

SURVIVE THRIVE



Natural Selection

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**Actuaries
Institute**



Retirement income framework

Policy developments on CIPRs and retirement income

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2018-19 Budget measures

- *More Choices for a Longer Life* package
 - Clarification of means testing rules for pooled lifetime products
 - Retirement income covenant
 - Standardised disclosure for retirement income products
 - Expansion of the pension loans scheme
- *Protecting Your Super* package

Retirement incomes policy work



Removing the barriers to lifetime products

Tax treatment
(Capital Access
Schedule) ✓

Social security
means test
treatment ✓

Retirement Income Framework

Retirement income
covenant

Retirement
income
projections

Simplified,
standardised
disclosure for
retirement products

Regulatory
framework

Retirement Income Covenant

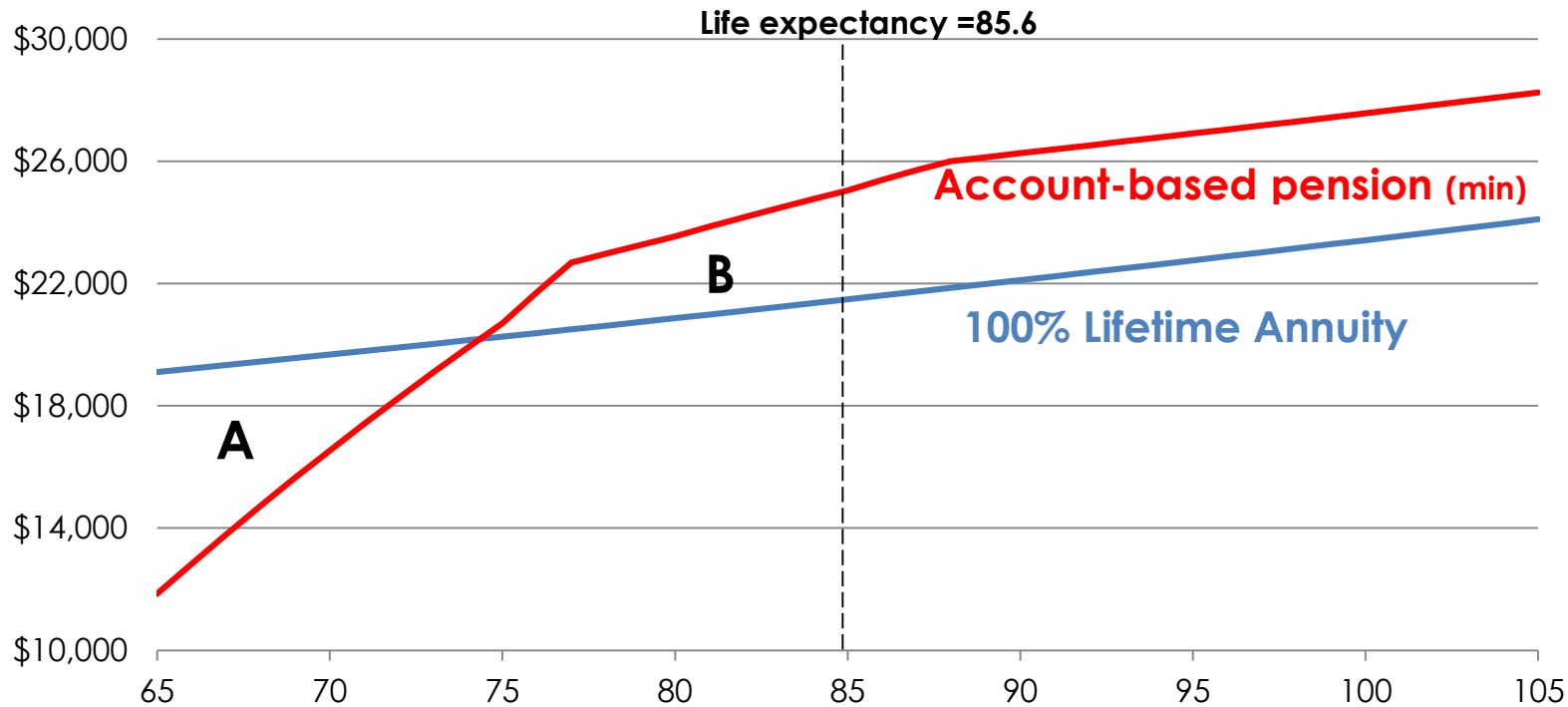
- Trustees will be required to formulate a retirement income strategy
- Trustees will be required to provide guidance to members and help them find the right product for their needs
- To satisfy these requirements, trustees must offer a CIPR to members

Means testing treatment for pooled products

- New means testing rules for pooled lifetime income streams will begin 1 July 2019
 - 60% of all product payments assessed as income
 - 60% of purchase price assessed as assets until age 84 (or for min. 5 years), 30% thereafter
- These changes encourage more choice and flexibility in retirement

Age Pension Income

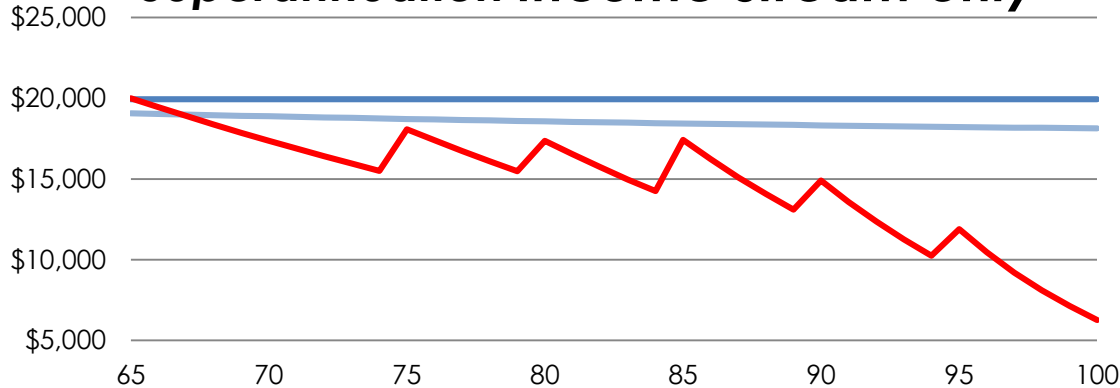
Single homeowner, \$400K superannuation, retire at 65



Single homeowner, \$400K superannuation, retire 65

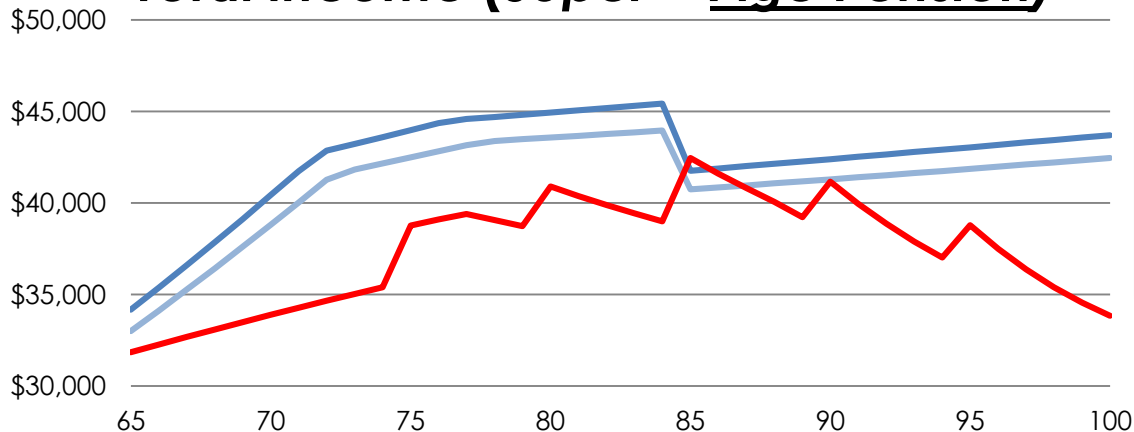


Superannuation Income Stream only



- CIPR (basic DLA)
- CIPR (high flexibility)
- ABP (minimum drawdown)

Total income (Super + Age Pension)



Basic DLA: 20% DLA, 80% ABP

High flexibility: 17.5% DLA,
70% ABP, 12.5% (\$50K) cash
account

Disclosure

- Disclosure of retirement income products currently focus on an ‘investment’ lens, not *income*
- It is difficult for consumers to compare retirement income products on features such as level and stability of income
- Possible approach is to require disclosure of standardised metrics to aid comparison and comprehension



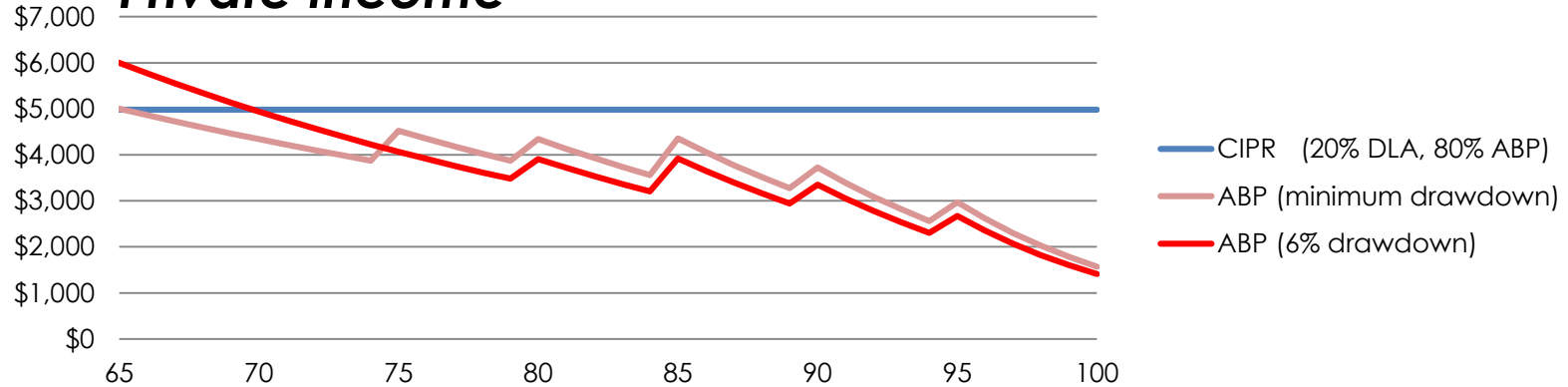
Next steps: submissions on the Government's position paper on the retirement covenant due on 15 July

Questions?

Single homeowner, \$100K superannuation, retire 65



Private Income



Total income (Private Income + Age Pension)

