposes of the assets test; while amounts allocated during accumulation are increased by the deeming rate (currently maximum of 2.75%) until transitioning and are thus also anchored to the initial amount allocated. This creates a mechanism by which a gap can emerge in Age Pension eligibility between a standard accumulation account that is rolled into an ABP and an allocation to a LIS and an ILLIS in particular, with the realised gap under an ILLIS depending on realised investment returns.
- **Equity** – Are ILLIS being treated too generously under the existing rules, thus creating an uneven playing field across potential products and possible equity impacts across members (noting that low balance members do not receive any Age Pension benefit from an ILLIS).
- **Budget implications** – What is the potential cost to the government budget associated with the existing treatment of ILLIS, and is it acceptable? While ILLIS give access to increased Age Pension benefits especially earlier in retirement, there is some offset through decreased Age Pension payments later in retirement (see Section 2.3). There may also be offsetting impacts if members are encouraged to spend more in retirement. Nevertheless, there should be a net cost to the budget[23].

[23] Some rough modelling suggests that the cost is unlikely to exceed $10 billion p.a. within the next 5 years, but could grow further over time especially if take-up of ILLIS during accumulation become widespread.

5.2. Issues related to offering of ILLIS in accumulation

- **Allocation to ILLIS in accumulation and policy goals** – Is being able to further boost access to the Age Pension through allocating to an ILLIS during accumulation desirable from a policy perspective? On one hand, doing so might further increase the take-up of longevity protection by creating an incentive to transition into an ILLIS at retirement. On the other hand, there are issues around whether such a set-up accords with broader policy goals, and whether potential for 'lock-in' effects[24] might have negative implications for competition and perhaps member best interests. A related issue is whether limits might be placed on the age at which an allocation may be made.
- **Age Pension deeming rates** – Is there a case for deeming rates to be adjusted in a way that modulates the benefit from allocation to ILLIS in accumulation? The current maximum deeming rates of 2.75% is not only enhancing the potential benefit by sitting well below expected returns on multi-asset funds but is also lower than current term deposits rates of around 4%-4.5%[25]. Adjusting the deeming rate to limit the benefit from allocating to ILLIS during accumulation would have other implications such as widening the situations where the income test becomes binding with respect to ABPs and other assets. One possibility might be to apply deeming rates to ILLIS in accumulation that are linked in some way to specific product and either their expected or realised returns, thus limiting the potential gap between underlying asset value and the value counted for the assets test. However, this would introduce complexity into the application of Age Pension deeming rates.
- **MySuper defaults** – If allocating to an ILLIS during accumulation delivers superior member outcomes, are policy changes required to allow MySuper defaults to allocate members into a balanced fund that provides the option to transition into an ILLIS at retirement so that MySuper members are not disadvantaged relative to choice members?
- **Fourteen days to transfer into the ILLIS upon entering retirement** – Does the requirement to transfer into an ILLIS within 14 days after meeting an unconditional condition of release need to be addressed? This is a tight timetable for super funds to engage with members over what their wishes regarding the use of their accumulation balance and seems an unnecessarily restrictive friction.

5.3. Transferability and standardisation

- **Transferability** – Should steps be taken to ensure that LIS are transferable between providers, i.e. portable? Establishing portability mechanisms for LIS would be pro-competition and might help encourage take-up amongst members who are concerned over being locked into a product offering of one provider. It may also assist with facilitating super fund mergers. How portability might be implemented for LIS in general is discussed in a recent Actuaries Institute post[26, 27]. A related issue is whether the Age Pension deeming benefits arising from allocating to an ILLIS during accumulation should be transferable to other providers. Doing so would allow members to switch funds at retirement without loss of Age Pension benefits, thus helping to counter the lock-in effect.
- **Standardisation** – Is there a case for establishing greater standardisation for ILLIS and LIS in general around aspects such as terminology, structure and the declaration of fees and costs? Lack of standardisation can be detrimental to understanding and comparing products. It may also hamper any attempts to introduce transferability.

[24] The lock-in effect arises because members might be strongly encouraged to remain with their existing super fund at retirement to avoid losing their Age Pension uplift benefits.

[25] There has traditionally been a loose link between deeming rates and term deposit rates.

[26] Adam Butt and Jim Hennington, *Portability for Lifetime Income Streams*, 10 December 2025,.

[27] Some guidance might be found from the frameworks for cash-equivalent transfer values of defined benefit funds in the UK , and US 1035 exchanges allowing for the tax-free transfer of funds from one non-qualified life insurance policy, annuity contract or endowment policy to another "like-kind" policy

6. Where this all leads us

Allocating to an ILLIS can provide an income boost along with longevity protection for *all* super fund members because all can benefit from access to mortality credits. Further benefit from an Age Pension uplift may be available for members likely to traverse the means test taper zone during their retirement. There is also the possibility of enhancing the Age Pension uplift through allocating to an ILLIS in accumulation, which may have additional behavioural benefits by encouraging greater use of ILLIS. The question is the extent to which it is appropriate for members to trade-off *some* flexible access to funds within super for the prospect of higher and more sustainable income, noting that flexible access to funds can meanwhile be provided through an ABP within an integrated retirement solution, potentially other financial resources external to super, and possibly death and exit benefits through the ILLIS. In many cases, a partial allocation to an ILLIS could be quite advantageous.

Nevertheless, there will be situations where retaining full access to funds is appropriate. For example, members with very low balances may prefer to retain their retirement savings in an ABP to access as needed, rather than allocating a small amount to an ILLIS paying an insignificant amount of income. Members with a clear desire for unfettered access to all their retirement savings due to (say) a strong bequest motive or a particular need for full flexibility may not want to be anchored down by an ILLIS. In other situations, a member may have meaningful assets outside of super to draw on if needed and might welcome their super fund delivering an enhanced stream of income for life through either a generous or perhaps even 100% allocation to an ILLIS with respect to their assets held within super.

When all is said and done, we suspect that a substantial group of super fund members should be better off allocating a slice of their super balance at retirement to an ILLIS. Our investigation reveals that splitting the assets available at retirement between an ILLIS and an ABP can provide income benefits that are quite significant for members with medium-to-high assets, and modest for members with low assets that are on the full Age Pension. Meanwhile a meaningful level of access to funds can be retained through an ABP, especially earlier in retirement.

Given the potential benefits for many members, super funds should have the capability to offer LIS as part of integrated retirement solutions, with ILLIS offering some particular attractions. Scope exists to provide members with a better balance between the three RIC objectives of maximising expected income, managing risks to income and providing flexible access to funds. For a super fund, ILLIS are worth exploring due to the potential to layer longevity protection on top of existing investment options, although this requires building a structure to manage and supply mortality credits. Offering ILLIS in accumulation is also well worth considering. Key challenges are determining what form any LIS offering may take, building the capability to provide them, and being able to identify the members who would benefit.

ILLIS are currently offered in the market by a number of suppliers. AMP North, ART, Generation Life and Insignia offer ILLIS that are built on top of existing choice options, while Allianz Retire+ and Challenger offer ILLIS while retaining management of the underlying investments. All these products provide access to mortality credits and potential for an Age Pension uplift, and hence can supply the benefits discussed in this paper. The recent APRA-ASIC 2025 *Pulse Check on retirement income covenant implementation* reports that 36% of the RSE licensees surveyed are intending to "conduct a review of longevity products or introduce a new product to address longevity risk" by end-June 2026. Based on our analysis, we recommend that the possibility of offering ILLIS be given some serious consideration by both these funds and others who have not yet set their direction.

Finally, we appeal to policymakers to make their policy intentions with regard to LIS and ILLIS in particular clear to the super industry at large, with the aim of providing some certainty so that super funds can move forward with business cases for approval with greater confidence. While treatment for Age Pension eligibility may be the key issue, there is a range of other important matters worth considering including use of ILLIS in accumulation defaults, the requirement to transfer into an ILLIS at retirement within 14 days, transferability (i.e. portability) and the need for some standardisation.

APPENDICES

Appendix A: Age Pension impact from allocating $100,000 to an ILLIS vs. ABP

Allocation to:		0% real return				3% real return				6% real return			
		ABP	ILLIS		Age Pension:	ABP	ILLIS		Age Pension:	ABP	ILLIS		Age Pension:
Binding test		Assets	Assets	Income	ILLIS - ABP	Assets	Assets	Income	ILLIS - ABP	Assets	Assets	Income	ILLIS - ABP
Average to age 92		*-4,132*			*1,002*	*-5,504*			*2,230*	*-7,586*			*3,858*
Survival-weighted		*-4,232*			*1,033*	*-5,522*			*2,167*	*-7,471*			*3,626*
Age	*P(Survival)*												
67	100%	-7,800	-4,680		3,120	-7,800	-4,680		3,120	-7,800	-4,680		3,120
68	99%	-7,410	-4,566		2,844	-7,632	-4,566		3,066	-7,855	-4,566		3,289
69	99%	-7,040	-4,454		2,585	-7,468	-4,454		3,014	-7,910	-4,454		3,455
70	98%	-6,688	-4,346		2,342	-7,308	-4,346		2,962	-7,965	-4,346		3,619
71	97%	-6,353	-4,240		2,113	-7,151	-4,240		2,911	-8,021	-4,240		3,781
72	96%	-6,035	-4,136		1,899	-6,997	-4,136		2,860	-8,077	-4,136		3,940
73	95%	-5,734	-4,036		1,698	-6,846	-4,036		2,811	-8,133	-4,036		4,098
74	94%	-5,447	-3,937		1,510	-6,699	-3,937		2,762	-8,190	-3,937		4,253
75	93%	-5,175	-3,841		1,334	-6,555	-3,841		2,714	-8,248	-3,841		4,407
76	92%	-4,864	-3,747		1,117	-6,347	-3,747		2,599	-8,218	-3,747		4,471
77	91%	-4,572	-3,656		916	-6,145	-3,656		2,489	-8,188	-3,656		4,532
78	89%	-4,298	-3,567		731	-5,949	-3,567		2,383	-8,159	-3,567		4,592
79	87%	-4,040	-3,480		560	-5,760	-3,480		2,280	-8,130	-3,480		4,650
80	86%	-3,798	-3,395		403	-5,577	-3,395		2,182	-8,100	-3,395		4,705
81	83%	-3,532	-3,312		220	-5,342	-3,312		2,030	-7,985	-3,312		4,673
82	81%	-3,285	-3,231		53	-5,117	-3,231		1,886	-7,872	-3,231		4,640
83	79%	-3,055	-3,153		-98	-4,902	-3,153		1,749	-7,760	-3,153		4,608
84	76%	-2,841	-3,076		-235	-4,696	-3,076		1,620	-7,650	-3,076		4,574
85	73%	-2,642	-3,001		-359	-4,498	-3,001		1,497	-7,541		-3,056	4,485
86	69%	-2,404	-1,464		941	-4,216		-1,841	2,375	-7,274		-3,176	4,098
87	65%	-2,188	-1,428		760	-3,952		-1,859	2,093	-7,017		-3,301	3,716
88	61%	-1,991	-1,393		598	-3,704		-1,877	1,827	-6,768		-3,430	3,338
89	56%	-1,812	-1,359		453	-3,472		-1,895	1,576	-6,529		-3,565	2,964
90	51%	-1,649	-1,326		323	-3,254		-1,914	1,340	-6,298		-3,704	2,593
91	46%	-1,467	-1,294		174	-2,983		-1,933	1,050	-5,941		-3,850	2,092
92	41%	-1,306	-1,262		44	-2,734		-1,952	783	-5,605		-4,001	1,604
93	36%	-1,162	-1,231		-69	-2,507		-1,971	536	-5,288		-4,157	1,130
94	30%	-1,034	-1,201		-167	-2,298		-1,990	308	-4,988		-4,320	668
95	25%	-921	-1,172		-251	-2,106		-2,010	97	-4,706		-4,490	216
96	21%	-792	-1,143		-352	-1,866		-2,029	-164	-4,290		-4,666	-376
97	17%	-681	-1,116		-435	-1,653		-2,049	-397	-3,911		-4,849	-938
98	13%	-586	-1,088		-503	-1,464		-2,069	-605	-3,565		-5,039	-1,474
99	10%	-504	-1,062		-558	-1,297		-2,090	-793	-3,250		-5,237	-1,987
100	7%	-433	-1,036		-603	-1,149		-2,110	-961	-2,963		-5,442	-2,479
101	6%	-372	-1,011		-638	-1,018		-2,131	-1,113	-2,701		-5,655	-2,955
102	4%	-320	-986		-666	-901		-2,152	-1,250	-2,462		-5,877	-3,415
103	2%	-275	-962		-686	-798		-2,173	-1,374	-2,244		-6,108	-3,863
104	2%	-237	-938		-702	-707		-2,194	-1,487	-2,046		-6,347	-4,301
105	1%	-204	-916		-712	-626		-2,216	-1,589	-1,865		-6,596	-4,731
106	0.6%	-175	-893		-718	-555		-2,237	-1,682	-1,700		-6,855	-5,155
107	0.4%	-151	-871		-721	-492		-2,259	-1,768	-1,550		-7,124	-5,574

Appendix B: Result details for 'low' financial asset case

Age	Probability of survival	ABP only				Allocation to ILLIS at age 67						Allocation to ILLIS at age 47					
		ABP income	AP income	TOTAL INCOME	ABP balance	ABP income	ILLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance	ABP income	ILLLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance
Average to age 92		***13,768***	***30,583***	***44,351***		***6,884***	***8,661***	***30,216***	***45,761***	***3%***		***6,884***	***8,661***	***30,217***	***45,763***	***3%***	
Survival-weighted		***13,522***	***30,575***	***44,097***		***6,761***	***8,655***	***30,191***	***45,607***	***3%***		***6,761***	***8,655***	***30,192***	***45,608***	***3%***	
67	100%	15,000	30,158	**45,158**	293,550	7,500	7,646	29,926	**45,073**	**0%**	146,775	7,500	7,646	29,926	**45,073**	**0%**	146,775
68	99%	14,678	30,246	**44,924**	287,239	7,339	7,721	29,948	**45,008**	**0%**	143,619	7,339	7,721	29,948	**45,008**	**0%**	143,619
69	99%	14,362	30,333	**44,695**	281,063	7,181	7,797	29,969	**44,947**	**1%**	140,532	7,181	7,797	29,969	**44,947**	**1%**	140,532
70	98%	14,053	30,418	**44,471**	275,020	7,027	7,873	29,988	**44,888**	**1%**	137,510	7,027	7,873	29,988	**44,888**	**1%**	137,510
71	97%	13,751	30,501	**44,252**	269,107	6,876	7,951	30,007	**44,833**	**1%**	134,554	6,876	7,951	30,007	**44,833**	**1%**	134,554
72	96%	13,455	30,582	**44,038**	263,322	6,728	8,029	30,024	**44,780**	**2%**	131,661	6,728	8,029	30,024	**44,780**	**2%**	131,661
73	95%	13,166	30,646	**43,812**	257,660	6,583	8,107	30,040	**44,730**	**2%**	128,830	6,583	8,107	30,040	**44,730**	**2%**	128,830
74	94%	12,883	30,646	**43,529**	252,120	6,442	8,187	30,055	**44,683**	**3%**	126,060	6,442	8,187	30,055	**44,683**	**3%**	126,060
75	93%	15,127	30,646	**45,773**	244,103	7,564	8,267	30,069	**45,900**	**0%**	122,052	7,564	8,267	30,069	**45,900**	**0%**	122,052
76	92%	14,646	30,646	**45,292**	236,341	7,323	8,348	30,100	**45,771**	**1%**	118,170	7,323	8,348	30,100	**45,771**	**1%**	118,170
77	91%	14,180	30,646	**44,827**	228,825	7,090	8,430	30,129	**45,649**	**2%**	114,413	7,090	8,430	30,129	**45,649**	**2%**	114,413
78	89%	13,729	30,646	**44,376**	221,548	6,865	8,513	30,156	**45,533**	**3%**	110,774	6,865	8,513	30,156	**45,533**	**3%**	110,774
79	87%	13,293	30,646	**43,939**	214,503	6,646	8,596	30,181	**45,423**	**3%**	107,252	6,646	8,596	30,181	**45,423**	**3%**	107,252
80	86%	15,015	30,646	**45,661**	205,472	7,508	8,680	30,204	**46,392**	**2%**	102,736	7,508	8,680	30,204	**46,392**	**2%**	102,736
81	83%	14,383	30,646	**45,029**	196,822	7,192	8,765	30,240	**46,197**	**3%**	98,411	7,192	8,765	30,240	**46,197**	**3%**	98,411
82	81%	13,778	30,646	**44,424**	188,536	6,889	8,851	30,274	**46,014**	**4%**	94,268	6,889	8,851	30,274	**46,014**	**4%**	94,268
83	79%	13,198	30,646	**43,844**	180,599	6,599	8,938	30,305	**45,842**	**5%**	90,299	6,599	8,938	30,305	**45,842**	**5%**	90,299
84	76%	12,642	30,646	**43,288**	172,995	6,321	9,026	30,333	**45,680**	**6%**	86,498	6,321	9,026	30,333	**45,680**	**6%**	86,498
85	73%	15,570	30,646	**46,216**	162,149	7,785	9,114	30,359	**47,258**	**2%**	81,074	7,785	9,114	30,359	**47,258**	**2%**	81,074
86	69%	14,593	30,646	**45,240**	151,982	7,297	9,203	30,407	**46,907**	**4%**	75,991	7,297	9,203	30,407	**46,907**	**4%**	75,991
87	65%	13,678	30,646	**44,325**	142,453	6,839	9,294	30,450	**46,583**	**5%**	71,226	6,839	9,294	30,450	**46,583**	**5%**	71,226
88	61%	12,821	30,646	**43,467**	133,521	6,410	9,385	30,488	**46,283**	**6%**	66,760	6,410	9,385	30,488	**46,283**	**6%**	66,760
89	56%	12,017	30,646	**42,663**	125,149	6,008	9,477	30,522	**46,007**	**8%**	62,575	6,008	9,477	30,522	**46,007**	**8%**	62,575
90	51%	13,766	30,646	**44,413**	114,724	6,883	9,570	30,499	**46,952**	**6%**	57,362	6,883	9,570	30,512	**46,966**	**6%**	57,362
91	46%	12,620	30,646	**43,266**	105,168	6,310	9,664	30,478	**46,452**	**7%**	52,584	6,310	9,664	30,491	**46,465**	**7%**	52,584
92	41%	11,568	30,646	**42,215**	96,407	5,784	9,759	30,457	**45,999**	**9%**	48,204	5,784	9,759	30,469	**46,012**	**9%**	48,204
93	36%	10,605	30,646	**41,251**	88,376	5,302	9,854	30,434	**45,591**	**11%**	44,188	5,302	9,854	30,446	**45,603**	**11%**	44,188
94	30%	9,721	30,646	**40,368**	81,015	4,861	9,951	30,411	**45,222**	**12%**	40,507	4,861	9,951	30,423	**45,234**	**12%**	40,507
95	25%	11,342	30,646	**41,988**	71,763	5,671	10,048	30,387	**46,106**	**10%**	35,881	5,671	10,048	30,399	**46,118**	**10%**	35,881
96	21%	10,047	30,646	**40,693**	63,567	5,023	10,147	30,364	**45,534**	**12%**	31,784	5,023	10,147	30,375	**45,545**	**12%**	31,784
97	17%	8,899	30,646	**39,546**	56,308	4,450	10,246	30,340	**45,036**	**14%**	28,154	4,450	10,246	30,351	**45,047**	**14%**	28,154
98	13%	7,883	30,646	**38,529**	49,878	3,942	10,347	30,315	**44,603**	**16%**	24,939	3,942	10,347	30,326	**44,614**	**16%**	24,939
99	10%	6,983	30,646	**37,629**	44,182	3,491	10,448	30,289	**44,229**	**18%**	22,091	3,491	10,448	30,300	**44,239**	**18%**	22,091
100	7%	6,185	30,646	**36,832**	39,136	3,093	10,551	30,263	**43,906**	**19%**	19,568	3,093	10,551	30,273	**43,916**	**19%**	19,568
101	6%	5,479	30,646	**36,125**	34,667	2,740	10,654	30,235	**43,629**	**21%**	17,333	2,740	10,654	30,245	**43,639**	**21%**	17,333
102	4%	4,853	30,646	**35,500**	30,708	2,427	10,758	30,207	**43,392**	**22%**	15,354	2,427	10,758	30,217	**43,402**	**22%**	15,354
103	2%	4,299	30,646	**34,945**	27,201	2,150	10,864	30,179	**43,192**	**24%**	13,600	2,150	10,864	30,188	**43,202**	**24%**	13,600
104	2%	3,808	30,646	**34,454**	24,095	1,904	10,970	30,150	**43,024**	**25%**	12,047	1,904	10,970	30,159	**43,033**	**25%**	12,047
105	1%	3,373	30,646	**34,019**	21,343	1,687	11,078	30,120	**42,884**	**26%**	10,672	1,687	11,078	30,129	**42,894**	**26%**	10,672
106	0.6%	2,988	30,646	**33,634**	18,906	1,494	11,187	30,089	**42,770**	**27%**	9,453	1,494	11,187	30,098	**42,779**	**27%**	9,453
107	0.4%	2,647	30,646	**33,293**	16,747	1,323	11,296	30,059	**42,678**	**28%**	8,373	1,323	11,296	30,067	**42,687**	**28%**	8,373

Appendix C: Result details for 'medium' financial asset case

Age	Probability of survival	ABP only				Allocation to ILLIS at age 67						Allocation to ILLIS at age 47					
		ABP income	AP income	TOTAL INCOME	ABP balance	ABP income	ILLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance	ABP income	ILLLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance
Average to age 92		***29,831***	***19,111***	***48,942***		***14,916***	***18,766***	***23,131***	***56,812***	***16%***		***14,916***	***18,766***	***25,129***	***58,811***	***20%***	
Survival-weighted		***29,297***	***18,391***	***47,688***		***14,649***	***18,753***	***22,855***	***56,256***	***18%***		***14,649***	***18,753***	***25,069***	***58,470***	***23%***	
67	100%	32,500	5,023	**37,523**	636,025	16,250	16,567	15,163	**47,980**	**28%**	318,013	16,250	16,567	21,521	**54,337**	**45%**	318,013
68	99%	31,801	6,113	**37,914**	622,351	15,901	16,729	16,079	**48,709**	**28%**	311,176	15,901	16,729	22,281	**54,911**	**45%**	311,176
69	99%	31,118	7,180	**38,297**	608,970	15,559	16,893	16,974	**49,427**	**29%**	304,485	15,559	16,893	23,025	**55,478**	**45%**	304,485
70	98%	30,449	8,224	**38,672**	595,877	15,224	17,059	17,849	**50,133**	**30%**	297,939	15,224	17,059	23,753	**56,036**	**45%**	297,939
71	97%	29,794	9,245	**39,039**	583,066	14,897	17,226	18,704	**50,828**	**30%**	291,533	14,897	17,226	24,464	**56,587**	**45%**	291,533
72	96%	29,153	10,244	**39,397**	570,530	14,577	17,395	19,540	**51,512**	**31%**	285,265	14,577	17,395	25,056	**57,027**	**45%**	285,265
73	95%	28,527	11,222	**39,748**	558,264	14,263	17,566	20,357	**52,186**	**31%**	279,132	14,263	17,566	25,091	**56,920**	**43%**	279,132
74	94%	27,913	12,179	**40,092**	546,261	13,957	17,738	21,155	**52,850**	**32%**	273,131	13,957	17,738	25,123	**56,818**	**42%**	273,131
75	93%	32,776	13,115	**45,890**	528,890	16,388	17,912	21,935	**56,235**	**23%**	264,445	16,388	17,912	25,154	**59,453**	**30%**	264,445
76	92%	31,733	14,470	**46,203**	512,071	15,867	18,087	22,917	**56,871**	**23%**	256,036	15,867	18,087	25,220	**59,174**	**28%**	256,036
77	91%	30,724	15,782	**46,506**	495,787	15,362	18,265	23,870	**57,497**	**24%**	247,894	15,362	18,265	25,283	**58,910**	**27%**	247,894
78	89%	29,747	17,052	**46,799**	480,021	14,874	18,444	24,795	**58,113**	**24%**	240,011	14,874	18,444	25,341	**58,658**	**25%**	240,011
79	87%	28,801	18,282	**47,083**	464,757	14,401	18,625	25,395	**58,421**	**24%**	232,379	14,401	18,625	25,395	**58,421**	**24%**	232,379
80	86%	32,533	19,472	**52,005**	445,190	16,266	18,807	25,445	**60,519**	**16%**	222,595	16,266	18,807	25,445	**60,519**	**16%**	222,595
81	83%	31,163	20,998	**52,162**	426,448	15,582	18,992	25,524	**60,098**	**15%**	213,224	15,582	18,992	25,524	**60,098**	**15%**	213,224
82	81%	29,851	22,460	**52,312**	408,494	14,926	19,178	25,597	**59,701**	**14%**	204,247	14,926	19,178	25,597	**59,701**	**14%**	204,247
83	79%	28,595	23,861	**52,455**	391,297	14,297	19,366	25,665	**59,328**	**13%**	195,649	14,297	19,366	25,665	**59,328**	**13%**	195,649
84	76%	27,391	25,202	**52,593**	374,823	13,695	19,556	25,726	**58,977**	**12%**	187,412	13,695	19,556	25,726	**58,977**	**12%**	187,412
85	73%	33,734	26,487	**60,221**	351,322	16,867	19,747	25,782	**62,396**	**4%**	175,661	16,867	19,747	25,782	**62,396**	**4%**	175,661
86	69%	31,619	28,320	**59,939**	329,294	15,809	19,941	25,885	**61,635**	**3%**	164,647	15,809	19,941	25,885	**61,635**	**3%**	164,647
87	65%	29,636	29,755	**59,391**	308,647	14,818	20,137	25,978	**60,933**	**3%**	154,324	14,818	20,137	25,978	**60,933**	**3%**	154,324
88	61%	27,778	30,039	**57,817**	289,295	13,889	20,334	26,060	**60,284**	**4%**	144,648	13,889	20,334	26,060	**60,284**	**4%**	144,648
89	56%	26,037	30,305	**56,341**	271,156	13,018	20,534	26,134	**59,686**	**6%**	135,578	13,018	20,534	26,134	**59,686**	**6%**	135,578
90	51%	29,827	30,554	**60,381**	248,569	14,914	20,735	26,198	**61,847**	**2%**	124,285	14,914	20,735	26,198	**61,847**	**2%**	124,285
91	46%	27,343	30,646	**57,989**	227,863	13,671	20,938	26,292	**60,902**	**5%**	113,932	13,671	20,938	26,292	**60,902**	**5%**	113,932
92	41%	25,065	30,646	**55,711**	208,882	12,532	21,144	26,373	**60,049**	**8%**	104,441	12,532	21,144	26,373	**60,049**	**8%**	104,441
93	36%	22,977	30,646	**53,623**	191,482	11,489	21,351	26,441	**59,281**	**11%**	95,741	11,489	21,351	26,441	**59,281**	**11%**	95,741
94	30%	21,063	30,646	**51,709**	175,532	10,532	21,560	26,498	**58,590**	**13%**	87,766	10,532	21,560	26,498	**58,590**	**13%**	87,766
95	25%	24,574	30,646	**55,221**	155,486	12,287	21,771	26,544	**60,603**	**10%**	77,743	12,287	21,771	26,544	**60,603**	**10%**	77,743
96	21%	21,768	30,646	**52,414**	137,730	10,884	21,985	26,618	**59,487**	**13%**	68,865	10,884	21,985	26,618	**59,487**	**13%**	68,865
97	17%	19,282	30,646	**49,928**	122,001	9,641	22,200	26,676	**58,517**	**17%**	61,000	9,641	22,200	26,676	**58,517**	**17%**	61,000
98	13%	17,080	30,646	**47,726**	108,068	8,540	22,418	26,622	**57,580**	**21%**	54,034	8,540	22,418	26,646	**57,604**	**21%**	54,034
99	10%	15,130	30,646	**45,776**	95,727	7,565	22,638	26,566	**56,768**	**24%**	47,864	7,565	22,638	26,589	**56,792**	**24%**	47,864
100	7%	13,402	30,646	**44,048**	84,795	6,701	22,859	26,509	**56,069**	**27%**	42,397	6,701	22,859	26,531	**56,091**	**27%**	42,397
101	6%	11,871	30,646	**42,517**	75,111	5,936	23,083	26,450	**55,469**	**30%**	37,556	5,936	23,083	26,472	**55,491**	**31%**	37,556
102	4%	10,516	30,646	**41,162**	66,534	5,258	23,310	26,389	**54,956**	**34%**	33,267	5,258	23,310	26,410	**54,978**	**34%**	33,267
103	2%	9,315	30,646	**39,961**	58,935	4,657	23,539	26,327	**54,523**	**36%**	29,468	4,657	23,539	26,348	**54,544**	**36%**	29,468
104	2%	8,251	30,646	**38,897**	52,205	4,125	23,769	26,264	**54,159**	**39%**	26,103	4,125	23,769	26,284	**54,179**	**39%**	26,103
105	1%	7,309	30,646	**37,955**	46,243	3,654	24,003	26,199	**53,856**	**42%**	23,122	3,654	24,003	26,219	**53,876**	**42%**	23,122
106	0.6%	6,474	30,646	**37,120**	40,962	3,237	24,238	26,133	**53,608**	**44%**	20,481	3,237	24,238	26,153	**53,628**	**44%**	20,481
107	0.4%	5,735	30,646	**36,381**	36,284	2,867	24,475	26,067	**53,409**	**47%**	18,142	2,867	24,475	26,086	**53,428**	**47%**	18,142

Appendix D: Result details for 'high' financial asset case

Age	Probability of survival	ABP only				Allocation to ILLIS at age 67						Allocation to ILLIS at age 47					
		ABP income	AP income	TOTAL INCOME	ABP balance	ABP income	ILLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance	ABP income	ILLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance
Average to age 92		***50,483***	***5,182***	***55,665***		***25,242***	***31,758***	***8,343***	***65,342***	***17%***		***25,242***	***31,758***	***12,311***	***69,311***	***25%***	
Survival-weighted		***49,580***	***5,551***	***55,131***		***24,790***	***31,735***	***7,723***	***64,248***	***17%***		***24,790***	***31,735***	***11,679***	***68,204***	***24%***	
67	100%	55,000	0	**55,000**	1,076,350	27,500	28,036	0	**55,536**	**1%**	538,175	27,500	28,036	0	**55,536**	**1%**	538,175
68	99%	53,818	0	**53,818**	1,053,209	26,909	28,311	0	**55,219**	**3%**	526,605	26,909	28,311	0	**55,219**	**3%**	526,605
69	99%	52,660	0	**52,660**	1,030,565	26,330	28,589	0	**54,919**	**4%**	515,283	26,330	28,589	389	**55,308**	**5%**	515,283
70	98%	51,528	0	**51,528**	1,008,408	25,764	28,869	0	**54,633**	**6%**	504,204	25,764	28,869	1,619	**56,253**	**9%**	504,204
71	97%	50,420	0	**50,420**	986,727	25,210	29,152	0	**54,362**	**8%**	493,364	25,210	29,152	2,823	**57,185**	**13%**	493,364
72	96%	49,336	0	**49,336**	965,512	24,668	29,438	0	**54,106**	**10%**	482,756	24,668	29,438	3,999	**58,106**	**18%**	482,756
73	95%	48,276	0	**48,276**	944,754	24,138	29,726	0	**53,864**	**12%**	472,377	24,138	29,726	5,150	**59,014**	**22%**	472,377
74	94%	47,238	0	**47,238**	924,442	23,619	30,018	0	**53,637**	**14%**	462,221	23,619	30,018	6,274	**59,911**	**27%**	462,221
75	93%	55,466	0	**55,466**	895,044	27,733	30,312	0	**58,045**	**5%**	447,522	27,733	30,312	7,374	**65,419**	**18%**	447,522
76	92%	53,703	0	**53,703**	866,582	26,851	30,609	206	**57,666**	**7%**	433,291	26,851	30,609	8,820	**66,281**	**23%**	433,291
77	91%	51,995	0	**51,995**	839,025	25,997	30,909	1,818	**58,725**	**13%**	419,512	25,997	30,909	10,223	**67,130**	**29%**	419,512
78	89%	50,341	0	**50,341**	812,344	25,171	31,213	3,384	**59,767**	**19%**	406,172	25,171	31,213	11,583	**67,967**	**35%**	406,172
79	87%	48,741	0	**48,741**	786,511	24,370	31,519	4,903	**60,792**	**25%**	393,256	24,370	31,519	12,902	**68,791**	**41%**	393,256
80	86%	55,056	0	**55,056**	753,399	27,528	31,828	6,377	**65,733**	**19%**	376,700	27,528	31,828	14,181	**73,537**	**34%**	376,700
81	83%	52,738	0	**52,738**	721,681	26,369	32,140	8,124	**66,633**	**26%**	360,841	26,369	32,140	15,738	**74,247**	**41%**	360,841
82	81%	50,518	0	**50,518**	691,298	25,259	32,455	9,805	**67,519**	**34%**	345,649	25,259	32,455	17,234	**74,947**	**48%**	345,649
83	79%	48,391	1,802	**50,193**	662,194	24,195	32,773	11,423	**68,392**	**36%**	331,097	24,195	32,773	18,671	**75,639**	**51%**	331,097
84	76%	46,354	4,072	**50,426**	634,316	23,177	33,095	12,981	**69,253**	**37%**	317,158	23,177	33,095	19,802	**76,073**	**51%**	317,158
85	73%	57,088	6,247	**63,335**	594,544	28,544	33,418	14,481	**76,444**	**21%**	297,272	28,544	33,418	19,896	**81,859**	**29%**	297,272
86	69%	53,509	9,349	**62,858**	557,266	26,755	33,746	20,071	**80,572**	**28%**	278,633	26,755	33,746	20,071	**80,572**	**28%**	278,633
87	65%	50,154	12,256	**62,410**	522,326	25,077	34,077	20,228	**79,383**	**27%**	261,163	25,077	34,077	20,228	**79,383**	**27%**	261,163
88	61%	47,009	14,982	**61,991**	489,576	23,505	34,412	20,368	**78,285**	**26%**	244,788	23,505	34,412	20,368	**78,285**	**26%**	244,788
89	56%	44,062	17,536	**61,598**	458,880	22,031	34,750	20,492	**77,272**	**25%**	229,440	22,031	34,750	20,492	**77,272**	**25%**	229,440
90	51%	50,477	19,931	**70,407**	420,655	25,238	35,090	20,601	**80,929**	**15%**	210,328	25,238	35,090	20,601	**80,929**	**15%**	210,328
91	46%	46,272	22,912	**69,184**	385,614	23,136	35,434	20,761	**79,330**	**15%**	192,807	23,136	35,434	20,761	**79,330**	**15%**	192,807
92	41%	42,418	25,645	**68,063**	353,493	21,209	35,781	20,897	**77,887**	**14%**	176,746	21,209	35,781	20,897	**77,887**	**14%**	176,746
93	36%	38,884	28,151	**67,035**	324,047	19,442	36,132	21,013	**76,587**	**14%**	162,023	19,442	36,132	21,013	**76,587**	**14%**	162,023
94	30%	35,645	29,827	**65,472**	297,054	17,823	36,486	21,109	**75,418**	**15%**	148,527	17,823	36,486	21,109	**75,418**	**15%**	148,527
95	25%	41,588	30,198	**71,786**	263,130	20,794	36,844	21,187	**78,825**	**10%**	131,565	20,794	36,844	21,187	**78,825**	**10%**	131,565
96	21%	36,838	30,646	**67,484**	233,081	18,419	37,205	21,312	**76,936**	**14%**	116,540	18,419	37,205	21,312	**76,936**	**14%**	116,540
97	17%	32,631	30,646	**63,277**	206,463	16,316	37,570	21,409	**75,295**	**19%**	103,231	16,316	37,570	21,409	**75,295**	**19%**	103,231
98	13%	28,905	30,646	**59,551**	182,885	14,452	37,938	21,482	**73,873**	**24%**	91,442	14,452	37,938	21,482	**73,873**	**24%**	91,442
99	10%	25,604	30,646	**56,250**	161,999	12,802	38,310	21,532	**72,644**	**29%**	81,000	12,802	38,310	21,532	**72,644**	**29%**	81,000
100	7%	22,680	30,646	**53,326**	143,499	11,340	38,685	21,563	**71,589**	**34%**	71,750	11,340	38,685	21,563	**71,589**	**34%**	71,750
101	6%	20,090	30,646	**50,736**	127,111	10,045	39,064	21,577	**70,686**	**39%**	63,556	10,045	39,064	21,577	**70,686**	**39%**	63,556
102	4%	17,796	30,646	**48,442**	112,595	8,898	39,447	21,480	**69,825**	**44%**	56,298	8,898	39,447	21,516	**69,861**	**44%**	56,298
103	2%	15,763	30,646	**46,410**	99,737	7,882	39,834	21,375	**69,091**	**49%**	49,868	7,882	39,834	21,410	**69,126**	**49%**	49,868
104	2%	13,963	30,646	**44,609**	88,347	6,982	40,225	21,268	**68,474**	**53%**	44,174	6,982	40,225	21,302	**68,509**	**54%**	44,174
105	1%	12,369	30,646	**43,015**	78,258	6,184	40,620	21,158	**67,962**	**58%**	39,129	6,184	40,620	21,192	**67,996**	**58%**	39,129
106	0.6%	10,956	30,646	**41,602**	69,321	5,478	41,018	21,047	**67,543**	**62%**	34,660	5,478	41,018	21,080	**67,576**	**62%**	34,660
107	0.4%	9,705	30,646	**40,351**	61,404	4,852	41,420	20,934	**67,206**	**67%**	30,702	4,852	41,420	20,966	**67,239**	**67%**	30,702

Appendix E: Result details for 'high' financial asset case with 0% real return

Age	Probability of survival	ABP only				Allocation to ILLIS at age 67						Allocation to ILLIS at age 47					
		ABP income	AP income	TOTAL INCOME	ABP balance	ABP income	ILLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance	ABP income	ILLLIS Income	AP income	TOTAL INCOME	% income boost	ABP balance
Average to age 92		***21,847***	***23,752***	***45,600***		***10,924***	***13,429***	***25,856***	***50,208***	***10%***		***11,880***	***12,253***	***25,737***	***49,870***	***9%***	
Survival-weights		***21,863***	***23,016***	***44,879***		***10,932***	***13,502***	***25,508***	***49,941***	***11%***		***11,889***	***12,320***	***25,350***	***49,558***	***10%***	
67	100%	33,375	3,659	**37,033**	634,121	16,687	17,013	14,071	**47,772**	**29%**	317,061	18,149	15,523	13,160	**46,831**	**26%**	344,826
68	99%	31,706	6,262	**37,968**	602,415	15,853	16,679	15,754	**48,286**	**27%**	301,208	17,241	15,219	14,923	**47,383**	**25%**	327,584
69	99%	30,121	8,735	**38,856**	572,294	15,060	16,352	17,362	**48,775**	**26%**	286,147	16,379	14,920	16,607	**47,906**	**23%**	311,205
70	98%	28,615	11,084	**39,699**	543,680	14,307	16,031	18,900	**49,238**	**24%**	271,840	15,560	14,628	18,215	**48,403**	**22%**	295,645
71	97%	27,184	13,316	**40,500**	516,496	13,592	15,717	20,369	**49,678**	**23%**	258,248	14,782	14,341	19,752	**48,875**	**21%**	280,863
72	96%	25,825	15,437	**41,261**	490,671	12,912	15,409	21,775	**50,096**	**21%**	245,335	14,043	14,060	21,220	**49,322**	**20%**	266,819
73	95%	24,534	17,451	**41,984**	466,137	12,267	15,107	23,118	**50,492**	**20%**	233,069	13,341	13,784	22,622	**49,747**	**18%**	253,479
74	94%	23,307	19,364	**42,671**	442,830	11,653	14,811	24,404	**50,868**	**19%**	221,415	12,674	13,514	23,962	**50,150**	**18%**	240,805
75	93%	26,570	21,182	**47,752**	416,261	13,285	14,520	25,633	**53,438**	**12%**	208,130	14,448	13,249	25,243	**52,940**	**11%**	226,356
76	92%	24,976	23,255	**48,231**	391,285	12,488	14,236	26,982	**53,705**	**11%**	195,643	13,581	12,989	26,656	**53,226**	**10%**	212,775
77	91%	23,477	25,203	**48,680**	367,808	11,739	13,956	27,406	**53,101**	**9%**	183,904	12,766	12,734	27,537	**53,037**	**9%**	200,008
78	89%	22,068	27,034	**49,103**	345,739	11,034	13,683	27,649	**52,366**	**7%**	172,870	12,001	12,485	27,787	**52,272**	**6%**	188,008
79	87%	20,744	28,756	**49,500**	324,995	10,372	13,414	27,881	**51,668**	**4%**	162,498	11,280	12,240	28,026	**51,546**	**4%**	176,727
80	86%	22,750	29,814	**52,564**	302,245	11,375	13,151	28,103	**52,629**	**0%**	151,123	12,371	12,000	28,253	**52,623**	**0%**	164,357
81	83%	21,157	30,127	**51,284**	281,088	10,579	12,894	28,337	**51,809**	**1%**	140,544	11,505	11,764	28,493	**51,763**	**1%**	152,852
82	81%	19,676	30,418	**50,094**	261,412	9,838	12,641	28,558	**51,037**	**2%**	130,706	10,700	11,534	28,721	**50,954**	**2%**	142,152
83	79%	18,299	30,646	**48,945**	243,113	9,149	12,393	28,768	**50,310**	**3%**	121,557	9,951	11,308	28,936	**50,194**	**3%**	132,201
84	76%	17,018	30,646	**47,664**	226,095	8,509	12,150	28,966	**49,625**	**4%**	113,048	9,254	11,086	29,139	**49,479**	**4%**	122,947
85	73%	20,349	30,646	**50,995**	205,747	10,174	11,912	29,155	**51,241**	**0%**	102,873	11,065	10,869	29,332	**51,265**	**1%**	111,882
86	69%	18,517	30,646	**49,163**	187,230	9,259	11,678	29,365	**50,301**	**2%**	93,615	10,069	10,655	29,548	**50,272**	**2%**	101,813
87	65%	16,851	30,646	**47,497**	170,379	8,425	11,449	29,561	**49,435**	**4%**	85,189	9,163	10,446	29,749	**49,358**	**4%**	92,649
88	61%	15,334	30,646	**45,980**	155,045	7,667	11,225	29,744	**48,636**	**6%**	77,522	8,338	10,242	29,936	**48,516**	**6%**	84,311
89	56%	13,954	30,646	**44,600**	141,091	6,977	11,005	29,915	**47,897**	**7%**	70,545	7,588	10,041	30,111	**47,740**	**7%**	76,723
90	51%	15,520	30,646	**46,166**	125,571	7,760	10,789	30,076	**48,625**	**5%**	62,785	8,440	9,844	30,275	**48,558**	**5%**	68,283
91	46%	13,813	30,646	**44,459**	111,758	6,906	10,577	30,159	**47,643**	**7%**	55,879	7,511	9,651	30,449	**47,611**	**7%**	60,772
92	41%	12,293	30,646	**42,940**	99,465	6,147	10,370	30,232	**46,748**	**9%**	49,732	6,685	9,462	30,504	**46,651**	**9%**	54,087
93	36%	10,941	30,646	**41,587**	88,523	5,471	10,166	30,302	**45,939**	**10%**	44,262	5,950	9,276	30,570	**45,795**	**10%**	48,138
94	30%	9,738	30,646	**40,384**	78,786	4,869	9,967	30,370	**45,206**	**12%**	39,393	5,295	9,094	30,633	**45,023**	**11%**	42,843
95	25%	11,030	30,646	**41,676**	67,756	5,515	9,772	30,437	**45,723**	**10%**	33,878	5,998	8,916	30,646	**45,560**	**9%**	36,845
96	21%	9,486	30,646	**40,132**	58,270	4,743	9,580	30,503	**44,826**	**12%**	29,135	5,158	8,741	30,646	**44,546**	**11%**	31,686
97	17%	8,158	30,646	**38,804**	50,112	4,079	9,392	30,566	**44,038**	**13%**	25,056	4,436	8,570	30,646	**43,652**	**12%**	27,250
98	13%	7,016	30,646	**37,662**	43,097	3,508	9,208	30,628	**43,344**	**15%**	21,548	3,815	8,402	30,646	**42,863**	**14%**	23,435
99	10%	6,034	30,646	**36,680**	37,063	3,017	9,028	30,646	**42,690**	**16%**	18,532	3,281	8,237	30,646	**42,164**	**15%**	20,154
100	7%	5,189	30,646	**35,835**	31,874	2,594	8,851	30,646	**42,091**	**17%**	15,937	2,822	8,075	30,646	**41,543**	**16%**	17,333
101	6%	4,462	30,646	**35,109**	27,412	2,231	8,677	30,646	**41,554**	**18%**	13,706	2,427	7,917	30,646	**40,990**	**17%**	14,906
102	4%	3,838	30,646	**34,484**	23,574	1,919	8,507	30,646	**41,072**	**19%**	11,787	2,087	7,762	30,646	**40,495**	**17%**	12,819
103	2%	3,300	30,646	**33,947**	20,274	1,650	8,340	30,646	**40,636**	**20%**	10,137	1,795	7,610	30,646	**40,051**	**18%**	11,025
104	2%	2,838	30,646	**33,485**	17,435	1,419	8,177	30,646	**40,242**	**20%**	8,718	1,543	7,460	30,646	**39,650**	**18%**	9,481
105	1%	2,441	30,646	**33,087**	14,994	1,220	8,016	30,646	**39,883**	**21%**	7,497	1,327	7,314	30,646	**39,288**	**19%**	8,154
106	0.6%	2,099	30,646	**32,745**	12,895	1,050	7,859	30,646	**39,555**	**21%**	6,448	1,142	7,171	30,646	**38,959**	**19%**	7,012
107	0.4%	1,805	30,646	**32,452**	11,090	903	7,705	30,646	**39,254**	**21%**	5,545	982	7,030	30,646	**38,658**	**19%**	6,031