



ASIC

Australian Securities & Investments Commission

CONSULTATION PAPER 203

Age pension estimates in superannuation forecasts: Update to RG 229

March 2013

About this paper

This consultation paper sets out ASIC's proposed refinements to our policy on superannuation forecasts.

It includes draft Regulatory Guide 229 *Superannuation forecasts* (RG 229) and a draft class order that will amend Class Order [CO 11/1227] *Relief for providers of retirement estimates*.

This paper seeks feedback from super funds, consumers and other interested stakeholders on our proposals.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This paper was issued on 20 March 2013 and is based on the Corporations Act as at 20 March 2013.

Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

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The consultation process

You are invited to comment on the proposals in this paper, which are only an indication of the approach we may take and are not our final policy.

As well as responding to the specific proposals and questions, we also ask you to describe any alternative approaches you think would achieve our objectives.

We are keen to fully understand and assess the financial and other impacts of our proposals and any alternative approaches. Therefore, we ask you to comment on:

- the likely compliance costs;
- the likely effect on competition; and
- other impacts, costs and benefits.

Where possible, we are seeking both quantitative and qualitative information.

We are also keen to hear from you on any other issues you consider important.

Your comments will help us develop our policy on superannuation forecasts. In particular, any information about compliance costs, impacts on competition and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section C, 'Regulatory and financial impact'.

Making a submission

We will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any financial information) as confidential.

Comments should be sent by 19 April 2013 to:

Geoffrey Leveritt
Senior Lawyer
Strategy & Policy
Australian Securities and Investments Commission
GPO Box 9827
Melbourne VIC 3001
email: policy.submissions@asic.gov.au

What will happen next?

Stage 1	20 March 2013	ASIC consultation paper released
Stage 2	19 April 2013	Comments due on the consultation paper
Stage 3	30 April 2013	Regulatory guide released

A Background to our review

Key points

We published Regulatory Guide 229 *Superannuation forecasts* (RG 229) and Class Order [CO 11/1227] *Relief for providers of retirement estimates* in 2011.

We now propose to make refinements to our policy to address issues that may have limited the ability of super funds to rely on our relief to provide retirement estimates for their members.

Relief for providers of retirement estimates

- 1 A retirement estimate is a broad estimate of the potential income available to a super fund member at retirement, taking into account their current superannuation account balance, the impact of fees, and assumptions about future contributions, earnings and other matters.
- 2 Regulatory Guide 229 *Superannuation forecasts* (RG 229) and Class Order [CO 11/1227] *Relief for providers of retirement estimates* were published on 7 December 2011. They give super fund trustees relief from the licensing, conduct and disclosure requirements for general and personal advice in the *Corporations Act 2001* (Corporations Act) when giving a retirement estimate to a member, on the condition that the retirement estimate uses the prescribed assumptions and is given in the prescribed form.

ASIC's objectives

- 3 Our intention in developing RG 229 and [CO 11/1227] was that a retirement estimate would give a super fund member an indication of how much money they may receive from their superannuation when they retire. This would prompt the member to engage with their superannuation and undertake further investigation into the level of their superannuation, either by using a superannuation calculator (from the super fund itself or from ASIC's financial literacy website MoneySmart) or by seeking advice from a licensed financial adviser. This would also encourage members to take practical steps to improve the security of their retirement income.

Proposed refinements to our policy

- 4 We understand that super funds have felt limited in their ability to rely on the relief for offering retirement estimates to their members.
- 5 Following publication of RG 229 and [CO 11/1227], we received submissions elements of our policy believed to be barriers to relying on our relief as a basis for giving retirement estimates to members. We have reviewed those submissions and this paper sets out our proposed refinements to the relief.
- 6 Attachment 1 to this consultation paper contains a draft version of RG 229 with our proposed amendments marked up. Attachment 2 presents our proposed amendments to [CO 11/1227] in mark up.
- 7 Note that we do not propose to make further amendments to our policy in the short to medium term following the conclusion of this review. We expect that, through the current consultation process, we will receive appropriate feedback on those elements of our policy that may be a barrier for super funds.

Proposal

- A1 We propose to make refinements to our policy to address certain issues that may have limited adoption by super funds of retirement estimates for their members. These proposals (outlined in this consultation paper) cover the following topics:
- (a) the optional inclusion of the age pension in a retirement estimate (see proposals B1–B3);
 - (b) the use of the retirement age assumption (see proposals B4–B5);
 - (c) liability for misleading estimates (see proposal B6);
 - (d) the definition of ‘administration fees’ (see proposal B7);
 - (e) the use of rounding in retirement estimates (see proposal B8); and
 - (f) the wording accompanying retirement estimates (see proposal B9).

Your feedback

A1Q1 Do you currently rely on our relief to offer retirement estimates to super fund members?

A1Q2 Do you agree that refinements of our policy are necessary to address barriers to super funds relying on our relief to provide retirement estimates for their members? If not, why not?

Obligation to give consistent information under the Superannuation Industry (Supervision) Act

- 8 Section 29QC of the *Superannuation Industry (Supervision) Act 1993* provides that, if a super fund trustee is required to calculate information in a particular way under an Australian Prudential Regulation Authority (APRA) reporting standard, the trustee must use the same calculation methodology for any similar or equivalent information that is given to members or any other person.
- 9 ASIC is aware that APRA will shortly release its final reporting requirements for superannuation. Minor technical changes to our relief, which do not alter our policy on superannuation forecasts, may be required to align with APRA's requirements.

Implementation of our proposals

- 10 We intend to implement our proposed amendments to RG 229 and [CO 11/1227] by 30 April 2013. This will allow sufficient time for super funds with a financial year that ends on 30 June, and that wish to take advantage of the relief, to provide retirement estimates to members with their 2012–13 annual statements.
- 11 Given the limited adoption of the relief to date, we do not propose any transitional arrangements. We will consider any transitional issues on a case-by-case basis.

B Proposed refinements to our policy

Key points

We propose to amend RG 229 and [CO 11/1227] to allow a super fund trustee to include an estimate of the age pension in a member's superannuation forecast, subject to prescribed assumptions and presentation format.

We also propose to amend [CO 11/1227] to specify that the retirement estimate must be calculated based on retirement at the age the super fund member will become eligible for the age pension.

We propose to clarify in RG 229 our original intent that we will not take action if a trustee follows the prescribed assumptions and methodology set out in this guide. We do not consider that it is necessary for a trustee to make specific inquiries to determine whether a member's individual circumstances match the prescribed assumptions.

We propose to make minor technical amendments to RG 229 and [CO 11/1227] to amend:

- our definition of 'administration fees';
- our guidance on rounding of retirement estimates; and
- the wording accompanying a retirement estimate.

Inclusion of the age pension in a retirement estimate

Proposal

- B1** We propose to amend RG 229 and issue a class order to amend [CO 11/1227] to allow a super fund trustee (if they wish) to include an estimate of the age pension in a member's superannuation forecast.

Your feedback

- B1Q1 Do you agree with our proposal to allow trustees to include the age pension in a retirement estimate? If not, why not?
- B1Q2 Should it instead be mandatory for a trustee to include the age pension in a retirement estimate?
- B1Q3 Are there any practical difficulties for super funds in implementing our proposal?

- B2** We propose to require that, if the super fund includes an estimate of the age pension, the pension estimate must use the following assumptions:
- (a) the member qualifies for an age pension under s43 of the *Social Security Act 1991*;

- (b) the member owns their own home and has no other assets or income affecting the amount of the age pension payable to the member other than a single superannuation fund retirement benefit equal to the lump sum, which is applied on the date of the estimate to purchase an account-based pension that provides the member with income in that year equal to the annual income stream amount; and
- (c) the member has a partner and the partner has the same income and assets as the member.

Your feedback

- B2Q1 Do the proposed assumptions reflect realistic circumstances for a substantial part of the Australian population? What additional or alternative assumptions should be prescribed?
- B2Q2 Are there any practical difficulties for super funds in implementing our proposal?

- B3** We propose to require that, if the super fund includes an estimate of the age pension, it must also include the following prescribed consumer warning in close proximity to the age pension estimate:

You may not be eligible for some or all of this age pension amount if you (or your partner) have income or assets in addition to this super fund.

Pension rates and eligibility rules may change between now and when you retire.

See draft RG 229, Appendix 1.

Your feedback

- B3Q1 Does the proposed prescribed wording provide sufficient warning to super fund members about their eligibility for the age pension and caution in relying on the figures given?
- B3Q2 Should there be prescribed requirements for presentation of the age pension estimate?
- B3Q3 Are there any practical difficulties for super funds in implementing our proposal?

Rationale

- 12 RG 229 and [CO 11/1227] state that a super fund trustee must not consider the potential effect of any entitlement to the age pension when calculating a member's retirement estimate: see RG 229.53 and [CO 11/1227], cl 7.
- 13 When we originally published RG 229 and [CO 11/1227], we noted that a member's entitlement to the age pension, or the status of accounts they may hold with other funds, are factors that are very difficult to take into account in a retirement estimate, because super fund trustees are unlikely to have access to all of the relevant information: see Report 266 *Response to submissions on CP 122 Superannuation forecasts: ASIC relief and guidance for super funds* (REP 266).

- 14 We were concerned that including an amount for the age pension may give members a mistaken impression about their eligibility for the age pension or give members the mistaken impression that the estimate gives a complete picture of their financial position at retirement.
- 15 We subsequently received submissions that the age pension will be an important component of the post-retirement income for the vast majority of super fund members and, as such, taking account of the impact of the age pension in determining the adequacy or otherwise of their retirement income would be more relevant for most people.
- 16 We have made proposal B1 in response to these submissions. The age pension estimate must be calculated using prescribed assumptions about the member's income, assets and marital status at retirement: see proposal B2.
- 17 Relying on the prescribed assumptions means that we do not expect the super fund to make inquiries into the member's circumstances. For example, the member's eligibility for the age pension will depend on factors that are not known to the fund, such as any other income or assets the member holds at retirement. While the fund may be aware of some of the member's circumstances at the time of preparing the estimate, such as the member's current marital status, it would be impossible for the fund to know whether the member will be in the same position at the point of retirement.
- 18 The prescribed assumptions have been chosen so that they reflect circumstances that are more likely to apply to a significant proportion of the Australian population—for example, around two-thirds of Australians are living in a couple relationship at the age of eligibility for the pension.¹
- 19 The requirement to include a prescribed warning in close proximity to the age pension estimate is intended to warn the super fund member that they may not be eligible for the age pension (or part-pension) when they retire: see proposal B3.

Retirement age assumption

Proposal

- B4** We propose to issue a class order to amend [CO 11/1227] to specify that the retirement estimate must be calculated based on retirement at the age the super fund member will become eligible for the age pension.

¹ Australian Bureau of Statistics, *Australian social trends, March 2009* (cat. no. 4102.0), 25 March 2009.

Your feedback

- B4Q1 Do you agree with our proposal? If not, what age do you think should be assumed for retirement?
- B4Q2 Are there any practical difficulties for super funds in implementing our proposal?

- B5** We propose to amend the required information to clarify that the annual income stream amount is based on an assumed lifespan of 25 years following retirement.

Your feedback

- B5Q1 Do you agree with the proposed wording of the warning notice regarding the potential for a super fund member to outlive the 25-year projected lifespan?
- B5Q2 Are there any practical difficulties for super funds in implementing our proposal?

Rationale

- 20 [CO 11/1227] requires a super fund trustee to calculate the retirement estimate based on retirement at age 65. This assumption was chosen as it represented a common age at which many Australians retire.
- 21 However, in light of our proposal to allow trustees to include an estimate of the age pension, we consider it appropriate to align the assumed retirement age with the age for eligibility for the age pension.
- 22 The age pension eligibility age is currently 65 for men and 64.5 for women. This is set to increase to 67 for both men and women by 2024.

Note: Information about eligibility for the age pension is available from the Department of Human Services (see www.humanservices.gov.au/customer/enablers/centrelink/age-pension/eligibility-for-age-pension).

- 23 Under proposal B5, we will retain the current prescribed methodology under [CO 11/1227] for calculating the super fund member's annual income stream amount, which assumes a post-retirement lifespan of 25 years. Around one in six men and one in four women who reach age 67 will live longer than 25 years.²

Liability for a misleading estimate**Proposal**

- B6** We propose to clarify in RG 229 our original intent that we will not take action if a super fund trustee follows the prescribed assumptions and

² Estimate based on Australian Government Actuary, *Australian life tables 2005–07, 2009*.

methodology set out in this guide. We do not consider that it is necessary for a trustee to make specific inquiries to determine whether a member's individual circumstances match the prescribed assumptions: see draft RG 229.14.

Your feedback

B6Q1 Do you agree with our proposed approach? If not, why not?

B6Q2 Does our proposed approach appropriately address industry concerns about potentially misleading or deceptive estimates?

Rationale

- 24 RG 229 provides that a super fund trustee should not provide a member with a retirement estimate if the estimate is misleading or is likely to mislead, and it is the trustee's responsibility to determine whether a retirement estimate is misleading or likely to mislead: RG 229.14.
- 25 The methodology for calculating retirement estimates in [CO 11/1227] is based on a set of standardised assumptions that all super fund trustees must use in order to rely on the relief. This approach is intended to be simple to apply in practice and to provide comfort for funds that they do not need to take into account a member's circumstances that are beyond the fund's knowledge, as well as to give members confidence that the estimate has a reasonable basis.
- 26 We received submissions from industry raising concerns about circumstances in which the current methodology for calculating retirement estimates in [CO 11/1227] may result in an estimate that is not representative of the likely amount that the super fund member will receive and may be misleading.
- 27 For example, the calculation method in the class order assumes that a member's contributions will remain at the same level as in the previous year (adjusted for inflation) until retirement. This may not be an accurate reflection of the member's actual circumstances if, for example:
- (a) the member has made a one-off contribution during the previous year;
 - (b) the member's income fluctuates due to casual employment or a career break; or
 - (c) the member contributed to two or more super funds during the year.
- 28 Similarly, the class order assumes that the super fund's future administration fees will remain at the same level as in the previous year. This may not be accurate in some cases—for example, in the first year after a fund makes a significant change to its fee structure.

- 29 We also acknowledge that the assumed earnings rate for calculation of the estimate may not reflect the actual earnings for a super fund member's account—for example, if the member chooses a conservative investment option where the actual return is lower than the assumed rate.
- 30 In developing RG 229 and [CO 11/1227], we were aware of these potential limits to the accuracy of the assumptions. We were prepared to accept them given the clear warnings about the nature of the estimates and in order to achieve the objective of the retirement estimate as a simple, broad estimate that would encourage the member to engage more with their superannuation. In developing the prescribed methodology (which was based on the advice of the Australian Government Actuary), we recognised that the projected future lump sum and income for a member may not be perfectly accurate in all cases. Our view is that a retirement estimate can only ever give members an approximation of their potential end benefit. The primary purpose of the retirement estimate is to engage members with their superannuation by using a simple approach (with standardised assumptions and information) so that they are encouraged to take practical steps to improve their retirement security.
- 31 However, there appears to be significant uncertainty about whether a retirement estimate provided to super fund members in the above circumstances would be considered 'misleading' for the purposes of our guidance in RG 229 and the class order relief. We understand that there are also concerns that it will not always be clear to super fund trustees whether a retirement estimate is likely to be misleading for certain members, as it is not a straightforward task for a trustee to identify individual cases that might be misleading.
- 32 We will not take action if a super fund trustee follows the prescribed assumptions and methodology set out in RG 229 and [CO 11/1227]. In practice, we do not expect trustees to examine each member's unique personal circumstances (including in the cases outlined in paragraphs 27–29) before providing them with a retirement estimate. For example, we do not expect a trustee to examine a member's contributions pattern to determine whether the member has made a one-off contribution in the previous year. Similarly, a trustee must use the standard assumed earnings rate set out in [CO 11/1227], and we do not expect the trustee to examine the member's actual earnings rate before providing a retirement estimate.
- 33 Note that this no-action position merely states our current intention to not take regulatory action on a particular state of affairs or conduct. It does not preclude third parties from taking legal action on conduct covered by the no-action position: see Regulatory Guide 108 *No-action letters* (RG 108). While ASIC cannot abrogate the misleading and deceptive conduct provision in s1041H of the Corporations Act as it applies to third parties, we consider

that the proposed no-action position will give additional comfort to super fund trustees.

Definition of ‘administration fees’

Proposal

- B7** We propose to issue a class order to amend:
- (a) [CO 11/1227] to clarify that any amount of administration fees and costs effectively paid or borne by the super fund member in the previous year (either directly or indirectly) should be included in the calculation of a retirement estimate; and
 - (b) the reference in [CO 11/1227] to ‘management of the assets of the entity’ to clarify that the definition of administration fees only excludes costs related to the management of *investment* of the super fund’s assets.

Your feedback

B7Q1 Do you agree with our proposal in relation to administration fees? If not, why not?

B7Q2 Are there any practical difficulties for super funds in implementing our proposal?

Rationale

- 34 [CO 11/1227] requires that an estimate include the actual administration fees charged by the super fund. The definition of ‘administration fees’ under [CO 11/1227] refers to those fees or charges (however described) that are deducted directly from the member’s account.
- 35 This current definition of ‘administration fees’ under [CO 11/1227] does not include the common situation where a super fund trustee deducts fees from the fund’s investment income before it is allocated to members. A projected retirement estimate in that situation would be overstated compared with a comparable fund that deducts administration fees after allocation of earnings to members.

Rounding of retirement estimates

Proposal

- B8** We propose to issue a class order to amend [CO 11/1227] to require that the estimated lump sum amount and annual income stream amount should be rounded to three significant figures. For example, an annual income stream estimate of \$23,289 should be rounded to \$23,300.

Your feedback

- B8Q1 Do you agree with our proposal for rounding of estimates? If not, what approach to rounding do you suggest?
- B8Q2 Are there any practical difficulties for super funds in implementing our proposal?

Rationale

- 36 Rounding is intended to convey to a super fund member the inherent uncertainty in the accuracy of the estimate. The more precise the quoted estimate, the greater the risk that this will convey a mistaken impression of accuracy to the member.
- 37 The approach for rounding up retirement estimates in [CO 11/1227] provides that the retirement estimate must display the member's end benefit as a lump sum (rounded to the nearest \$10,000) or an annual income stream (rounded to the nearest \$1,000).
- 38 There is a risk that this rounding approach could produce unrealistic results for members, particularly those members who are close to retirement age and/or only have small account balances. For example:
- (a) if a member is close to retirement, rounding can mean the benefit estimate is lower than their current balance;
 - (b) for a 64.8-year-old member with a lump sum balance of \$5,100 now, the quoted estimate will be \$10,000; and
 - (c) if a member's retirement estimate is less than \$8,800, the estimate for their annual income stream will be less than \$500, which would be rounded to zero.
- 39 We consider that requiring an estimate to be rounded to three significant figures appropriately balances improving the accuracy for quoted estimates (particularly for those super fund members who are close to retirement age and/or have small account balances) with conveying to the member the inherent uncertainty of the estimate.

Wording accompanying retirement estimates**Proposal**

- B9 We propose to make minor refinements to the wording of the prescribed consumer warnings: see draft RG 229, Appendix 1.

Your feedback

- B9Q1 Do you agree with our proposed revised wording of the prescribed consumer warnings? If not, what alternative text do you suggest?

B9Q2 Are there any practical difficulties for super funds in implementing our proposal?

Rationale

40 Based on our experience in consumer financial literacy, we believe that the proposed revised wording will better help consumers understand the estimate.

C Regulatory and financial impact

41 In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us we think they will strike an appropriate balance between:

- (a) enhancing super fund members' access to information about their superannuation; and
- (b) ensuring that super funds do not find it difficult and burdensome to provide superannuation forecasts to their members.

42 Before settling on a final policy, we will comply with the Australian Government's regulatory impact analysis (RIA) requirements by:

- (a) considering all feasible options, including examining the likely impacts of the range of alternative options which could meet our policy objectives;
- (b) if regulatory options are under consideration, notifying the Office of Best Practice Regulation (OBPR); and
- (c) if our proposed option has more than minor or machinery impact on business or the not-for-profit sector, preparing a Regulation Impact Statement (RIS).

43 All RISs are submitted to the OBPR for approval before we make any final decision. Without an approved RIS, ASIC is unable to give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.

44 To ensure that we are in a position to properly complete any required RIS, please give us as much information as you can about our proposals or any alternative approaches, including:

- (a) the likely compliance costs;
- (b) the likely effect on competition; and
- (c) other impacts, costs and benefits.

See 'The consultation process', p. 4.

List of proposals and questions

Proposal	Your feedback
<p>A1 We propose to make refinements to our policy to address certain issues that may have limited adoption by super funds of retirement estimates for their members. These proposals (outlined in this consultation paper) cover the following topics:</p> <ul style="list-style-type: none"> (a) the optional inclusion of the age pension in a retirement estimate (see proposals B1–B3); (b) the use of the retirement age assumption (see proposals B4–B5); (c) liability for misleading estimates (see proposal B6); (d) the definition of ‘administration fees’ (see proposal B7); (e) the use of rounding in retirement estimates (see proposal B8); and (f) the wording accompanying retirement estimates (see proposal B9). 	<p>A1Q1 Do you currently rely on our relief to offer retirement estimates to super fund members?</p> <p>A1Q2 Do you agree that refinements of our policy are necessary to address barriers to super funds relying on our relief to provide retirement estimates for their members? If not, why not?</p>
<p>B1 We propose to amend RG 229 and issue a class order to amend [CO 11/1227] to allow a super fund trustee (if they wish) to include an estimate of the age pension in a member’s superannuation forecast.</p>	<p>B1Q1 Do you agree with our proposal to allow trustees to include the age pension in a retirement estimate? If not, why not?</p> <p>B1Q2 Should it instead be mandatory for a trustee to include the age pension in a retirement estimate?</p> <p>B1Q3 Are there any practical difficulties for super funds in implementing our proposal?</p>

Proposal	Your feedback
<p>B2 We propose to require that, if the super fund includes an estimate of the age pension, the pension estimate must use the following assumptions:</p> <ul style="list-style-type: none"> (a) the member qualifies for an age pension under s43 of the Social Security Act 1991; (b) the member owns their own home and has no other assets or income affecting the amount of the age pension payable to the member other than a single superannuation fund retirement benefit equal to the lump sum, which is applied on the date of the estimate to purchase an account-based pension that provides the member with income in that year equal to the annual income stream amount; and (c) the member has a partner and the partner has the same income and assets as the member. 	<p>B2Q1 Do the proposed assumptions reflect realistic circumstances for a substantial part of the Australian population? What additional or alternative assumptions should be prescribed?</p> <p>B2Q2 Are there any practical difficulties for super funds in implementing our proposal?</p>
<p>B3 We propose to require that, if the super fund includes an estimate of the age pension, it must also include the following prescribed consumer warning in close proximity to the age pension estimate:</p> <p>You may not be eligible for some or all of this age pension amount if you (or your partner) have income or assets in addition to this super fund.</p> <p>Pension rates and eligibility rules may change between now and when you retire.</p> <p>See draft RG 229, Appendix 1.</p>	<p>B3Q1 Does the proposed prescribed wording provide sufficient warning to super fund members about their eligibility for the age pension and caution in relying on the figures given?</p> <p>B3Q2 Should there be prescribed requirements for presentation of the age pension estimate?</p> <p>B3Q3 Are there any practical difficulties for super funds in implementing our proposal?</p>
<p>B4 We propose to issue a class order to amend [CO 11/1227] to specify that the retirement estimate must be calculated based on retirement at the age the super fund member will become eligible for the age pension.</p>	<p>B4Q1 Do you agree with our proposal? If not, what age do you think should be assumed for retirement?</p> <p>B4Q2 Are there any practical difficulties for super funds in implementing our proposal?</p>
<p>B5 We propose to amend the required information to clarify that the annual income stream amount is based on an assumed lifespan of 25 years following retirement.</p>	<p>B5Q1 Do you agree with the proposed wording of the warning notice regarding the potential for a super fund member to outlive the 25-year projected lifespan?</p> <p>B5Q2 Are there any practical difficulties for super funds in implementing our proposal?</p>

Proposal	Your feedback
<p>B6 We propose to clarify in RG 229 our original intent that we will not take action if a super fund trustee follows the prescribed assumptions and methodology set out in this guide. We do not consider that it is necessary for a trustee to make specific inquiries to determine whether a member's individual circumstances match the prescribed assumptions: see draft RG 229.14.</p>	<p>B6Q1 Do you agree with our proposed approach? If not, why not?</p> <p>B6Q2 Does our proposed approach appropriately address industry concerns about potentially misleading or deceptive estimates?</p>
<p>B7 We propose to issue a class order to amend:</p> <p>(a) [CO 11/1227] to clarify that any amount of administration fees and costs effectively paid or borne by the super fund member in the previous year (either directly or indirectly) should be included in the calculation of a retirement estimate; and</p> <p>(b) the reference in [CO 11/1227] to 'management of the assets of the entity' to clarify that the definition of administration fees only excludes costs related to the management of investment of the super fund's assets.</p>	<p>B7Q1 Do you agree with our proposal in relation to administration fees? If not, why not?</p> <p>B7Q2 Are there any practical difficulties for super funds in implementing our proposal?</p>
<p>B8 We propose to issue a class order to amend [CO 11/1227] to require that the estimated lump sum amount and annual income stream amount should be rounded to three significant figures. For example, an annual income stream estimate of \$23,289 should be rounded to \$23,300.</p>	<p>B8Q1 Do you agree with our proposal for rounding of estimates? If not, what approach to rounding do you suggest?</p> <p>B8Q2 Are there any practical difficulties for super funds in implementing our proposal?</p>
<p>B9 We propose to make minor refinements to the wording of the prescribed consumer warnings: see draft RG 229, Appendix 1.</p>	<p>B9Q1 Do you agree with our proposed revised wording of the prescribed consumer warnings? If not, what alternative text do you suggest?</p> <p>B9Q2 Are there any practical difficulties for super funds in implementing our proposal?</p>



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 229

Superannuation forecasts

March 2013

About this guide

This is a guide for super fund trustees and their advisers that explains the relief we have given to trustees to provide their members with superannuation forecasts, both in the form of a statement (referred to in this guide as a 'retirement estimate') or as a calculator.

To fall within our relief, a retirement estimate must:

- include certain mandatory content;
- be calculated taking into account all of the required variables, and using the default assumptions; and
- be given at the same time as the periodic statement and be included in, or accompany, the statement.

This guide also explains how our general relief for providers of financial calculators applies to superannuation calculators.

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- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This draft regulatory guide was issued in March 2013 and is based on legislation and regulations as at the date of issue.

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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A Overview

Key points

A superannuation forecast is an estimate provided to a super fund member of the balance of their superannuation investment at retirement, provided in the form of a statement (retirement estimate) or a calculator.

This guide explains the relief we have given to super fund trustees that give retirement estimates to their members. We have provided relief from the personal advice provisions of the Corporations Act where:

- a retirement estimate sets out the mandatory content (see Section B);
- the member's end benefit is calculated taking into account all of the required variables, and using the default assumptions (see Section C); and
- the retirement estimate is given at the same time as the periodic statement and is included in, or accompanies, the statement (see Section D).

Our relief and guidance on financial calculators continue to apply. This guide gives specific guidance on how providers of superannuation calculators can comply with the relief: see Section E.

Superannuation forecasts

What are superannuation forecasts?

RG 229.1 A superannuation forecast is an estimate provided to a super fund member of the balance of their superannuation investment at retirement, taking into account their current account balance, the impact of fees, and assumptions about future contributions, earnings and other matters.

RG 229.2 A superannuation forecast may be generated by the provider of the superannuation product and provided to a member in the form of a statement (referred to in this guide as a 'retirement estimate'). It may also be provided in the form of a calculator involving, to some extent, the input of certain information by members themselves.

How can forecasts benefit super fund members?

RG 229.3 While compulsory superannuation has increased Australians' level of retirement savings, most people do not engage fully with their superannuation. They have little idea of how much they will have when they retire, and how this compares to the amount they will need.

RG 229.4 Our view is that super fund members may benefit from personalised superannuation forecasts, giving them an indication of how much money

they may receive when they retire. We think that such forecasts will help members to engage with their superannuation.

- RG 229.5 We do not envisage that members will use superannuation forecasts to directly compare the investment performance or fees of different super funds. Nevertheless, forecasts may still serve as a prompt for further investigation and future superannuation decisions.
- RG 229.6 The standard information, which is required to accompany retirement estimates under Class Order [CO 11/1227] *Relief for providers of retirement estimates*, refers members to ASIC's consumer website, MoneySmart, for additional financial information and education. The MoneySmart website contains general information about superannuation and retirement planning, and a number of superannuation and retirement calculators, which members can use to assist them in making further decisions about their superannuation and retirement. Appendix 2 sets out more information about the superannuation and retirement calculators available on MoneySmart.

Note: ASIC's MoneySmart website is located at www.moneysmart.gov.au.

Legal obligations

- RG 229.7 Superannuation forecasts may involve personal advice, whether delivered as a calculator or as a retirement estimate in a statement.
- RG 229.8 Therefore, without relief, super fund trustees that give their members superannuation forecasts may need to hold an Australian financial services (AFS) licence with an authorisation to give personal advice, and comply with the personal advice requirements of the financial services licensing regime, including the obligation to prepare Statements of Advice.

Our relief

Relief for calculators

- RG 229.9 We have given relief to providers of certain financial calculators from the requirement to hold an AFS licence. The relief only applies to financial calculators that do not advertise or promote one or more specific financial products.
- RG 229.10 Where providers already hold an AFS licence, we have given relief from the advice, conduct and disclosure requirements of Pt 7.7 of the *Corporations Act 2001* (Corporations Act): see Regulatory Guide 167 *Licensing: Discretionary powers* (RG 167) and Class Order [CO 05/1122] *Relief for providers of generic calculators*.

Relief for retirement estimates

- RG 229.11 The relief for calculators does not apply to retirement estimates provided without member input.
- RG 229.12 We have given separate relief to super fund trustees who provide retirement estimates to their existing members with their periodic statements: see [CO 11/1227]. [CO 11/1227] provides licensing relief to super fund trustees; where a trustee already holds an AFS licence, we have given relief from the advice, conduct and disclosure requirements of Pt 7.7.
- RG 229.13 The relief is given on certain conditions:
- (a) the retirement estimate sets out the mandatory content, including standard information (see Section B);
 - (b) the member's retirement benefit is calculated taking into account all of the required variables, and using the default assumptions (see Section C); and
 - (c) the retirement estimate is given at the same time as the periodic statement, and is included in, or accompanies, the statement (see Section D).
- RG 229.14 Regardless of the type of super fund, a trustee must not provide a member with a retirement estimate if doing so would be misleading, or be likely to mislead. [However, we will not take action if a trustee follows the prescribed assumptions and methodology set out in this guide. It is up to a trustee to determine whether a retirement estimate is misleading, or is likely to mislead. Our relief does not require a trustee to make specific inquiries to determine whether a member's individual circumstances match the prescribed assumptions.](#)
- [Note: An ASIC no-action position merely states our current intention to not take regulatory action on a particular state of affairs or conduct. It does not preclude third parties from taking legal action on conduct covered by the no-action position \(see Regulatory Guide 108 No-action letters \(RG 108\)\).](#)
- RG 229.15 We consider that, where a super fund trustee of an accumulation scheme relies on our relief for an account that is still in accumulation phase, it will be able to satisfy its obligation to ensure that it has reasonable grounds for making a representation in relation to a future matter concerning a financial product: see s769C.
- RG 229.16 We consider that a retirement estimate calculated in the manner specified, and using the assumptions specified, in [CO 11/1227] is more likely to be misleading if it is prepared for a member:
- (a) of an eligible rollover fund;
 - (b) of a defined benefit fund;
 - (c) with an account with a small balance;
 - (d) with an account in de-accumulation, rather than accumulation phase; and

(e) who is aged 65 years and over.

- RG 229.17 While, in some situations, it may not be appropriate to rely on the relief in [CO 11/1227], members can still be provided with retirement estimates by:
- (a) giving the member a retirement estimate that is factual information (see RG 229.22–RG 229.23); or
 - (b) giving the member a retirement estimate that is personal advice and complying with the personal advice requirements in the Corporations Act.

RG 229.18 If a super fund trustee already holds an AFS licence with an authorisation to give personal financial product advice, it is free to give its members personal advice via whatever medium it chooses, including by giving retirement estimates at any time, as long as the personal advice requirements in the Corporations Act are complied with.

Our guidance

Who this guide applies to

- RG 229.19 This guide is for super fund trustees. It sets out:
- (a) in relation to retirement estimates, how you must present and calculate retirement estimates to be able to rely on the relief in [CO 11/1227]; and
 - (b) in relation to calculators, how you can comply with the conditions of relief in [CO 05/1122].
- RG 229.20 It is not mandatory for a super fund trustee to provide retirement estimates to its members. However, we encourage trustees to make use of the relief, where possible, to provide their members with the benefit of receiving retirement estimates.
- RG 229.21 While we have not restricted the types of super funds that may rely on our relief, we expect that it would be most suitable for accumulation schemes. A super trustee should not provide a member with a retirement estimate if the retirement estimate is misleading or is likely to mislead: see RG 229.14.

Retirement estimates that are factual information

- RG 229.22 If a trustee does not provide personal advice in giving a member a retirement estimate, it is likely to be providing factual information and does not need to rely on the relief in [CO 11/1227].

Note: For more information on providing factual information, and the difference between factual information and financial product advice, see Regulatory Guide 36 *Licensing: Financial product advice and dealing* (RG 36) and [Regulatory Guide 200 Advice to super fund members \(RG 200\)](#) [Regulatory Guide 244 Giving information, general advice and scaled advice \(RG 244\)](#).

- RG 229.23 If you provide a member with a retirement estimate that is factual information, you should inform the member that the retirement estimate is only factual information and not general or personal advice. This will help to:
- (a) avoid confusion and help the member to understand the service they are getting; and
 - (b) avoid engaging in misleading or deceptive conduct, or conduct that is likely to mislead or deceive.

Guidance on retirement estimates

- RG 229.24 This guide explains what you need to do if you wish to rely on our relief in [CO 11/1227] to give retirement estimates to your members. It covers:
- (a) the presentation and content requirements (i.e. what information must be included in retirement estimates, and how it must be displayed) (see Section B);
 - (b) the variables and default assumptions that must be used in calculating retirement estimates (see Section C);
 - (c) how the default assumptions have been set (see Section C); and
 - (d) the timing and manner of giving retirement estimates (see Section D).

Guidance on calculators

- RG 229.25 Our existing relief and guidance on financial calculators continue to apply: see [CO 05/1122] and Section F of RG 167. This guide gives specific guidance on how providers of superannuation calculators can comply with the relief: see Section E.

B Retirement estimates—Content and presentation

Key points

This section explains the presentation and content requirements that super fund trustees must meet in order to rely on our relief.

To take advantage of the relief we have given, you must include the content set out in Table 1: see also RG 229.26–RG 229.30.

However, you are free to present this information as you choose. We think that giving super fund trustees some flexibility in choosing the presentation format will allow them to develop retirement estimates that best serve the needs of their members: see RG 229.34–RG 229.35.

Content requirements

RG 229.26 To rely on the relief given in [CO 11/1227], you must include all of the information set out in Table 1 in each retirement estimate you give to a member. For information on what assumptions must be used in calculating each required item, see Section C.

Table 1: Content requirements for retirement estimates

Estimated end benefit	<p>A retirement estimate must set out the member's estimated end benefit in today's dollars: see RG 229.60.</p> <p>The end benefit must be presented as both:</p> <ul style="list-style-type: none"> • a lump sum; and • an annual income stream. <p>The amount shown as the estimated end benefit should be rounded to the nearest \$10,000 for a lump sum amount, or \$1,000 for an annual income stream amount <u>three significant figures. For example, an annual income stream estimate of \$23,289 should be rounded to \$23,300.</u></p>
Current account balance	A retirement estimate must set out a member's current account balance taken from the closing account balance in the member's periodic statement.
Investment earnings	A retirement estimate must show the assumed rate of investment earnings—that is, the real investment earnings rate specified in [CO 11/1227], which is 3% per year: see RG 229.41–RG 229.43 for more detail on the assumed rate of investment earnings.
Fees	A retirement estimate must show a figure representing the administration fees that were deducted from the member's account over the previous 12 months: see RG 229.44–RG 229.46 for more detail on the figure for fees.

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Retirement age and drawdown period	<p>A retirement estimate must show the assumed retirement age of 65: see RG 229.53–RG 229.54 for more detail on the assumed retirement age.</p> <p>In relation to the annual income stream, the retirement estimate must also indicate how long the income has been calculated to cover. This will be assumed to be 25 years following retirement (i.e. between the ages of 65 and 90): see RG 229.55 for more information about the standard assumed drawdown period.</p>
Insurance premiums	<p>A retirement estimate must show a figure representing the insurance premiums deducted from a member's account over the previous 12 months: see RG 229.56 for more detail on the figure for insurance premiums.</p>
Standard information	<p>A retirement estimate must include the standard information set out in [CO 11/1227], which has been reproduced in Appendix 1.</p> <p>This includes a statement of the key variables and assumptions used in calculating the retirement estimate.</p>

- RG 229.27 Setting content requirements ensures that key elements are present in all retirement estimates. This will also assist members to know what to look for in their retirement estimate, particularly those members who move to a different super fund, or who have more than one fund.
- RG 229.28 A retirement estimate is intended to promote members' engagement with their superannuation. You may include more information in the retirement estimate where you consider that this is necessary to achieve this purpose. The additional information must not be misleading or confusing. Retirement estimates should also not be used to illustrate the effect of alternative scenarios. We consider that including this information will undermine the key message.
- RG 229.29 Retirement estimates must include some standard information. This information includes suggesting that members get further information or advice before making changes to their retirement savings arrangements.
- RG 229.30 The standard information also refers members to the MoneySmart retirement planner. For more information about MoneySmart, see Appendix 2.

Age pension estimate

- RG 229.31 You may, but are not required to, include an estimate of the member's age pension benefit at retirement (expressed in today's dollars). For information on what assumptions must be used in calculating this benefit, see Section C.
- RG 229.32 If you include an age pension estimate, you may also include a total retirement estimate that aggregates the age pension estimate and the estimated end benefit attributable to the member's superannuation account.
- ~~RG 229.31~~ RG 229.33 If you include an age pension estimate, you must also include the standard information set out in [CO 11/1227] (as amended) (we have

reproduced this information in Appendix 1). This information must be located in close proximity to the age pension estimate.

Presentation format

~~RG 229.32~~ RG 229.34 As long as you include all of the required content, you are free to present the retirement estimate as you choose. You may make your own choices about:

- (a) the branding, design and layout of the retirement estimate;
- (b) the placement of the standard information specified in [CO 11/1227] (see also Appendix 1); and
- (c) the inclusion, or otherwise, of diagrams, tables and graphs.

~~RG 229.33~~ RG 229.35 We think that giving super fund trustees freedom in relation to presentation will allow them to build retirement estimates into existing publication systems and to tailor retirement estimates to the particular needs of their membership. In addition, having a flexible approach to presentation will ensure that we do not stifle innovation in developing new and effective ways to communicate information to members.

C Retirement estimates—Calculating the end benefit

Key points

This section explains how super fund trustees must calculate retirement estimates in order to rely on our relief.

You must use certain assumptions when calculating a member's retirement estimate, as summarised in Table 2.

These assumptions are set by ASIC, on the advice of the Australian Government Actuary, and are published in [CO 11/1227].

The role of retirement estimates

[RG 229.34](#)[RG 229.36](#) We realise that retirement estimates involve a degree of inherent uncertainty.

[RG 229.35](#)[RG 229.37](#) This is because the calculation process involves a number of variables and makes a number of assumptions. For example, some of these variables will depend on known facts that are personal to the member (e.g. their current account balance). However, other variables involve factors that are uncertain (e.g. future investment earnings rates). For these variables, certain assumptions need to be made. What actually eventuates is likely to differ from what is assumed will occur.

[RG 229.36](#)[RG 229.38](#) Despite the fact that retirement estimates have some limitations and are likely to differ from what actually occurs, we think that retirement estimates have a useful role to play. We think that the purpose of a retirement estimate is not to give an exact prediction of a member's end benefit. Rather, as discussed in Section A, the primary function of a retirement estimate is to provide an accessible starting point for the member to engage with their superannuation in a personalised manner.

[RG 229.37](#)[RG 229.39](#) It is equally important that members have confidence in the design of the retirement estimate, and the quality of the assumptions made. We think the best way to achieve this is to ensure that all retirement estimates are calculated in a similar manner by setting standardised assumptions that all super fund trustees must use in order to rely on the relief provided in [CO 11/1227]. We have set the assumptions in [CO 11/1227] on the advice of the Australian Government Actuary.

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Standardised assumptions and figures

~~RG 229.38~~RG 229.40 In some cases, making an assumption about a particular variable involves the input of a certain number or value. Where this is the case, you must use the figures set out in [CO 11/1227] in order to rely on the relief. These figures, including standardised assumptions, are summarised in Table 2.

Table 2: Summary of assumptions you must use in calculating a member's end benefit when relying on [CO 11/1227]

Investment earnings, fees and annual income stream	
Investment earnings	You must use the specified assumed rate of investment earnings—that is, the real (relative to wage inflation) investment earnings rate specified in [CO 11/1227], which is 3% per year. This rate is the assumed earnings rate for each member, and applies regardless of their particular investment strategy: see also RG 229.41–RG 229.43.
Fees	You must use a figure representing all administration fees that were paid by the member over the previous 12 months. This figure will be assumed to be the level of fees charged in future years: see also RG 229.44–RG 229.46.
Annual income stream	You must multiply the member's estimated lump sum on retirement by the factor specified in [CO 11/1227] to produce an estimated annual income stream: see also RG 229.47–RG 229.48.
Factors that are personal to the member	
Contribution levels	You must use the contribution levels for the member over the previous 12 months. The calculation methodology in [CO 11/1227] assumes that a member's current contribution rates will remain constant: see also RG 229.49–RG 229.52.
Retirement age and drawdown period	<p>You must assume the retirement age specified in [CO 11/1227], which is 65the age at which the member will become eligible to receive the age pension.</p> <p>Note: Information about eligibility for the age pension is available from the Department of Human Services (see www.humanservices.gov.au/customer/enablers/centrelink/age-pension/eligibility-for-age-pension).</p> <p>In illustrating an annual income stream, you must assume income payments will be required every year for 25 years from the age of retirement until the age specified in [CO 11/1227] that is, between the ages of 65 and 90: see also RG 229.53–RG 229.55.</p>
Insurance premiums	You must use the actual amount of insurance premiums paid by the member over the previous 12 months. The calculation methodology in [CO 11/1227] assumes this to be the level of insurance premiums charged in future years: see also RG 229.56.
Pension entitlement and members' other funds	<p>You must not consider the potential effect on the member's end benefit of:</p> <p>any entitlement to the age pension; or</p> <p>any other super fund account the member might hold.</p> <p>Note: See RG 229.1–RG 229.58.</p>

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Pension entitlement	<p>If you include an estimate of the age pension, you must assume that:</p> <ul style="list-style-type: none"> • the member qualifies for an age pension under s43 of the <i>Social Security Act 1991</i>; • the member owns their own home and has no other assets or income affecting the amount of the age pension payable to the member other than a single super fund retirement benefit equal to the lump sum, which is applied on the date of the estimate to purchase an account-based pension that provides the member with income in that year equal to the annual income stream amount; and • the member has a partner and the partner has the same income and assets as the member.
Factors that are external to the member	
Inflation	You must illustrate the member's retirement benefit in today's dollars. Using the methodology specified in [CO 11/1227] will achieve this: see also RG 229.60.
Taxation conditions and other legal factors	You must assume that current taxation conditions and other legal factors will remain unchanged. You must also ignore the possibility that a member may be required to pay some tax on receipt of their end benefit: see RG 229.61–RG 229.63.

Investment earnings, fees and annual income stream

Investment earnings

[RG 229.39](#)[RG 229.41](#) You must use a uniform assumed rate of investment earnings for each member, regardless of their particular investment strategy. The rate you must use is the standard rate specified in [CO 11/1227], which is 3% per year.

[RG 229.40](#)[RG 229.42](#) The investment earnings rate is an annual real rate (i.e. relative to wage growth) that is net of tax and investment fees. Using this rate and the methodology specified in [CO 11/1227] will produce a lump sum retirement estimate that is expressed in today's dollars.

[RG 229.41](#)[RG 229.43](#) As the main purpose of retirement estimates is to provide members with a simple indication of the potential adequacy of their retirement benefit, we consider that it is appropriate to use standardised figures.

Fees

[RG 229.42](#)[RG 229.44](#) You must use a figure representing all administration fees paid by the member over the previous 12 months in calculating the retirement estimate.

[RG 229.43](#)[RG 229.45](#) [CO 11/1227] specifies that actual administration fees must be used. This is so that the retirement estimate takes into account the impact of administration fees on the member's potential account balance.

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[RG 229.44](#)[RG 229.46](#) We consider that the sum of the administration fees used for individual member projections should be consistent with the total amount of administration fees deducted at a whole of fund level.

Annual income stream

[RG 229.45](#)[RG 229.47](#) You must multiply the member's estimated lump sum on retirement by the factor specified in [CO 11/1227] to produce a retirement estimate of the annual income stream that will be available to the member [for 25 years](#) after they retire, ~~which is assumed to be at age 65~~. You must round the result to the nearest ~~\$1,000~~ [three significant figures](#). [For example, an annual income stream estimate of \\$23,289 should be rounded to \\$23,300.](#)

[RG 229.46](#)[RG 229.48](#) The annual income stream amount does not take account of any income tax that may be payable by the member on that amount.

Factors personal to the member

Contribution levels

[RG 229.47](#)[RG 229.49](#) You must use the contribution levels for the member over the previous 12 months. You must also assume that members' current contribution rates will remain constant. For example, if you are aware that a member is not making additional contributions above superannuation guarantee contributions, you must assume that this will continue.

[RG 229.48](#)[RG 229.50](#) Super fund trustees will not usually know what a member's intentions are in relation to future contributions; members themselves may be uncertain. Future contribution levels will also depend on uncertain factors such as salary levels, rate of salary growth and time out of the workforce for any reason.

[RG 229.49](#)[RG 229.51](#) [We acknowledge that if a member makes a large one-off contribution in a particular year, this level of contribution may not be continued in future years. We will not take action if a trustee follows the prescribed assumptions and methodology set out in this guide. Our relief does not require a trustee to make specific inquiries to determine whether a member's individual circumstances match the prescribed assumptions.](#)

[RG 229.50](#)[RG 229.52](#) We think that making the assumption that current contribution levels will continue is one way to highlight the importance of making additional contributions to superannuation—for example, this will allow members to see what the retirement benefit may be if they continue at their current contribution level. The standard information that all super fund trustees must include with retirement estimates (see Appendix 1) includes a statement that members will need to consider their retirement plans and obtain further information or advice before making changes to their retirement savings arrangements.

Retirement age and drawdown period

~~RG 229.51~~ RG 229.53 You must assume the retirement age specified in [CO 11/1227], which is ~~65~~the age at which the member will become eligible for the age pension. In illustrating an annual income stream, you must assume an income will be required every year from the age of retirement ~~until the age specified in [CO 11/1227], which is 90~~for a further 25 years.

~~RG 229.52~~ RG 229.54 We think it is important to set a standard retirement age for the sake of consistency between retirement estimates. We consider it appropriate to align the assumed retirement age with the age for eligibility for the age pension.

~~RG 229.53~~ RG 229.55 It is crucial for members to realise that they may need to draw on their retirement savings for many years after retirement. Illustrating the end benefit as an annual income stream over the period a member is likely to require it is one way of giving the member a quick indication of the possible adequacy of their end benefit.

Insurance premiums

~~RG 229.54~~ RG 229.56 You must use a figure representing the actual annual insurance premiums paid by the member over the previous 12 months. This is so that the retirement estimate takes into account the impact of insurance premiums on the member's contributions. For the purposes of [CO 11/1227], this figure is used in working out the amount of a member's current contributions.

~~Pension entitlement and m~~Members' other funds

~~RG 229.55~~—You must not consider the potential effect on the member's end benefit of ~~:~~

~~RG 229.56~~—~~any entitlement to the age pension; or~~

RG 229.57 any other super fund account the member may hold.

RG 229.58 ~~A member's entitlement to the age pension, or t~~The status of accounts they a
member may hold with other super funds, ~~are is a~~are is factors that ~~are is~~are is very difficult to take into account in a retirement estimate. Super fund trustees are not likely to have access to all the relevant information to ~~determine whether a member will be entitled to receive the age pension, or~~be aware of what other accounts a member holds.

Age pension entitlement

RG 229.59 If you include an estimate of a member's pension benefit, you must use the following assumptions:

(a) the member qualifies for an age pension under s43 of the Social Security Act 1991;

- (b) the member owns their own home and has no other assets or income affecting the amount of age pension payable to the member, other than a single super fund retirement benefit equal to the lump sum, which is applied on the date of the estimate to purchase an account-based pension that provides the member with income in that year equal to the annual income stream amount; and
- (c) the member has a partner and the member's partner has the same income and assets as the member.

Factors external to the member

Inflation

[RG 229.59](#)[RG 229.60](#) Using the investment earnings rate specified in [CO 11/1227] will result in a retirement estimate being expressed in today's dollars. Therefore, there is no need to separately consider the effect of inflation on the retirement estimate.

Taxation conditions and other legal factors

[RG 229.60](#)[RG 229.61](#) You must assume that current taxation conditions and other legal factors will remain unchanged.

[RG 229.61](#)[RG 229.62](#) Taxation and other legal rules surrounding superannuation are important factors determining the amount of a member's end benefit, and any change in these conditions might have a significant effect. However, it is not possible to anticipate the changes in taxation conditions and other legal factors that may occur over the course of a member's working life.

[RG 229.62](#)[RG 229.63](#) Even though a retirement estimate may not be able to take into account future taxation and other legal conditions, it is important that members are aware of this limitation. The standard information that you must include with retirement estimates (see [CO 11/1227] and Appendix 1) includes a statement that the retirement estimate has been calculated assuming taxation and other legal conditions remain unchanged.

D Retirement estimates—When and how to give retirement estimates

Key points

This section explains when and how you must give retirement estimates to your members if you are relying on our relief—that is:

- a retirement estimate must be given at the same time as the periodic statement (see RG 229.64–RG 229.66); and
- a retirement estimate must either be included in, or accompany, the periodic statement (see RG 229.67–RG 229.71).

When retirement estimates must be given

[RG 229.63](#)[RG 229.64](#) If you rely on the relief we have given in [CO 11/1227] for retirement estimates, you must give your members their retirement estimates at the same time as you give them their periodic statements.

[RG 229.64](#)[RG 229.65](#) The relief does not extend to allowing a retirement estimate to be given at any other time, even if a member requests this.

[RG 229.65](#)[RG 229.66](#) If you choose to give an exiting member a retirement estimate, this should be given at the same time as the final statement.

How retirement estimates must be given

[RG 229.66](#)[RG 229.67](#) To comply with the relief we have given for retirement estimates, a retirement estimate must be included in, or accompany, the periodic statement. We have included this as a condition of our relief in [CO 11/1227] as we think that members will benefit most from receiving retirement estimates on a predictable and regular basis (i.e. at the same time as they receive their periodic statements). Receiving their statements and retirement estimates at the same time may also enhance members' understanding of both documents, as they will be able to cross-reference information in each.

[RG 229.67](#)[RG 229.68](#) This approach allows you some flexibility in the manner in which you give your members their retirement estimates. Depending on your existing systems, it may suit you to incorporate the retirement estimate into the same document as the periodic statement.

[RG 229.68](#)[RG 229.69](#) On the other hand, it may be more convenient for you to produce and provide retirement estimates in separate documents. If this is the case, our relief permits you to do this, as long as the retirement estimates accompany the periodic statements.

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[RG 229.69](#)[RG 229.70](#) This approach is intended to apply regardless of whether members receive their periodic statement in writing or electronically.

[RG 229.70](#)[RG 229.71](#) For example, if you send a member their periodic statement by mail, and you produce a separate retirement estimate for them, the two documents should be mailed together. If you provide a member with an email notification that their periodic statement is available for viewing online, the notification should also refer them to the retirement estimate.

Best practice for giving retirement estimates

[RG 229.71](#)[RG 229.72](#) Your members will benefit most from receiving retirement estimates on a regular basis, as this will allow them to see the potential impact of particular actions (e.g. making additional contributions), or of taking no action.

[RG 229.72](#)[RG 229.73](#) Therefore, if you intend to rely on our relief and provide your members with retirement estimates, we consider it is best practice to give the retirement estimates on a regular basis, with successive periodic statements.

[RG 229.73](#)[RG 229.74](#) If your super fund's reporting period is shorter than 12 months, you may decide whether to give your members their retirement estimates with each periodic statement or to give them less frequently, although we consider it is best practice that each member receives at least one retirement estimate every 12 months.

E Calculators for superannuation products

Key points

This section explains the relief we have given in relation to financial calculators and how this applies to superannuation products.

It is a condition of relief that the default assumptions applied by the calculator to work out the estimate must be 'reasonable'. This section explains how providers of superannuation calculators can best comply with this condition.

Overview of [CO 05/1122]

[RG 229.74](#)[RG 229.75](#) Relief for providers of certain financial calculators has been in place for some time. [CO 05/1122] gives relief from the requirement to hold an AFS licence to providers of financial calculators that do not advertise or promote a specific financial product. Where providers already hold an AFS licence, we have given relief from the advice, conduct and disclosure requirements of Pt 7.7: see RG 167 and [CO 05/1122]. [CO 05/1122] applies more broadly than simply in relation to superannuation products; it applies to financial calculators in general.

[RG 229.75](#)[RG 229.76](#) The relief applies to a facility, device, table or other thing used to make a numerical calculation or to find out the result of a numerical calculation. Where the financial calculator is an electronic facility or device, the calculator must allow the user to change any of the assumptions applied in making the calculation (except for certain statutorily fixed factors). The financial calculator relief does not apply to static retirement estimates provided to the member without user input.

The role of superannuation calculators

[RG 229.76](#)[RG 229.77](#) We think that retirement estimates and calculators both play an important and complementary role. The purpose of retirement estimates is to provide an accessible starting point for members to engage with their superannuation in a personalised manner. Calculators can allow members to explore their retirement needs in greater depth. For example, calculators may be used to illustrate the effect of making alternative decisions, the effect of fees on a member's retirement balance or the effect of retiring at different ages.

How does our relief for calculators apply to superannuation products?

[RG 229.77](#)[RG 229.78](#) [CO 05/1122] specifies as a condition of relief that the default assumptions applied by the calculator for working out the estimate must be ‘reasonable’. It also requires that the provider display a clear and prominent explanation of why the default assumptions, including any statutory assumption, are reasonable for the purposes of working out the estimate.

[RG 229.78](#)[RG 229.79](#) More information on the relief in [CO 05/1122] is set out in RG 167.

Using the assumptions in [CO 11/1227]

[RG 229.79](#)[RG 229.80](#) Many super fund trustees provide superannuation calculators on their websites. If you provide a calculator for a superannuation product, we consider that you will be able to satisfy the requirement to use reasonable assumptions by ensuring that the assumptions used by the calculator are as close as possible to those set out for the purposes of the relief we have given in [CO 11/1227].

[RG 229.80](#)[RG 229.81](#) If you use the assumptions specified in [CO 11/1227], you may also satisfy the requirement to give a clear and prominent explanation of why the default assumptions are reasonable by explaining that they comply with the assumptions for retirement estimates set by ASIC on the advice of the Australian Government Actuary.

Using other assumptions

[RG 229.81](#)[RG 229.82](#) We recognise that providers of calculators may wish to illustrate a variety of different scenarios, such as choosing different investment options or retirement ages. Indeed, this is a strength of calculators, as it allows members to get a better idea of the various options available to them.

[RG 229.82](#)[RG 229.83](#) We recognise that calculators may use default assumptions that are different from those specified in [CO 11/1227]. Calculators may also use variables that are not based on the inputs and assumptions we have specified in [CO 11/1227] (e.g. variables based on the effect of career breaks or the age pension).

[RG 229.83](#)[RG 229.84](#) While we think that the assumptions we have set for retirement estimates in [CO 11/1227] are reasonable—where calculators expand beyond this, providers will need to ensure that the alternative assumptions applied are also reasonable.

[RG 229.84](#)[RG 229.85](#) We consider that assumptions are likely to be reasonable if they are based on the members’ fees, contributions, expected returns (e.g. based on their investment options), or other factors personal to the member. Providing a clear and prominent explanation that the assumptions are based on the

member's fees, contributions, expected returns and/or other factors personal to the member would satisfy the requirement in [CO 05/1122] to give a clear and prominent explanation of why the default assumptions are reasonable.

Today's dollars

[RG 229.85](#)[RG 229.86](#) We strongly recommend that superannuation calculators use appropriate assumptions so that any estimate provided by the calculator is displayed in today's dollars. Members might not realise that future dollars, especially over longer periods of time, will be worth less than today's dollars.

[RG 229.86](#)[RG 229.87](#) In expressing a value in today's dollars, the explanations required in [CO 05/1122] will need to be provided, including providing a clear and prominent statement specifying that the estimate takes into account an assumed change in the cost of living between the time of the preparation of the estimate and the relevant future time.

Note: For more information on expressing the results of a calculator in today's dollars, see RG 167.

Superannuation calculators on MoneySmart

[RG 229.87](#)[RG 229.88](#) The MoneySmart website is run by ASIC to help individuals make more informed choices about their personal finances. Among other things, the website contains a number of superannuation and retirement related calculators that individuals can use in making further decisions about their superannuation and retirement. The calculators are not product specific and are designed to illustrate the effect that certain factors, such as contribution levels and account-keeping fees, can have on a person's superannuation and retirement savings. The calculators available on MoneySmart are described in more detail in Appendix 2.

[RG 229.88](#)[RG 229.89](#) The standard information, which is required to accompany retirement estimates under [CO 11/1227], refers members to MoneySmart for additional consumer financial information.

Appendix 1: Standard information

Below is the standard text that must be included with a retirement estimate, as set out in [CO 11/1227]. However, [CO 11/1227] does not require that this information is displayed as one block of text.

What this estimate means

The projection is just an estimate, not a guarantee.

The actual money you get in your retirement may be very different from this estimate.

~~This is a simple estimate of how much you might get from your super when you retire to help you start your retirement planning.~~ The amounts are shown in today's dollars.

~~The estimate is not a guarantee that you will receive the amount shown. You may get less, or more. This is because this estimate is based on a number of assumptions. These assumptions also mean that the retirement estimate should not be used as a tool to compare super funds.~~

How the estimate is calculated

This estimate has been calculated using these assumptions and figures:

- *[\$insert member's current account balance]* in your super fund now
- investment earnings of 3% per year after inflation
- annual fees and costs of *[insert the figure (as a dollar amount or as a percentage or as a combination of both as relevant) representing the administration fees that have been deducted directly from the member's account during the year ending on the date of the estimate]* (note that this amount may change over time)
- ~~current your~~ super contributions during the previous year will continue until retirement
- you retire at age *[insert the pension age for the member]* ~~65~~
- you want your super to last for 25 years after your retirement—that is, until age 90 *[insert age which is 25 years older than the pension age for the member]*. Around one in six men and one in four women who retire at age 67 will live longer than 25 years after retirement
- annual insurance premiums of *[insert a dollar amount representing the insurance premiums the member has been charged during the year ending on the date of the estimate]* (note that this amount may change over time), and
- current tax and laws remain unchanged.

These are standard assumptions and have been set with input from the Australian Government Actuary. They may not match your actual circumstances either now or in the future. Also, the figures used may differ from those shown in your member statement. The annual income shown does not include any deductions for income tax you may have to pay.

If you want to know more about the way this estimate has been calculated, or the assumptions, contact *[insert contact phone number]* or visit *[insert website address]*.

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What you will actually get when you retire

The actual amount of money you get in retirement may vary considerably from the estimate.

Factors that influence what you will get include:

- the investment options you choose (e.g. conservative, balanced, growth)
- the performance of your investment
- the total fees deducted from your account
- when you retire and get access to your super
- the super contributions you and your employer make
- whether you choose to buy an account-based pension or non-account-based income stream when you retire
- any allowance you make for a pension for your spouse or partner, and
- whether you receive any age pension or other government benefit.

This estimate has been calculated assuming all current rules concerning super and taxing super remain in place.

This estimate only applies to your super account with this fund.

The following text must be included where the trustee makes available a retirement or superannuation calculator on the website for the fund:

Getting help

Don't make changes to your retirement savings arrangements based on this estimate. Before you make changes, you should get further information or advice.

Online calculators let you explore your potential retirement income in more detail. They let you personalise the estimate, and show how you can improve your retirement income.

These calculators include:

- *[insert the name and title of the fund's retirement or superannuation calculator]* available at *[insert website address]*, and
- ASIC's MoneySmart retirement planner: www.moneysmart.gov.au.

The following text must be included where the trustee does not make available a retirement or superannuation calculator on the website for the fund:

Getting help

Don't make changes to your retirement savings arrangements based on this estimate. Before you make changes, you should get further information or advice.

Online calculators let you explore your potential retirement income in more detail. They let you personalise the estimate, and show how you can improve your retirement income. These calculators include ASIC's MoneySmart retirement planner: www.moneysmart.gov.au.

[The following text must be included where the trustee includes an estimate of the age pension. This information must be located in close proximity to the age pension estimate.](#)

[You may not be eligible for some or all of this age pension amount if you \(or your partner\) have income or assets in addition to this super fund.](#)

Pension rates and eligibility rules may change between now and when you retire.

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Appendix 2: Superannuation and retirement help on the MoneySmart website

ASIC's MoneySmart website www.moneysmart.gov.au offers free, independent guidance to help people make smart choices for their money.

In the superannuation and retirement section, the website covers how superannuation works, keeping track and lost superannuation, making superannuation contributions, retirement income planning and income sources in retirement.

MoneySmart offers the following calculators to help with retirement and superannuation issues:

- retirement planner (how to boost your super);
- superannuation calculator (how fees affect your payout);
- super contributions optimiser;
- super vs mortgage calculator;
- super co-contribution calculator;
- employer contributions calculator;
- super and pension age calculator; and
- account-based pension calculator.

The standard information, which is required to accompany retirement estimates under [CO 11/1227], refers members to MoneySmart for additional consumer financial information and education.

Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries out a financial services business to provide financial services Note: This is a definition contained in s761A.
ASIC	Australian Securities and Investments Commission
calculator	A facility, device, table or other thing used to make a numerical calculation or find out the result of a numerical calculation
[CO 05/1122] (for example)	An ASIC class order (in this example, numbered 05/1122)
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
financial product	Generally a facility through which, or through the acquisition of which, a person does one or more of the following: <ul style="list-style-type: none"> • makes a financial investment (see s763B); • manages financial risk (see s763C); • makes non-cash payments (see s763D) Note: See Div 3 of Pt 7.1 for the exact definition.
financial service	Has the meaning given in Div 4 of Pt 7.1
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: <ul style="list-style-type: none"> • the provider of the advice has considered one or more of the person's objectives, financial situation and needs; or • a reasonable person might expect the provider to have considered one or more of those matters Note: This is a definition contained in s766B(3).
Pt 7.7 (for example)	A part of the Corporations Act (in this example, numbered 7.7)
RG 36 (for example)	An ASIC regulatory guide (in this example, numbered 36)
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations 2001
retirement estimate	A superannuation forecast provided to super fund members in the form of a statement, rather than through a calculator
s766E (for example)	A section of the Corporations Act (in this example, numbered 766E)

Term	Meaning in this document
Statement of Advice	<p>A document that must be given to a retail client for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7</p> <p>Note: See s761A for the exact definition.</p>
superannuation forecast	<p>An estimate provided to a super fund member of the balance of their superannuation investment at retirement, taking into account their current account balance, the impact of fees, and assumptions about future contributions, earnings and other matters</p>

Related information

Headnotes

calculator, retirement estimate, superannuation forecast

Class orders

[CO 05/1122] *Relief for providers of generic calculators*

[CO 11/1227] *Relief for providers of retirement estimates*

Regulatory guides

RG 36 *Licensing: Financial product advice and dealing*

RG 167 *Licensing: Discretionary powers*

[RG 200 *Advice to super fund members*](#)

[RG 244 *Giving information, general advice and scaled advice*](#)

Report

REP 266 *Response to submissions on CP 122 Superannuation forecasts: ASIC relief and guidance for super funds*

Legislation

Corporations Act, Pt 7.7, s769C

[*Social Security Act 1991, s47*](#)

Consultation papers

CP 101 *Superannuation forecasts* (July 2008)

CP 122 *Superannuation forecasts: ASIC relief and guidance for super funds* (October 2009)

[*CP 203 Age pension estimates in superannuation forecasts: Update to RG 229*](#) (March 2013)

Media and information releases

08-172 *ASIC advocates ‘super snapshots’—a wake-up call on super*

09-203AD *ASIC releases new proposals on superannuation forecasts*

Attachment 2 to CP 203: Proposed amendments to [CO 11/1227]

Australian Securities and Investments Commission Corporations Act 2001 — Paragraphs 926A(2)(a) and 951B(1)(a) — Exemption

Enabling legislation

1. The Australian Securities and Investments Commission makes this instrument under paragraphs 926A(2)(a) and 951B(1)(a) of the *Corporations Act 2001 (Act)*.

Title

2. This instrument is ASIC Class Order [CO 11/1227].

Commencement

3. This instrument commences on the date it is registered under the *Legislative Instruments Act 2003*.

Note: An instrument is registered when it is recorded on the Federal Register of Legislative Instruments (*FRLI*) in electronic form: see *Legislative Instruments Act 2003*, s 4 (definition of *register*). The FRLI may be accessed at <http://www.frli.gov.au/>.

Exemption

4. A trustee (the *trustee*) of a superannuation entity (the *fund*) who provides financial product advice in a statement (the *estimate*) that complies with paragraphs 6 and 7 to a member of the fund does not have to comply with:
 - (a) the requirement in subsection 911A(1) of the Act to hold an Australian financial services licence covering the provision of that advice; or
 - (b) where the trustee is a financial services licensee—Divisions 2, 3 and 4 of Part 7.7 of the Act in relation to that advice.

Where the relief applies

5. The trustee may rely on the exemption in paragraph 4 only if both of the following apply:
 - (a) The estimate:
 - (i) is given by the trustee at the time the member is given a periodic statement; and
 - (ii) either:
 - (A) is included in the periodic statement; or

(B) accompanies the periodic statement.

- (b) The member:
- (i) has been a member of the fund for the year ending on the date of the estimate; and
 - (ii) ~~is younger than 65~~ has not reached pension age at the date of the estimate.

The estimate

6. The estimate must include all of the following:
- (a) the amount (the *lump sum*) worked out in accordance with paragraph 8, specified as an amount in dollars rounded to the nearest ~~\$10,000~~ three significant figures, together with a statement to the effect that this amount is the estimated balance of the member's account with the fund when the member ~~is 65~~ reaches the pension age;
 - (b) the amount (the *annual income stream amount*) worked out in accordance with paragraph 9, specified as an amount in dollars rounded to the nearest ~~\$1,000~~ three significant figures, together with a statement to the effect that this amount is the estimated amount the member may get every year if the estimated balance of the member's account with the fund when they retire were converted into an annual income stream for 25 years;
 - (c) the statements specified in paragraph ~~4012~~.
7. The estimate may include the amount (the *age pension amount*) representing the amount (if any) that would be payable to the member as an age pension if the following applied to the member:
- (a) the member qualifies for an age pension under section 43 of the *Social Security Act 1991* (Social Security Act);
 - (b) the member owns their own home and has no other assets or income affecting the amount of the age pension payable to the member other than a single superannuation fund retirement benefit equal to the lump sum, which ~~it is assumed~~ is applied on the date of the estimate to purchase an account-based pension that provides the member with income in that year equal to the annual income stream amount;
 - (c) the member has a partner and the partner has the same income and assets as the member.

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8. If the estimate includes the age pension amount:

(a) the estimate may also include the amount (the *total annual amount*) which is the sum of the annual income stream amount and the age pension amount;

(b) the estimate must include the statements specified in paragraph 13.

7.9. Apart from the lump sum, ~~and~~ annual income stream amount, age pension amount and total annual amount, the estimate must not specify other amounts or figures representing or purporting to represent the member's expected retirement benefit (however described).

8.10. The lump sum is to be worked out in accordance with the following formula if *f* is not 3%:

$$\frac{A}{B} + C;$$

and otherwise in accordance with the following formula:

$$(\text{adjusted current contributions} - F) \times (65 - \underline{r} - \text{age}) + \text{current balance}$$

where:

$$A = (\text{adjusted current contributions} - F) \times ((1.03 - f)^{(65 - \underline{r} - \text{age})} - 1).$$

$$B = \ln(1.03 - f).$$

$$C = \text{current balance} \times (1.03 - f)^{(65 - \underline{r} - \text{age})}.$$

F = (a) where the fund deducts administration fees on a relevant basis or deducts indirect administration fees—the total in dollars of the administration fees (if any) deducted directly from the member's account with the fund during the year ending on the date of the estimate plus the total in dollars of indirect administration fees (if any) that are attributable to the member's account for the year; or

(b) otherwise—0.

adjusted current contributions = the total contributions that are paid into the member's account with the fund during the year ending on the date of the estimate, less contributions tax, insurance premiums and amounts transferred into the member's account with the fund from another account with another superannuation entity.

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age = the age of the member at the date the estimate is prepared measured in years and part years, rounded to one decimal place.

current balance = the balance of the member's account with the fund at the date of the estimate.

f = (a) where the trustee deducts administration fees based on a percentage of the balance of the member's account with the fund or different percentages of different parts of that balance—the annual or annualised percentage rate at which administration fees have been deducted from that account during the year ending on the date of the estimate; or

(b) otherwise—0.

r = [the pension age applicable to the member.](#)

Note 1: The formula to work out the amount of B involves working out the natural logarithm of the result of the bracketed calculation.

Note 2: The following are examples of how the value of **f** is worked out:

- (a) If fees are deducted at a rate of 0.25% of a member's account balance each quarter, **f** is 1%.
- (b) If fees are deducted on the final day of the reporting period at a rate of 1% for the first \$100,000 of a member's account balance plus 0.75% of each dollar above \$100,000 of that balance and the member's balance was \$150,000 on that day, **f** is 0.917%. This is the result of the following calculation (rounded to 3 decimal places for illustrative purposes – actual numbers should be used in applying the relevant formula):

$$(100,000 \times 0.01 + 50,000 \times 0.0075) / 150,000.$$

- (c) If fees are deducted each quarter at a rate of 0.25% for the first \$100,000 of a member's account balance plus 0.1875% of each dollar above \$100,000 of that balance; and the member's balance was \$130,000, \$128,000, \$140,000 and \$150,000 on the dates deductions were made, **f** is 0.933%. This is the result of the following calculation (rounded to 3 decimal places for illustrative purposes – actual numbers should be used in applying the relevant formula):

$$\begin{aligned} & ((100,000 \times 0.0025) + (\$30,000 \times 0.001875)) / 130,000 + \\ & ((100,000 \times 0.0025) + (\$28,000 \times 0.001875)) / 128,000 + \\ & ((100,000 \times 0.0025) + (\$40,000 \times 0.001875)) / 140,000 + \\ & ((100,000 \times 0.0025) + (\$50,000 \times 0.001875)) / 150,000. \end{aligned}$$

Note 3: The calculation required by paragraph 8 involves an assumption that the rate of return will be 3%.

[9.11.](#) The annual income stream amount is to be calculated in accordance with the following formula:

$$\text{lump sum} \times 0.0566.$$

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Note: This calculation converts the lump sum into an annual income amount. It assumes the lump sum is drawn down progressively ~~from age 65 following the member's retirement~~ and is completely exhausted ~~by age 90 after 25 years~~, and that there is a real investment return, net of fees, of 3% per annum.

10.12. The estimate must include all of the following text (with the relevant information substituted for the instructions in square brackets):

(a) **“What this estimate means**

The projection is just an estimate, not a guarantee.

The actual money you get in your retirement may be very different from this estimate. This is a simple estimate of how much you might get from your super when you retire to help you start your retirement planning.

The amounts are shown in today's dollars.

~~The estimate is **not** a guarantee that you will receive the amount shown. You may get less, or more. This is because this estimate is based on a number of assumptions. These assumptions also mean that the retirement estimate should not be used a tool to compare super funds.”.~~

(b) **“How the estimate is calculated**

This estimate has been calculated using these assumptions and figures:

- *[\$[insert member's current balance (see paragraph 8)] in your super fund now*
- investment earnings of 3% per year after inflation
- annual fees and costs of *[insert the figure (as a dollar amount or as a percentage or as a combination of both as relevant) representing the administration fees ~~that have been deducted directly from the member's account~~ during the year ending on the date of the estimate] (note that this amount may change over time)*
- ~~current~~ your super contributions during the previous year will continue until retirement
- you retire at age 65-[insert the pension age for the member]
- you want your super to last for 25 years after your retirement, that is, until age 90-[insert age which is 25 years older than the pension age for the member]. Around one in six men and one in four women who retire at age 67 will live longer than 25 years after retirement
- annual insurance premiums of *[insert a dollar amount representing the insurance premiums the member has been charged during the year ending on the date of the estimate] (note that this amount may change over time), and*
- current tax and laws remain unchanged.

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These are standard assumptions and have been set with input from the Australian Government Actuary. They may not match your actual circumstances either now or in the future. Also the figures used may differ from those shown in your member statement. The annual income shown does not include any deductions for income tax you may have to pay.

If you want to know more about the way this estimate has been calculated, or the assumptions, contact *[insert contact phone number]* or visit *[insert website address]*.”.

(c) **“What you will actually get when you retire**

The actual amount of money you get in retirement may vary considerably from the estimate.

Factors that influence what you will get include:

- the investment options you choose (e.g. conservative, balanced, growth)
- the performance of your investment
- the total fees deducted from your account
- when you retire and get access to your super
- the super contributions you and your employer make
- whether you choose to buy an account-based pension or non-account-based income stream when you retire
- any allowance you make for a pension for your spouse or partner, and
- whether you receive any age pension or other government benefit.

This estimate has been calculated assuming all current rules concerning super and taxing super remain in place.

This estimate only applies to your super account with this fund.”.

(d) where the trustee makes available a retirement or superannuation calculator on the website for the fund:

“Getting help

Don’t make changes to your retirement savings arrangements based on this estimate. Before you make changes, you should get further information or advice.

Online calculators let you explore your potential retirement income in more detail. They let you personalise the estimate, and show how you can improve your retirement income.

These calculators include:

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- *[insert the name and title of the fund’s retirement or superannuation calculator]* available at *[insert website address]*, and
 - ASIC’s MoneySmart retirement planner: www.moneysmart.gov.au.”.
- (e) where the trustee does not make available a retirement or superannuation calculator on the website for the fund:

“Getting help

Don’t make changes to your retirement savings arrangements based on this estimate. Before you make changes, you should get further information or advice.

Online calculators let you explore your potential retirement income in more detail. They let you personalise the estimate, and show how you can improve your retirement income. These calculators include ASIC’s MoneySmart retirement planner: www.moneysmart.gov.au.”.

Note 1: The blocks of text set out in paragraphs (a) to (e) need not be set out in one place or included in the order of those paragraphs.

Note 2: The amount to be inserted in the text in paragraph (b) for fees and costs or insurance premiums is zero if no relevant amounts have been deducted.

13. Where the estimate includes the age pension amount in accordance with paragraph 7, the estimate must include all of the following text in close proximity to the age pension amount:

"You may not be eligible for some or all of this age pension amount if you (or your partner) have income or assets in addition to this super fund.

Pension rates and eligibility rules may change between now and when you retire."

Interpretation

11.14. In this instrument:

administration fees means, in relation to a superannuation entity, any fee or charge (however described) deducted directly from the account of a member of the entity or otherwise deducted from the assets of the entity ~~deducted directly from the account of a member of the entity~~ other than:

- (a) a fee or charge for the management of investment of the assets of the entity (whether or not it is paid by the trustee to another person); or
- (b) contributions tax; or
- (c) insurance premiums.

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age pension means an age pension under Part 2.2 of Chapter 2 of the Social Security Act.

date in relation to an estimate, means the date of the last day of the reporting period covered by the periodic statement which includes the estimate or which the estimate accompanies (see subparagraph 5(a)).

indirect administration fees means any administration fees that are not deducted directly from a member's account. The amount of indirect administration fees attributable to a member's account is calculated by multiplying the member's current balance by the ratio of the fund's indirect administration fees to the fund's total average net assets.

partner has the same meaning as in subsection 4(1) of the Social Security Act.

periodic statement has the same meaning as in subsection 1017D(1) of the Act.

pension age has the same meaning as in subsections 23(5A) to (5D) of the Social Security Act.

relevant basis means, in relation to the deduction of administration fees, the deduction of fees on either or a combination of, the following:

- (a) on a flat dollar basis (for example, \$1 per week);
- (b) based on a percentage of the member's contributions into their account with the fund (for example, 1% of each contribution).

superannuation entity has the same meaning as in the *Corporations Act 2001*.

Dated this 1st day of December 2011

Signed by Stephen Yen PSM
as a delegate of the Australian Securities and Investments Commission

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