▶ **24 August 2021**

retirement
health**check**

ACCURIUM

Notes

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Reference No.	00010811

Retirement health**check** report

This report allows you to:

- Understand the sustainability of your retirement lifestyle; and
- Understand the range of likely outcomes for your expected lifespan and the market performance of your assets.

Interpreting the results

This report will assist you in evaluating the sustainability of your desired retirement lifestyle. A retirement lifestyle is considered to be sustainable if you have sufficient assets to continue spending in line with your desired lifestyle until the last person in your household passes away. A retirement lifestyle is not sustainable if you outlive your savings.

This assessment takes into account the following key factors that impact your assets over time:

- superannuation holdings including accumulation and pension accounts, and asset allocation
- non-superannuation holdings including asset allocation
- future Age Pension entitlements including means testing
- planned spending over time
- other income sources and tax obligations

Inflation eroding your future purchasing power, volatility in investment markets and living longer than expected are the main risks you face in relation to your finances in retirement. To assess the sustainability of your retirement lifestyle in light of these risks, this report tests your plans through 2,000 different simulations to represent a full range of possible outcomes for each of these unknowns.

Sustainability result (confidence level)

The ability to meet your retirement lifestyle is assessed as follows:

MEDIUM

This result shows that in **66%** of the 2,000 scenarios that we tested, your retirement lifestyle (adjusted for future inflation) is sustainable throughout your projected lifespan.

This means that you have a 34% chance of outliving your savings in retirement.

| The retirement lifestyle we tested is as follows: |
|---|
| Spending level: $90,000 p.a. |
| No reduction in spending as household gets older |
| No reduction in spending on first death |
| No one-off additional expenses |
| No minimum total savings on last death |

Modelling based on fixed assumptions – ignoring risks

In this type of modelling a single market scenario is forecast based on fixed long term assumptions. The charts below provide a baseline scenario, ignoring risk factors, using the assumptions that you have provided (see page 6) to help illustrate how your desired lifestyle will be funded.

How your retirement spending is funded
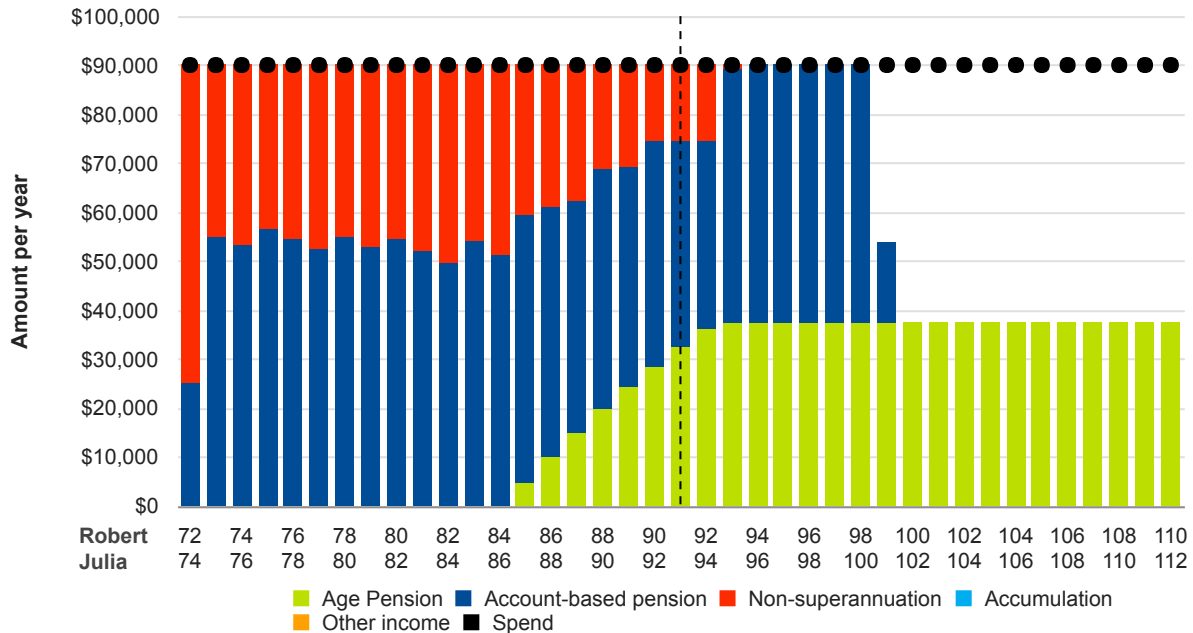

Household net savings
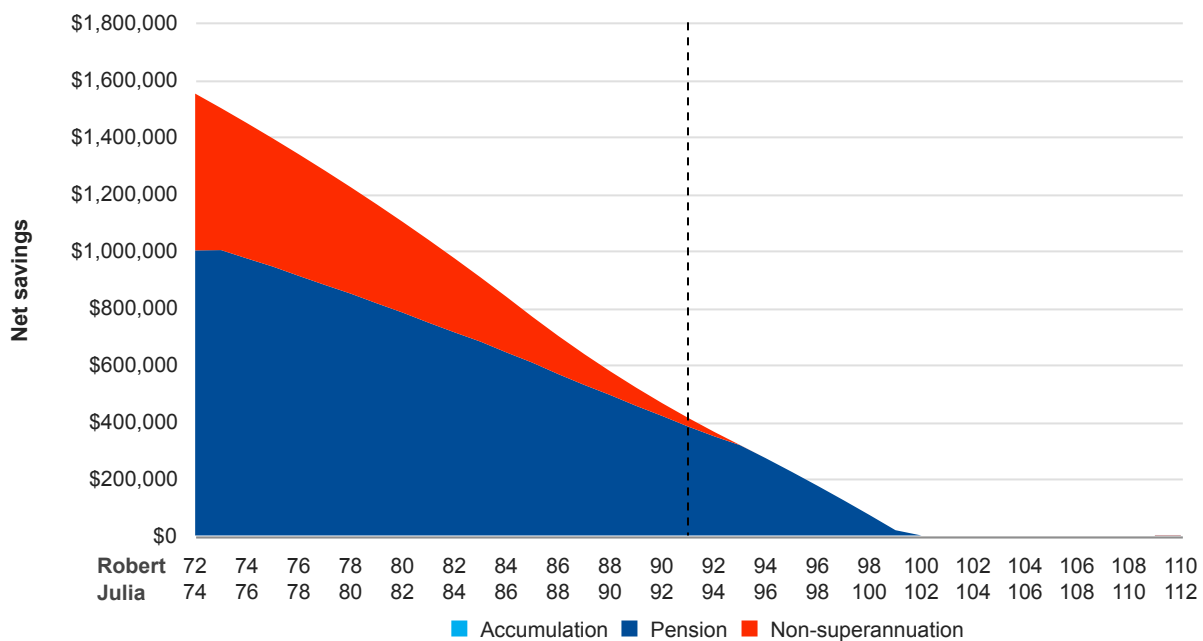
Notes:
- The dotted line above shows there is at least a 50% chance that one of you will still be alive in 19 years time.
- All figures are in today's dollars (i.e. the effects of future inflation have been removed) and exclude the value of your home and personal assets.
- Based on your asset allocation, the forecast return used in the above charts is 4.9% for your superannuation and for your non-superannuation investments is 4.4% (gross of tax and net of fees). We have also allowed for future inflation by adjusting the forecast returns by the inflation assumption (2.0%).
- See Accurium's retirement health**check** 'Methodology and Assumptions' guide for other key assumptions used.

Stress testing – allowing for risk

The following chart illustrates there is an 80% chance that your future total net savings will fall within the blue shaded area below. The bottom of the blue range represents a 'worst case' outcome at each age, for example there is a 10% chance of running out of money after 18 years' and the top of the blue range represents a 'best case' outcome at each age, for example there is a 10% chance of your savings being approximately $650,000 in 23 years' time. The green line represents the median or the middle outcome of the 2,000 scenarios we tested.

Range of future outcomes

| | Median outcome | Range of outcomes |
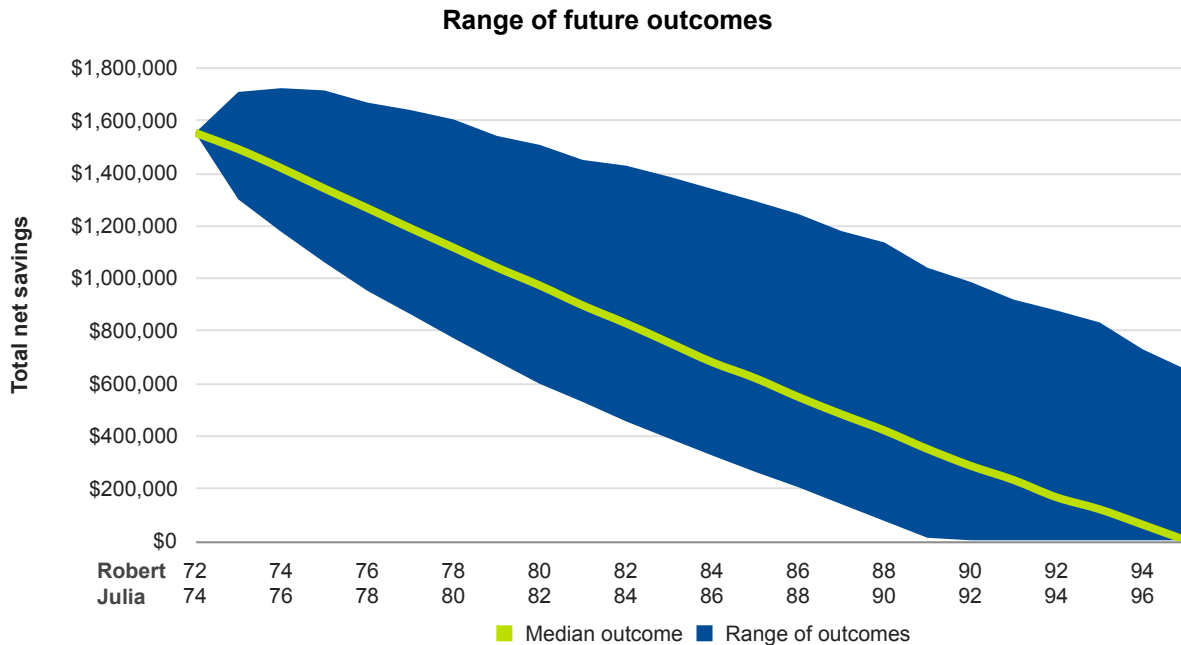
Figures are shown in today's dollars and exclude the value of your home and personal assets. See Accurium's retirement health**check** 'Methodology and Assumptions' guide for other key assumptions used.

Longevity analysis

Chance that one of you is still alive
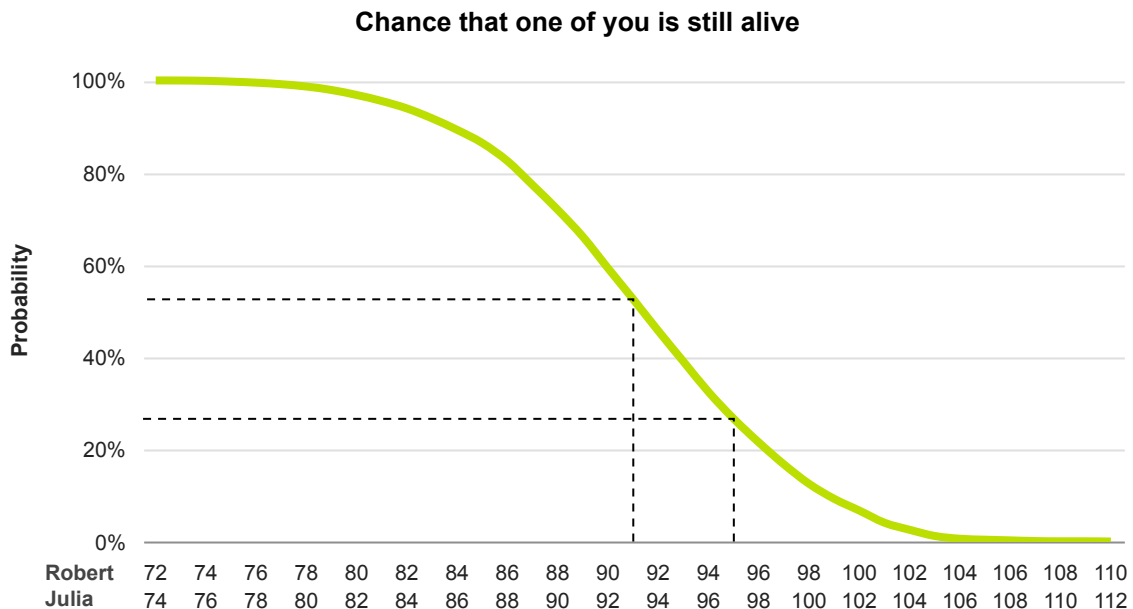
The assumptions used in this report show that:

◆ There is at least a 50% chance that one of you will still be alive in 19 years time

◆ There is at least a 25% chance that one of you will still be alive in 23 years time

Household details

Relationship status	Couple

Client details
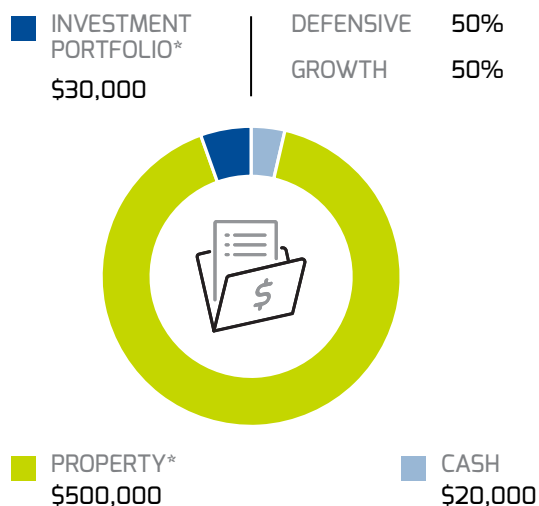
	Person 1	Person 2
Full name	Robert Jones	Julia Jones
Date of birth	01/12/1948	01/07/1947
Gender	Male	Female

Household savings

Own your own home?	Yes
Value of personal assets	$55,000
Total household savings (including superannuation)	$1,550,000

Non-superannuation assets

INVESTMENT PORTFOLIO*	DEFENSIVE	50%
$30,000	GROWTH	50%

■ PROPERTY*	■ CASH
$500,000	$20,000

value of property and investment portfolio is net of debt.

Other income

	Person 1	Person 2
Income per annum	n/a	n/a
Remaining years of income from today	n/a	n/a
Life insurance	n/a	n/a

No one-off additional incomes

Superannuation details

	Person 1	Person 2
Accumulation balance	$0	$0
Tax free component	n/a	n/a
Total superannuation balance	$500,000	$500,000

Superannuation asset allocation

■ CASH	■ FIXED INTEREST	■ OTHER GROWTH
24%	4%	14%

■ OVERSEAS SHARES	■ AUS SHARES	■ PROPERTY
1%	44%	13%
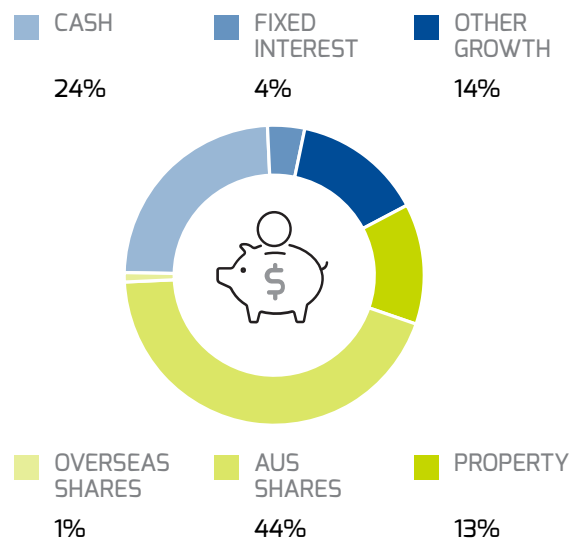
Fees and charges

- Superannuation fee $2,500 per annum (assumed to increase each year with inflation)
- Superannuation investment management fees per annum:

Asset class	Fees per annum
Cash	0.0%
Fixed interest	1.0%
Australian shares	1.0%
International shares	1.5%
Property	1.5%
Other growth	1.5%

- non-superannuation investment management fees per annum:

Asset class	Fees per annum
Cash	0.0%
Property	1.5%
Investment portfolio	1.0%

Person 1 – Account-based pensions

Total Pension balance	$500,000
Remaining transfer balance cap	$1,100,000

Pension 1	
Age Pension income test	Deemed
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	$500,000
Tax free component	50%
Reversionary?	Yes
Pension 2	
Age Pension income test	n/a
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	n/a
Tax free component	n/a
Reversionary?	n/a
Pension 3	
Age Pension income test	n/a
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	n/a
Tax free component	n/a
Reversionary?	n/a
Pension 4	
Age Pension income test	n/a
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	n/a
Tax free component	n/a
Reversionary?	n/a

Person 2 – Account-based pensions

Total Pension balance	$500,000
Remaining transfer balance cap	$1,100,000

Pension 1	
Age Pension income test	Deemed
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	$500,000
Tax free component	50%
Reversionary?	Yes
Pension 2	
Age Pension income test	n/a
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	n/a
Tax free component	n/a
Reversionary?	n/a
Pension 3	
Age Pension income test	n/a
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	n/a
Tax free component	n/a
Reversionary?	n/a
Pension 4	
Age Pension income test	n/a
Commencement date	n/a
Purchase price (less commutations)	n/a
Balance	n/a
Tax free component	n/a
Reversionary?	n/a

Fixed assumptions based on user inputs

◆ For the fixed assumptions forecast on page 2, the per annum investment return assumptions used are:

Asset class	Fixed assumptions
Cash	2.5%
Fixed interest	3.0%
Property	6.0%
Australian shares	7.5%
International shares	7.0%
Other growth	7.0%
Growth	7.0%
Defensive	3.0%
CPI (inflation)	2.0%

◆ An allowance for a proportion of each year's capital gains on non-superannuation property investments (over and above rental income) and non-superannuation financial investments (over and above interest, rent and dividends) is assumed to be taxable. The forecast does not track detailed capital gains events but the following proportion of *each* year's gain is assumed taxable.

  - proportion of annual property capital gains taxable: 50.0%

  - proportion of annual investment capital gains taxable: 50.0%

◆ The forecast does not distinguish between income and capital gains earned on assets supporting accumulation interests in superannuation. Earnings on these assets are generally taxed at 15%, however, the effective tax rate is often lower due to, for example, capital gains discounts and imputation credits. The following tax rate represents the effective tax rate assumed to apply to total returns on assets supporting accumulation interests:

  - Accumulation tax rate: 12.0%

Actuarial statement

This report is designed to provide an assessment of the sustainability of a household's retirement lifestyle, taking into account the three main risks that retirees face: inflation, market risk and longevity risk.

For additional details on the methodology and assumptions used in the modelling please refer to Accurium's retirement health**check** 'Methodology and Assumptions' guide.
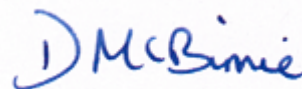
Limitations of the model

◆ The model is designed for long term Australian tax residents who are retired or are considering retiring today.

◆ If a retiree's health status differs significantly from the average Australian then their lifespan range may differ from what is assumed in the model.

◆ Should a retiree have a complex tax situation, or a large proportion of their investments invested in a way that is unlikely to behave like the asset classes modelled then their risks and returns may be different to that assumed, for example assets held in a single company.

◆ If tax, social security or superannuation laws change significantly in the future then this would impact the results produced by the model.

◆ User inputs are assumed to be complete and accurate.

While the assumptions set by Accurium are considered reasonable at the present time, the assumptions will be reviewed regularly. A forecast that is more than a year old should be re-evaluated to ensure that the assumptions and calculations are relevant.

We confirm that the modelling and assumptions have been subject to rigorous testing, actuarial peer review and comply with the relevant actuarial standards.

Regards

Doug McBirnie
Fellow of the Institute of Actuaries of Australia