RETIREMENT INCOME SIMULATOR

NOW

AGE 67

YOU

67
years old
$500,000
saved in super

PARTNER

67
years old
$0
saved in super

$500,000
total saved in super

RETIREMENT

AGE 67

You might retire with
$500,000
and live on
$59,000
a year

BEYOND

AGE 67+

Your super might last until age
92

Your life expectancy is
86

Based on these figures, there is a
31%
chance you will outlive your super

YOUR PROJECTED RETIREMENT INCOME

This illustration has been produced by the Retirement Income Simulator, and is a guide to the amount of income that you might receive in retirement. Please read it all. The notes on the next page explain more about the way the estimate of your future benefits has been calculated and what will impact on your amount of retirement income.

The results are based on the following inputs and assumptions.

ABOUT YOU

Basic details
Male aged 67

ABOUT YOUR SPOUSE/PARTNER

Basic details
Female aged 67

ABOUT YOU BOTH

Residential status
Homeowners

Other income in retirement
$0

Your investment assets
$0

Your other assets
$0

YOUR SUPER

Your current super balance
$500,000

SPOUSE/PARTNER SUPER

Current super balance
$0

RETIREMENT GOALS

Desired retirement income
$59,000

ASSUMPTIONS

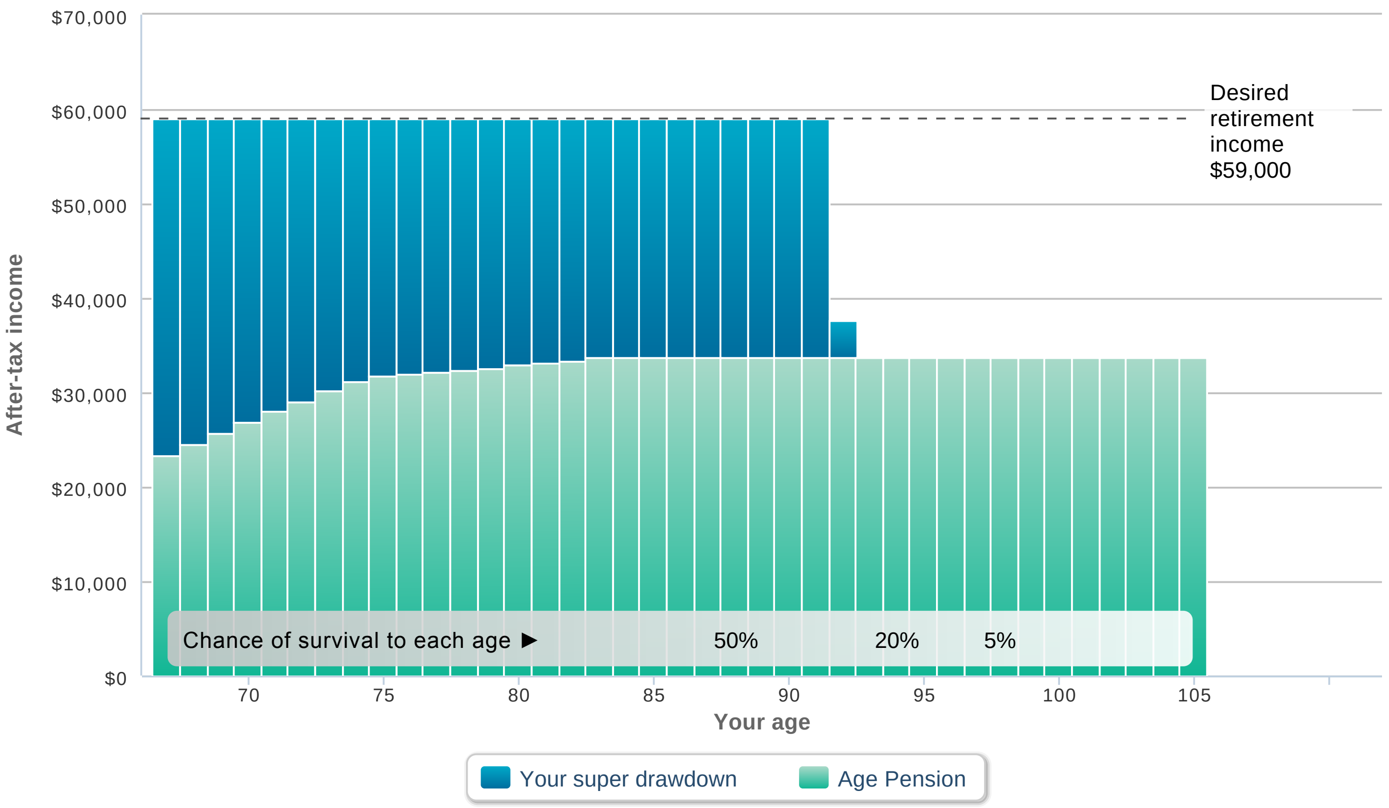
Your investment strategy
Moderate Growth

Your expected return (in retirement)
7.0% p.a.

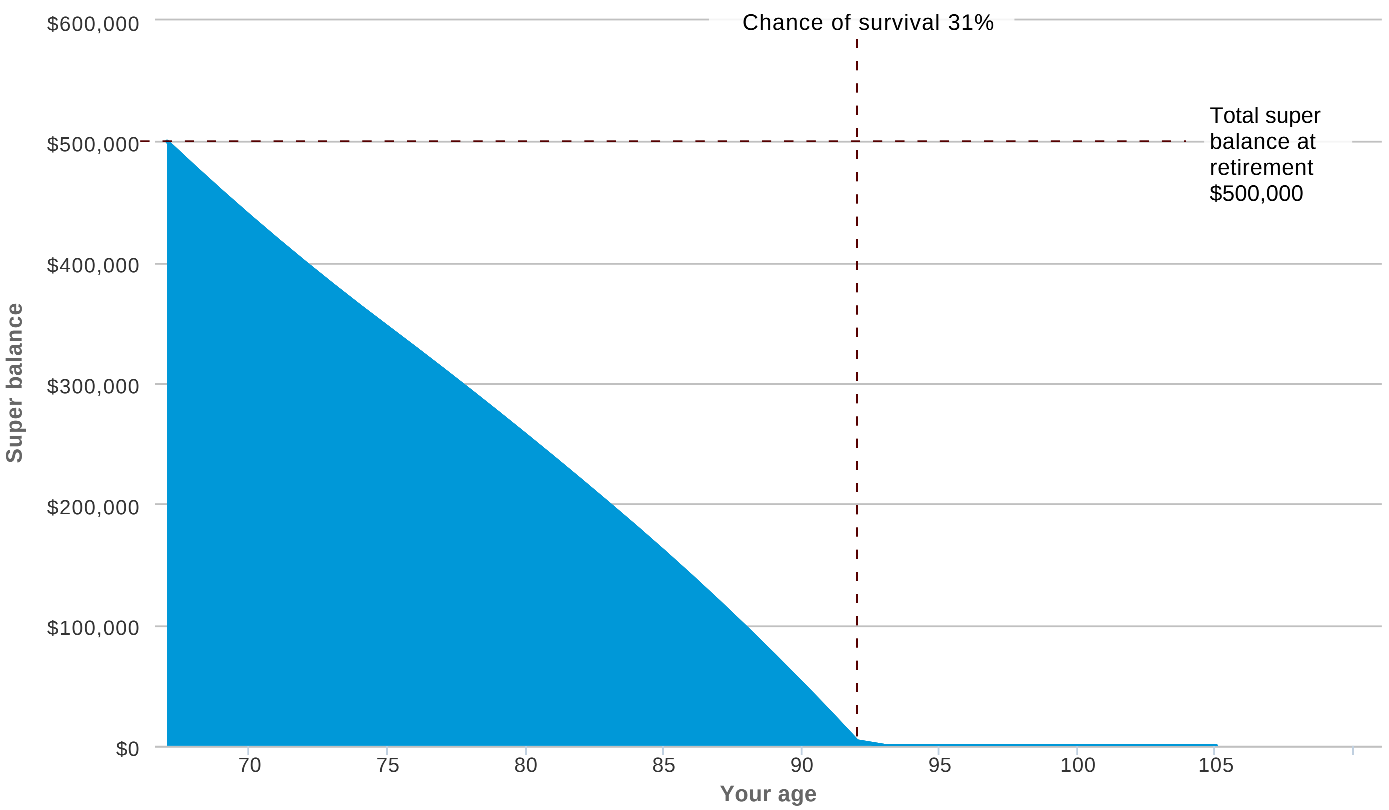
Percentage based fee
0.0% p.a.

Community wage growth
4.0% p.a.

YOUR PROJECTED INCOME (TODAY'S DOLLARS)



YOUR PROJECTED SUPER BALANCE (TODAY'S DOLLARS)



LIKE TO KNOW MORE / ANY QUESTIONS?

The following pages have further information about how your estimated benefit is calculated – but if you want to know what to do next you should speak to your financial adviser.

YOUR RETIREMENT INCOME

This illustration assumes you will convert your superannuation to an account-based pension on retirement. This is a widely-available retirement product where you can choose how your money is invested (investment strategy) and how much money to draw down each year. There is no tax payable on earnings or money taken out in respect of a superannuation account-based pension, but you have to take a minimum amount (set by legislation) each year. Among other things, your retirement income will depend on:

- The amount that you draw down from your account based pension.
- The actual contributions made by you and your employer, and any Government contributions.
- The age you retire or start drawing on your super.
- The way your own super account is invested, and the investment return it achieves net of tax and investment fees.
- Fees and costs – we have allowed for the dollar based insurance and administration fees selected to grow with wage inflation. Your actual fees and costs may differ in the future.
- Tax – we have allowed for contributions tax (and the assumed investment return until retirement is net of investment tax).
- Your salary growth relative to the community average.
- Whether you change your work hours, take parental leave or have other broken periods of employment.
- The amount you take as a lump sum (if any) at retirement.

THERE ARE NO GUARANTEES

This illustration of your projected retirement income is not a promise or guarantee that when you retire you will receive the income shown here. This is because the illustration is based on a number of assumptions (see below).

THE RETIREMENT INCOME SIMULATOR HAS BEEN DESIGNED FOR MEMBERS WITH ACCUMULATION BENEFITS ONLY

If you have a defined benefit component to your super, most of the information that the Retirement Income Simulator provides will not be relevant to you. You should not make any decisions about your super or finances based upon the results from the Simulator without first consulting a licensed or appropriately authorised financial adviser.

WE HAVE HAD TO MAKE ASSUMPTIONS

In estimating your benefits we have used various assumptions in our calculations that may not be borne out in practice. Also rules about tax, super and the Age Pension may change in the future.

The results given depend on the assumptions input. If these assumptions are not borne out in practice the actual level of your superannuation fund at retirement may be different from that projected. In particular, if you are close to retirement, short-term negative investment returns could significantly reduce the lump sum you may be able to take in retirement. It is recommended that you get regular updates of the projections and run a number of projections by varying the editable assumptions to illustrate the impact of changes in these assumptions on the projections, for example, the effect of different investment returns. There are other assumptions used in the calculations which are set by legislation and cannot be changed (e.g. tax bands and Age Pension means test thresholds).

You should seek professional financial advice if you wish to obtain a comprehensive estimate of your overall financial position at retirement.

A projection prepared more than 24 months ago should not be used for any purpose without having the assumptions reviewed. The Simulator will be updated from time to time with changes in the legislative environment.

Today's dollars

This illustration gives you an estimate of your benefits and retirement income in today's dollar values. Showing results in today's dollars allows you to consider your future retirement income in the context of today's goods and services and your current standard of living.

The today's dollar amounts have been calculated by deflating future dollar amounts using community wage growth. Wage growth is commonly described as a combination of price inflation plus a margin for improvements in living standards. It is assumed your personal salary growth is the same as community wage growth. The illustration estimates wage growth by adding a margin of 1.5% p.a. to the rate of price inflation.

Current environment

Unless otherwise stated the calculations are based on legislation and rules at 1 July 2015. In particular, the illustration allows for:

- Age Pension income test as it applies to new Age Pensioners from 1 January 2015
- Age Pension asset test as it will apply from 1 January 2017
- Phased increases to the Superannuation Guarantee rate (to 12% of earnings), including the legislated delay in the phased increases
- Removal of the Low Income Superannuation Contribution from 1 July 2017.

The illustration does not allow for:

- Low Income Tax Offset
- Senior and Pensioner Tax Offset
- Temporary budget repair levy.

The illustration assumes that certain legislative thresholds and limits relating to superannuation, tax and social security are increased or indexed in line with wage inflation (unless otherwise stated). The actual rate of increase in these legislative thresholds and limits may vary from the assumed wage inflation rate.

The Simulator will be updated from time to time with changes in the legislative environment.

You are assumed to be exactly your input age; for best results, you should use your nearest age at the current date.

Age Pension

The Age Pension amount has been calculated assuming you will maximise the amount of Age Pension you receive by reducing the amount of super pension you draw down from your super fund (within the allowable limits permitted by legislation), whilst maintaining your desired retirement income. The illustration assumes that you are an Australian resident and that the Age Pension and the asset and income test thresholds will be indexed in line with wage inflation. The illustration assumes the Age Pension income test to be as it applies to new Age Pensioners from 1 January 2015 and asset test as it will apply for all Age Pensioners from 1 January 2017. If you have already retired it is possible that different rules apply to you which would change the results. You should seek financial advice if this applies to you. For the purposes of the means tests, your total financial situation is assumed to be represented by the information you enter on the Other Assets/Income panel and your projected super benefit.

Assumptions and Stress Test

There are a number of factors that will affect the growth of your super and the retirement income it will provide. Some of the major factors, like investment returns and inflation, will fluctuate over time, but are assumed to lie within certain ranges over the long term.

For simplicity, the values for investment return and wage growth remain the same for each year of the projection. The default values for these items can be changed. However, you should note that these default values are considered to be reasonable for the current conditions and are consistent with each other. If you change the default values it is possible that unrealistic scenarios will be projected. The default investment return assumption depends on the investment strategy you select. Note that the Simulator imposes some limits on the fixed assumptions but the actual experience could be outside these ranges (e.g. investment returns could be negative in some years).

The results given depend on the assumptions input. If these assumptions are not borne out in practice the actual level of your super balance at retirement and your retirement income may be different from that projected. In particular, if you are closer to retirement, short-term negative investment returns could significantly reduce the lump sum you may be able to take at retirement. It is recommended that you get regular updates of the projections and run a number of projections by varying the editable assumptions to illustrate the impact of changes in these assumptions on the projections, for example, the effect of different investment returns.

On the Stress Test panel you can choose to enable a simulated "stress test". With the "stress test" the values used for investment return and wage growth are based on simulations of different future economic scenarios for the underlying assets which your super might be invested in. The values for each of these elements will vary from year-to-year (and may be negative in some years). The values used will also depend on the investment strategy you select.

There are other assumptions used in the calculations which are set by legislation and cannot be changed (e.g. tax bands and Age Pension means test limits).

Tax File Number

There are significant taxation penalties if you do not provide your Tax File Number to your superannuation fund. The illustration operates on the basis that you have provided your Tax File Number, and cannot simulate the impact of not doing so.

Salary

Your input salary above has been used to calculate Superannuation Guarantee (SG) contributions, eligibility for any Government contributions, and to work out your after-tax income.

Contributions

Employer contributions are calculated based on the input contribution rate and your gross salary (i.e. not limited to the Superannuation Guarantee maximum contribution base, which is the maximum Superannuation Guarantee contributions that an employer is required by law to make for an employee). Employer contributions are assumed to be at least 9.5% of salary, increasing to 12% of salary by 1 July 2025.

Salary sacrifice contributions come from your pre-tax salary, while after-tax contributions are taxed as salary before going into super. The amounts of salary sacrifice and after-tax contributions are assumed to increase with wage inflation.

Consistent with superannuation law, the illustration operates on the basis that salary sacrifice and after-tax contributions can be made up to age 75 (provided the work test is met for those over age 65 – see the Australian Taxation Office (ATO) website at www.ato.gov.au for information about the work test), but there is no age limit on Superannuation Guarantee contributions.

The Simulator does not limit the amount of contributions you can input but does allow for excess contributions tax if you input contributions above the legislative limits (which are assumed to be indexed in line with wage inflation). Please refer to the Tax section for more information.

Government co-contribution

The illustration assumes that you are eligible for the Government co-contribution if your salary is less than the legislated limits (e.g. $50,454 in the financial year 2015/2016) and you make after-tax contributions. For full details of the eligibility criteria for the Government co-contribution, go to the relevant ATO website page. For the purposes of calculating the Government co-contribution (if any), it has been assumed that your total annual assessable income plus reportable fringe benefits is equal to your current salary plus other pre-retirement income (or half of your other income if you have a spouse) you input. It has also been assumed that the income limits are increased in line with wage inflation.

Low Income Superannuation Contribution (LISC)

The illustration assumes you are eligible for the LISC if your salary plus other income (or half of your other income if you have a spouse) is less than $37,000. For full details of eligibility criteria go to the relevant ATO website page. The amount of the LISC (if any) is calculated as 15% of your concessional contributions, subject to a maximum LISC of $500. The illustration allows for the removal of the LISC from 1 July 2017.

Tax

Employer contributions and salary sacrifice contributions are taxed at 15%. However, significant additional tax applies if your contributions to superannuation exceed certain legislative limits. The limits for the 2015/2016 financial year are:

- If you are aged under 49 at 30 June 2015, the limit for concessional (employer or salary sacrifice) contributions is $30,000.
- If you are aged 49 or over at 30 June 2015, the unindexed limit for concessional (employer or salary sacrifice) contributions is $35,000.
- The limit for non-concessional (after-tax) contributions is $180,000.

The illustration assumes that these limits are indexed with wage inflation unless otherwise specified.

If the sum of employer contributions and salary sacrifice contributions exceed the concessional contributions limits above, the excess is taxed at your marginal tax rate (including Medicare levy) and the illustration deducts this tax from your super balance. The excess concessional contribution interest charge is not allowed for.

Under superannuation law, individuals under age 65 can make up to $540,000 in non-concessional contributions in one year (but the amount of non-concessional contributions that they can make are limited in the next two years so that no more than $540,000 can be contributed for the individual over the three years). Note that the illustration does not allow for this.

After-tax (non-concessional) contributions below the above non-concessional contributions limit are not taxed. After-tax contributions over the above limit are taxed at the highest marginal tax rate (plus Medicare levy).

The illustration allows for future application of the Division 293 tax on the contributions of high income earners. Division 293 tax is levied on the “low tax” contributions of members whose “adjusted income” exceeds $300,000. The illustration assumes your “adjusted income” to be the sum of your salary, other income and concessional contributions. The illustration does not allow for any existing Division 293 debt that might be held with the ATO and assumes future Division 293 tax is paid from your after-tax income in the year it is incurred. For full details of the Division 293 tax, go to the relevant ATO website page.

The illustration assumes that the investment return used for the accumulation of the super balance before retirement has been reduced for investment tax. After retirement, investment earnings are not subject to tax.

Benefit payments are tax-free if you are aged 60 or over. This is reflected in the calculations of the illustration.

Fees and insurance cost

The assumed investment management and percentage based administration fees (if any) are the fees that are expressed as an annual percentage of your account balance. This may include items such as the administration fees, investment fees and indirect cost ratio for your chosen investment option.

The assumed insurance and administration fees are deductions expressed as an annual dollar amount, which may include dollar based administration fees and current insurance premiums. The illustration assumes that these fees will increase in line with wage inflation and are deducted from your super balance each year until you retire. The total of you and your spouse's (where applicable) current level of insurance and administration fees are shown above.

Other income

In addition to income from your superannuation and Age Pension, you may have other sources of retirement income.

Earnings from any investment assets that you expect to have at retirement will contribute towards your retirement income. Investment assets include items such as bank and building society deposits, cash, shares and term deposits. The illustration determines the earnings on investment assets by using deeming rules from the Age Pension income test. The illustration does not allow for the capital of your investment assets to be drawn down.

Other Income (eg from rentals and hobbies) is assumed to increase with wage inflation.

Life expectancy

The average life expectancy age has been calculated based on the Australian Life Tables 2010-2012. The calculations allow for future improvements in longevity from your current age, based on historical improvement rates.

Prepared by

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