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Mr Geoffrey Leveritt
Senior Lawyer
Strategy & Policy
ASIC
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Dear Mr Leveritt

Re: Consultation Paper 203 (Age pension estimates in superannuation forecasts: Update to RG 229)

The Challenger Group includes Challenger Life which is a provider of fixed term and lifetime annuities. The Challenger Group also has various AFS licensees, and a funds management business which includes Challenger Retirement and Investment Services Limited which is an RSE for a superannuation fund the assets of which are comprised entirely of fixed term annuities with a rate of return guaranteed by Challenger's life office.

Challenger recognises that most Australians will be eligible for a full or part Age Pension for all or a substantial part of their retirement. It is therefore imperative that the estimates given to fund members on the retirement income they can expect include an estimate of their expected Age Pension entitlement.

The provision of these estimates provides both early and regular engagement with superannuation fund members. The way these estimates are presented and the information which accompanies them, including the various warnings, offer a unique opportunity to educate fund members about relevant retirement incomes issues including:

- Market risk;
- Sequencing risk;
- Inflation;
- Longevity risk;
- Likelihood of future dependency on the Age Pension; and
- Implications of the means test for singles and couples.

As one of the few providers of guaranteed superannuation accumulation products, Challenger believes that the relief provided for estimates given to fund members should allow life offices to use actual guaranteed payment rates rather than a specified earnings rate as is proposed for market linked account based products.

Challenger has a sophisticated calculator, incorporating:

- stochastic analysis to show the expected performance of account based pensions, including the expected duration of a pension at various rates of draw down, which provides confidence based estimates of the expected duration of income streams;
- the interactions between account based allocated pension, both fixed and lifetime annuities, and the Age Pension; and
- age cohort life expectancies.

The estimates produced using this calculator and their attendant probabilities are much more realistic than the long term average returns proposed to be used in the updated Regulatory Guidance. Challenger believes that the guidance should be updated to provide relief for both stochastic and age cohort estimates produced by such calculators and programs.

Challenger would be pleased to provide ASIC officers working on this regulatory guidance with a demonstration of the latest version of its calculator. Challenger gave a demonstration of the first version of the calculator to then ASIC Commissioners Medcraft and Boxall on 15 March 2011.

Given the relatively large proportion of the population who will not be partnered at retirement Challenger believes that relief should be given that allows, or preferably requires, that estimates be given to fund members which show what they can expect if they arrive at retirement in either a single or partnered situation

Yours sincerely

David Cox
Head of Government Relations

RESPONSES TO SPECIFIC CONSULTATION QUESTIONS

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).

FEEDBACK

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

No.

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?

Yes. As most retirees will derive a substantial part of their retirement income from full or part Age Pension entitlements it is imperative that they be aware of those entitlements and the effect of superannuation income on those Age Pension entitlements.

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.

FEEDBACK

B1Q1 Do you agree with our proposal to allow trustees to include the age pension in a retirement estimate? If not, why not?

Yes

B1Q2 Should it instead be mandatory for a trustee to include the age pension in a retirement estimate?

Yes

It would be appropriate for funds to be required to note that when an account based pension reaches a zero balance the income stream will be comprised entirely of payments from the Age Pension.

In the case of lifetime annuities, whether immediate or deferred, it would be appropriate to note that when an account based pension balance reaches zero the income stream will be made up of Age Pension entitlement and annuity income guaranteed by the life office.

B1Q3 Are there any practical difficulties for super funds in implementing our proposal?
ASIC may wish to give specific guidance on appropriate and consistent indexation of Age Pension entitlements, since the actual inflator each year is the greater of CPI, a price index for retirees or a wage index.

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.

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?

Current rules (a) and (b) are reasonable. As long as those assumptions are clearly labelled, either assumption should be appropriate for RG229 and CO [11/1227].

With respect to [c] funds should be permitted to provide their members with estimates for both single and partnered situations as, particularly for younger members, this will provide some useful education on means testing arrangements.

B2Q2 Are there any practical difficulties for super funds in implementing our proposal?

The proposals require provision of a standardised set of information. Providing this should not involve major practical difficulties for funds. Funds should be encouraged to take the opportunity of reporting estimates of retirement balances and incomes to provide education for their members.

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.

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?
No. Since the fund member may have more than one super fund, and the other(s) may be reporting retirement income estimates to them, the warning should say “If you are a member of more than one superannuation fund you should note that the estimates of Age Pension entitlements provided by each fund should not be added together. Rather, as a result of the operation of the means test, the existence of additional superannuation assets in other funds may reduce the estimate of Age Pension entitlements reported here.”

B3Q2 Should there be prescribed requirements for presentation of the age pension estimate?

Yes. The Age Pension estimate should be clear. At the very least, the proportion of the income stream from the Age Pension should be listed as separate to the income stream their superannuation is projected to generate

B3Q3 Are there any practical difficulties for super funds in implementing our proposal?

Yes. Presenting Age Pension estimates will require investment in calculators or computer programs to provide the estimates and up-date them.

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

FEEDBACK

B4Q1 Do you agree with our proposal? If not, what age do you think should be assumed for retirement?

Yes

It would be in the fund member’s interest to receive the following warning; “If you retire after preservation age but before eligibility for any Age Pension entitlement any income you take from your superannuation will affect your lifestyle later in retirement.

B4Q2 Are there any practical difficulties for super funds in implementing our proposal?

No

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.

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?

No. The proposed wording does not make it clear that there is a substantial probability that the retiree may live well beyond 25 years. Indeed for younger superannuation member's life expectancy is likely to exceed 25 years. This is because of the improvements in mortality over time. A current 30-year-old male will expect 25 years in retirement and a female, 26 years (David Bell makes a similar point in http://cuffelinks.com.au/strategy/mortality-risk-could-be-the-death-of-you). Using 25 years will underestimate the average time in retirement (based on current rules) for this younger superannuation cohort. (Attached to this submission is a Challenger Retirement Income Research paper Longevity part 1 – How long will people live?)

B5Q2 Are there any practical difficulties for super funds in implementing our proposal?

Yes. The proposal is too simplistic for funds offering longevity insurance in the form of deferred lifetime annuities. Funds will need to be able to give their members estimates of their age cohort life expectancy relevant to their gender. Fund members also need to be advised that there is a significant probability that they may exceed their age cohort life expectancy. Challenger's calculator also provides an estimate of the probability that one member of the couple will live to 100 years. ASIC's guidance should permit the provision of reasonably based actuarial estimates of this nature.

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 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.

FEEDBACK

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

Yes

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

A degree of prescription reduces the potential for a provider to obtain a competitive advantage by using a non-standard estimate or presentation.

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.

FEEDBACK

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

Yes

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

It should be noted in the guidance that life offices offering a defined benefit in the form of a deferred lifetime annuity would not have fees to report in relation to that component of superannuation income.

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.

FEEDBACK

B8Q1 Do you agree with our proposal for rounding of estimates? If not, what approach to rounding do you suggest?

No. For most superannuation accounts three figures implies an unrealistic degree of precision. We suggest using only two significant figures:

	Actual projection	Reported
Up to $10,000	$5,455	$5,500
$10,001 - $100,000	$54,555	$55,000
$100,001 - $1000,000	$545,555	$550,000
Over $1,000,000	$1,545,555	$1.5 million

B8Q2 Are there any practical difficulties for super funds in implementing our proposal?

Implementation of this or the ASIC proposal is a minor programming matter.

PROPOSAL

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

FEEDBACK

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

Where a life office guarantees a particular return it should have the option of providing that return in replacement of the standard 3% estimate. In that case the appropriate wording would be:
“Earnings of X% per year/X% per year after inflation as provided in the life policy.”

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

No.

Longevity part 1 – How long will people live?

Misjudging your longevity can dramatically impact the quality of your retirement

One of the challenges in retirement is to make a certain pool of money last for an uncertain number of years. How long we spend in retirement depends on how long we live. Determining exactly how long we will live is an impossible task, but has crucial implications for retirement. The adverse financial implications of living longer than expected are referred to as 'longevity risk'.

If a retiree overestimates her life expectancy (ie does not live as long as she plans), she runs the risk of not having as high a standard of living as might have been possible. If, on the other hand, a retiree underestimates her life expectancy (ie lives longer than she expects), she faces the risk of running out of money or having to reduce spending in later years. A retiree who lives longer than expected and runs out of savings is likely to become wholly dependent on the Age Pension, which provides for only the bare necessities.[1] Advisers, therefore, need to consider the potential impacts of clients outliving their savings and the impact it would have on their standard of living.

This paper is the first in a series of three that discuss the issue of longevity risk and the implications of misjudging how long retirement could last.

Key points

This first paper examines estimates of how long people could live and highlights that:

- retirees will live, on average, three years longer than suggested by traditional life tables;
- retirement plans should have a better-than-average target for longevity. After all, half the people will live longer than average; and
- life expectancies are likely to continue improving, meaning that advisers will need to plan for longer retirements over time.

The second paper will discuss the financial impacts of living longer in retirement, while the third paper will deal with how to mitigate longevity risk.

How best to measure longevity

There are a number of ways to estimate a person's longevity, some more appropriate than others. Using estimates based on historical data alone might not adequately account for future improvements in mortality. Alternatively, there are different ways to forecast longevity taking mortality improvements into account. Each forecasting methodology has its inherent strengths and weaknesses. As a result, it is important that advisers understand the pros and cons of various longevity estimates when advising their clients about retirement.

[1] The Age Pension provides a single person with $20,088 per year (including the supplement as of September 2012). The ASFA Retirement Standard estimates that a single retiree requires $22,024 per year to support a modest lifestyle and $40,391 per year to support a comfortable lifestyle (June quarter 2012 estimates).

Demographers and actuaries typically discuss longevity in terms of life expectancies. Life expectancy is an estimate of the remaining number of years a person of a particular group of people (cohort) is expected to live on average. Life expectancy is usually measured by the average experience of a population or cohort. A cohort's longevity can be influenced by age, gender and medical history, along with a host of other factors specific to a person or population.

A person's actual lifespan will normally fall either side of the group average life expectancy

It is important to realise that measurements of life expectancy are estimates based on averages. How long a person from the cohort actually lives will normally fall either side of the cohort average for a wide range of reasons. By definition, 50 per cent of people will live for less than the estimate and 50 per cell will live longer. In this section, we examine how life expectancies are measured and how they might be forecasted.

A snapshot of life expectancy

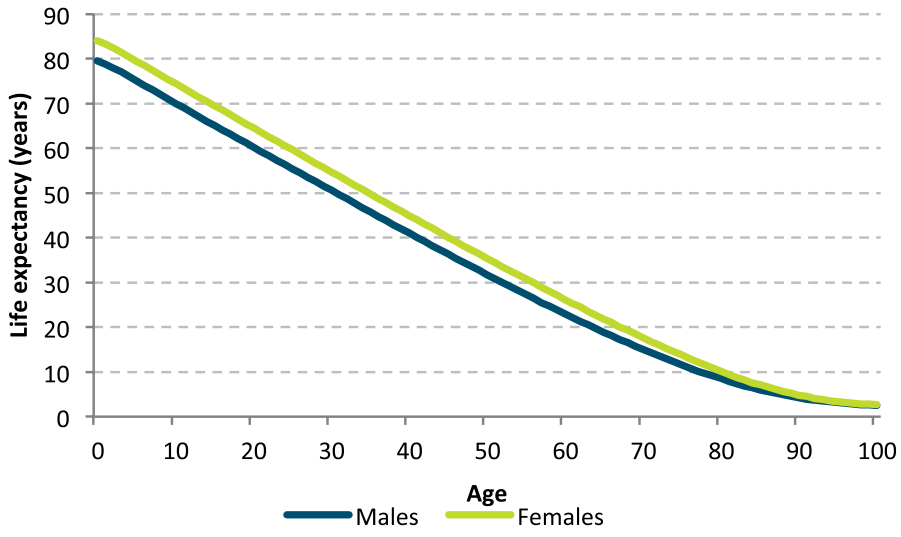
Life tables have been used for centuries to record the historical mortality experience of various populations. Life tables attempt to describe the historical average mortality experience and life expectancy of a population at each age and for each gender.

Period life tables represent a snapshot of mortality at a particular point in time

The most common type of life table is the 'period' life table. Period life table mortality rates are estimated by considering age-specific death rates (estimated from death registrations and population estimates) over a short period of time (typically three years for Australian life tables) during which time mortality will generally have remained relatively constant. Period life tables, therefore, represent a snapshot of mortality at a particular point in time for a particular population. Such life tables generally provide no indication about how mortality might change over time. Almost by design, they do not predict the future.

Figure 1 displays the life expectancies of Australian males and females, as measured by the Australian Bureau of Statistics (**ABS**) from a period life table, and illustrates that women typically live longer than men. The probability of someone dying at a particular age is estimated by the proportion of people at that age who died in the period measured. As is inherent in life expectancies calculated from period life tables, no consideration is given to changes in future mortality rates: improvements or deteriorations.

Figure 1: Life expectancy for different ages (period life table)



Source: ABS, Life Tables, Australia 2008-2010

Warning: Period life tables do not factor in mortality improvements

Period life tables are often quoted in the media and used in the retirement industry to estimate how long a person will live (eg used in calculating Centrelink benefits). However, as we will show, mortality rates have, in fact, been improving for some time. As a result, caution should be used when using traditional period life expectancy estimates because they do not take into account future mortality improvements; they systematically underestimate life expectancies. This has quite significant implications and risks for advisers and their clients.

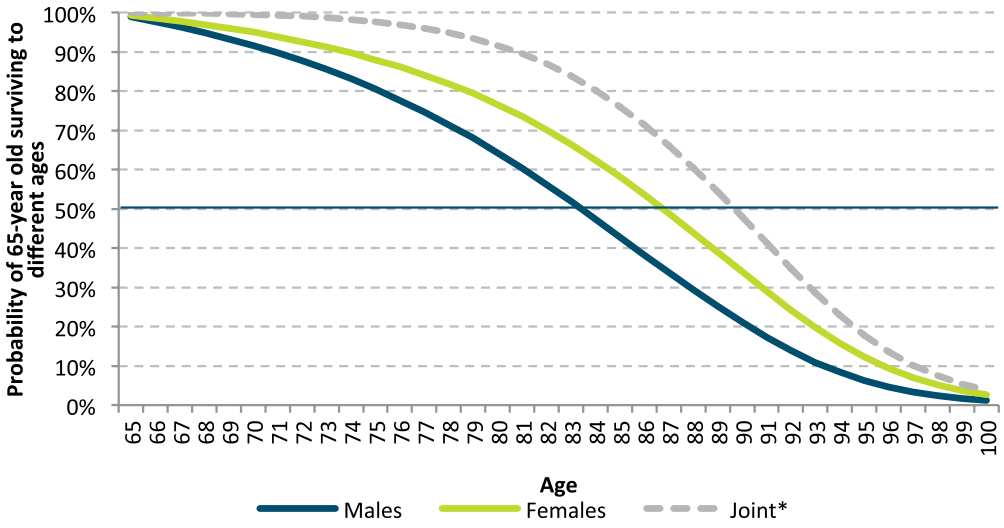
Using life tables, it is possible to get to 'first base' in estimating how likely a person is to survive to different ages. For illustrative purposes, we have estimated these first base survival probabilities from the latest ABS period life tables (ie these estimates do not assume mortality rate improvements). Figure 2 estimates survival probabilities for 65-year olds from ABS life tables. The results suggest that a 65-year old male has a 50 per cent probability of surviving past age 84, while a 65-year-old woman had a 50 per cent chance of living past 87. This means that, on average, male and female retirees could spend 19 and 22 years, respectively, in retirement.

A retirement strategy designed around average life expectancy has a 50 per cent chance of leaving a retiree wholly dependent on the Age Pension

However, it is important to remember that these first base estimates only consider the historical mortality experience over a few years. Mortality rates have been improving consistently for decades. As a result, period life table estimates are likely to underestimate actual life expectancies. These are averages, so a retirement strategy designed to deplete savings by a person's average life expectancy (as many models project), has a 50 per cent chance (or worse) of leaving a retiree wholly dependent on the Age Pension.

With this in mind, it is risky to rely on period life table estimates for making retirement decisions or for giving advice about a person's actual longevity. Advisers need better tools to help clients understand their longevity risk.

Figure 2: Probability of a 65-year old surviving to different ages using historical data (2008-2010)



Source: ABS Life Tables Australia 2008-2010, Challenger estimates

*Joint refers to the probability that either the male or female member (both aged 65) of a couple will survive to a particular age.

Mortality improvements mean that historical life tables typically understate a person's life expectancy

Consider now the joint probability line in Figure 2. The joint probability is the probability that either the male or female member (both aged 65) of a couple will be alive at a particular age. The life expectancy of a couple is longer than either member on their own because the pool of lives increases to two. As a result, retired couples should plan for at least one of them to live longer than their combined individual life expectancy estimates.

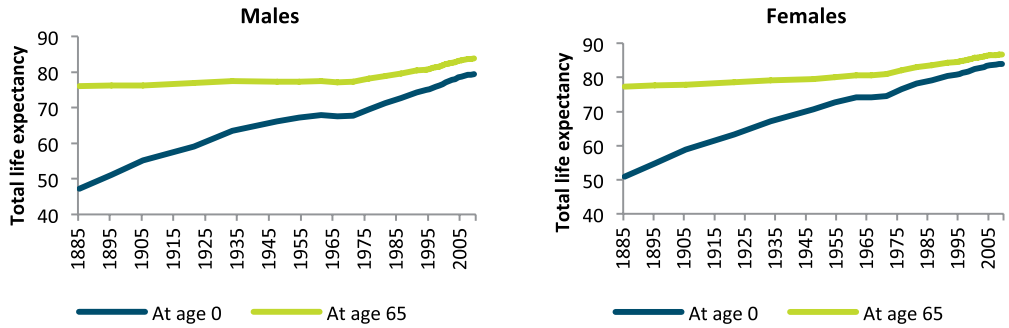
Life tables based on historical data provide a good starting point (first base) for estimating how long someone could spend in retirement. However, knowing how long people have lived in the past is different from knowing how long they are likely to live into the future. Mortality rates and life expectancies in Australia have been improving for the past 120 years, and are expected to continue improving in the future.[2] Consequently, life tables and estimates based on historical data alone (as in Figure 2) merely provide a backward-looking snapshot of life expectancies. Advisers dealing with these issues might ask why there is not more useful data available to assist them.

The life expectancy of 65-year olds has been increasing for the past 120 years and is expected to continue

People live longer now than ever before

There is compelling evidence world-wide showing improvements in life expectancies.[3] Virtually every country for which mortality statistics exist can point to people living longer. In Australia, the total life expectancy (life expectancy plus current age) for Australian newborns has increased by over 30 years since 1881-90. Total life expectancy for 65-year olds has increased by six years over the same period (see Figure 3). In this paper, we use data for 65-year olds to represent that of retirees since the age of eligibility for the Age Pension is currently 65.[4]

Figure 3: Total life expectancy at selected ages using period life tables



Source: Australian Government Actuary, Australia Life Tables

A better way to measure longevity

The evidence showing longer-living populations suggests that a forecast of life expectancy should take into account improving mortality rates. However, to forecast future mortality rates and life expectancies, we need to make assumptions about how much mortality rates are likely to improve in the future.

A number of methods have been developed to forecast life expectancies using period life tables as the starting point for forecasts. However, academic studies[5] have indicated

[2] Actuaries Institute, Australia's Longevity Tsunami. What should we do? August 2012.

[3] OECD, OECD Factbook 2011-2012. Economic, Environmental and Social Statistics, 2011, pp 264-267.

[4] 65 years for men. It is currently 64.5 years for women, and will increase to 67 years for both men and women by 2023.

that improvements in mortality rates in some countries' populations are strongly related to a person's year of birth. In the UK for instance, people born in the 1930s have experienced higher rates of mortality improvement than other age cohorts. Similar evidence exists for age cohorts in other countries, including Australia. As a result, we favour the year-of-birth method when forecasting life expectancy.

Consider an example from the Australian Government Actuary of a boy born in 1886. Life tables for the period 1881-90 reported that life expectancy for a new born boy was 47 years. However, applying the mortality rates reported in subsequent life tables, that would have been applicable to the same boy over the course of his life, gives a more accurate life expectancy estimate. We estimate that his actual life expectancy would have been closer to 53, six years longer than originally predicted. The example illustrates the importance of considering the persistence of mortality improvements.[6]

It is vital to consider future improvements in mortality rates when forecasting life expectancy

Using more recent data, we have estimated the total life expectancies of Australians at the end of 2011, using data from Treasury's 2010 Intergenerational Report which is based on 25-year mortality improvements.[7] Period life table estimates for 2009 are included for comparison. Total life expectancy is dramatically higher when mortality improvements are included.

Table 1: Total life expectancy at different ages using year-of-birth method with mortality improvements

Age	Male total life expectancy			Female total life expectancy		
	2009 no improvements	2011 with improvements*	Difference (years)	2009 no improvements	2011 with improvements*	Difference (years)
0	79.5	93	13.5	84.0	95	11.0
15	80.1	92	11.9	84.4	94	9.6
25	80.4	91	10.6	84.6	94	9.4
35	80.8	90	9.2	84.8	93	8.2
45	81.3	89	7.7	85.1	92	6.9
55	82.3	88	5.7	85.8	91	5.2
65	83.9	87	3.1	86.8	90	3.2
75	86.5	87	0.5	88.7	90	1.3

Source: ABS, Challenger estimates

*Using mortality improvement factors from Treasury's 2010 Intergenerational Report.

On average, retirees will spend longer in retirement than they expect

We have used the year-of-birth method to forecast how long recent retirees can expect to live. Figure 4 shows the probability of 65-year olds surviving to future ages, after accounting for mortality improvements.[8] Table 2 provides a comparison of total life expectancies with and without mortality improvements.

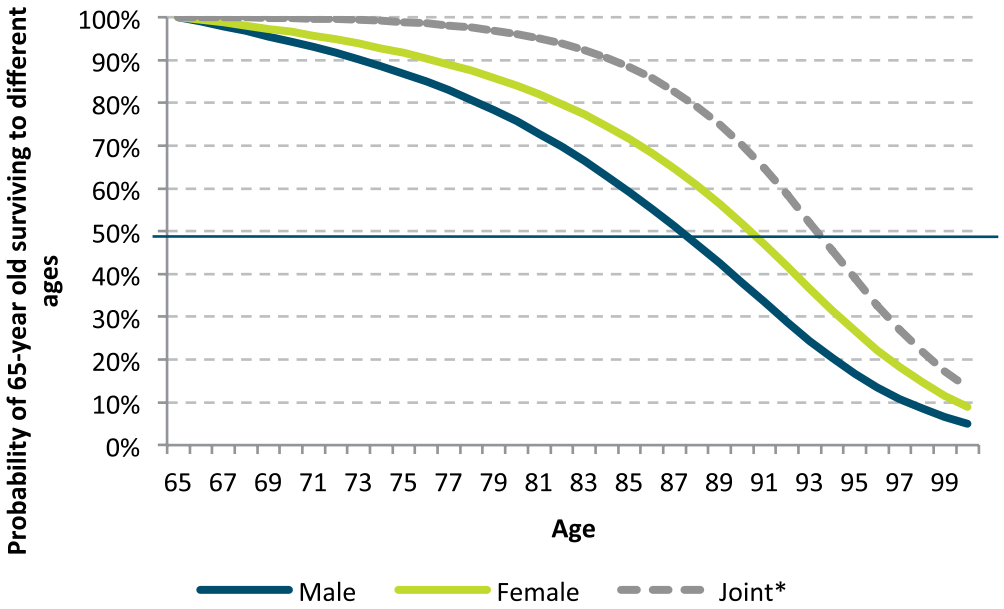
[5] Richard Willets, 2003, The cohort effect: Insights and explanations.

[6] The Australian Government Actuary proposes using 25-year or 100-year improvement factors in projecting mortality experience. See page 15 of Australian Life Table 2005-07 for more detail.

[7] http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf

[8] Improvement factors have been based on Treasury's forecasts of life expectancy in The 2010 Intergenerational Report.

Figure 4: Probability of a 65-year old surviving to different ages taking into account improvements in mortality using the year-of-birth method



Source: ABS Life Tables Australia 2008-2010, Treasury, Challenger estimates

*Joint refers to the probability that either the male or female member of a couple will survive to a particular age.

Table 2: Total life expectancy of 65-year olds with and without mortality improvements

	65-year old in…		
	2009 (no mortality improvement)	2009 (with mortality improvement)	2022 (with mortality improvement)
Male	**Ages**	**Ages**	**Ages**
Half will live to	84	87	89
1 in 5 will live to	90	94	95
1 in ten will live to	93	97	99
Female			
Half will live to	87	90	92
1 in 5 will live to	93	96	97
1 in ten will live to	96	99	100
Joint*			
One member from half of couples will live to	89	93	94
One member from 1 in 5 couples will live to	94	98	99
One member from 1 in ten couples will live to	97	101	102

Source: ABS Life Tables Australia 2008-2010, Challenger estimates

*Joint refers to the probability that either the male or female member (both aged 65) of a couple will survive to a particular age. The figures are even higher than for female life expectancy because the pool of lives has doubled from one to two.

Mortality improvements mean that the average retirement will be longer than expected

The latest life tables estimate that half of 65-year old men will live past 84. Taking into account likely improvements in mortality, the average 65-year old man will actually live to 87. However, retirees seeking sustainable retirement cash flows should plan to live longer than just their average life expectancy.

One in five men will live to 94 after accounting for mortality improvements. Ten per cent of 65-year old men will live to 97. Similarly, half of 65-year old women are expected to live past 90, while one in five and one in 10 will live to 96 and 99 respectively.

Being part of a couple extends their combined or joint life expectancy even further. Advisers need to remember that the life expectancy of a couple is longer than either member on their own because the pool of lives increases to two (there is, therefore, more risk of a longer-than-expected life, either a male or female, than there is with one person).

Mortality improvements are expected to continue in the future. Assuming the same rate of improvement as in recent years, a current 55-year old who retires at 65 in 2022 (see far right column in Table 2) is likely have an additional two years in retirement.

Conclusion

Retirement might be up to five years longer than many expect

As advisers well know, retirement requires a number of inputs to plan properly for the future. One important factor that needs to be considered is how long a retiree will need to make her money last. Many advisers and their clients rely on period life tables for an estimate of how long they are likely to spend in retirement.

There are two problems with this traditional approach that could have significant impacts in retirement:

- period life tables do not take into account any improvements in mortality. Factoring in mortality improvements, our estimates suggest that the time spent in retirement could be up to five years longer than many might expect;[9] and
- period life tables represent the average experience of the population. Consequently, half of retirement plans based on average life expectancies will not support a retiree for life.

Advisers need to consider if their clients' retirement plans adequately account for their likely longevity. Retirement plans should take into account mortality improvements and the chances of surviving past the average life expectancy. Misjudging how long a retiree might live can significantly impact the quality of their retirement. The financial impacts of misjudging a person's life expectancy are explored in **Longevity part 2 – The financial implications of living longer**.

[9] The industry standard assumption has been that retirees will live to around age 85, but this is now more like age 90 in round terms.

The information in the report has been compiled by the Challenger Retirement Income Research team.

Jeremy Cooper
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