



**ASIC**

Australian Securities & Investments Commission

## REGULATORY GUIDE 229

# Superannuation forecasts

November 2014

### About this guide

This is a guide for super fund trustees and their advisers. It 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.

### 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 version was issued in November 2014 and is based on legislation and regulations as at the date of issue.

Previous versions:

- Superseded Regulatory Guide 229, issued in December 2011

### 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 2001* (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](http://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. 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 not to 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 67 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 fund 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 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 content and presentation 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.

You may also include an estimate of the member's age pension benefit at retirement, based on certain prescribed assumptions: see RG 229.31–RG 229.33.

You are free to present the required 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**

<b>Estimated end benefit</b>	<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"> <li>• a lump sum; and</li> <li>• an annual income stream.</li> </ul> <p>The amount shown as the estimated end benefit must be rounded to the nearest three significant figures. For example, an annual income stream estimate of \$23,289 should be rounded to \$23,300.</p>
<b>Current account balance</b>	<p>A retirement estimate must set out a member's current account balance taken from the closing account balance in the member's periodic statement.</p>
<b>Investment earnings</b>	<p>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.</p>
<b>Fees</b>	<p>A retirement estimate must show a figure representing the administration fees that were charged in relation to the member over the previous 12 months: see RG 229.44–RG 229.46 for more detail on the figure for fees.</p>

<b>Retirement age and drawdown period</b>	<p>A retirement estimate must show the assumed retirement age of 67: 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: see RG 229.55 for more information about the standard assumed drawdown period.</p>
<b>Insurance premiums</b>	<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>
<b>Standard information</b>	<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 229.33 If you include an age pension estimate, you must also include the standard information relating to the age pension estimate. (We have reproduced this information in Appendix 1.) The relevant text (if required) must be located in close proximity to the age pension estimate.

## Presentation format

- 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 229.35 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 229.36 We realise that retirement estimates involve a degree of inherent uncertainty.
- 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 229.38 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 229.39 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.

## Standardised assumptions and figures

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 charged in relation to 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	You must assume the retirement age specified in [CO 11/1227], which is 67.  In illustrating an annual income stream, you must assume that income payments will be required every year for 25 years from the age of retirement: see also RG 229.53–RG 229.55.
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.
Members' other funds	You must not consider the potential effect on the member's end benefit of any other super fund account the member might hold.  Note: See RG 229.57–RG 229.58.
Age pension entitlement	If you include an estimate of the member's age pension, you must assume that: <ul style="list-style-type: none"> <li>• the member qualifies for an age pension;</li> <li>• the member has a partner;</li> <li>• the member and their partner jointly own their own home;</li> <li>• the member and their partner have the same amount of superannuation and no other assets or income: see also RG 229.59.</li> </ul>

<b>Factors that are external to the member</b>	
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 229.41 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 229.42 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 229.43 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 229.44 You must use a figure representing all administration fees charged in relation to the member over the previous 12 months in calculating the retirement estimate.
- 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.
- 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 incurred at a whole of fund level.

### Annual income stream

- 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. You must round the result to the nearest three significant figures. For example, an annual income stream estimate of \$23,289 should be rounded to \$23,300.

- 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 229.49 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 229.50 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 229.51 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 229.52 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 229.53 You must assume the retirement age specified in [CO 11/1227], which is 67. In illustrating an annual income stream, you must assume an income will be required every year for 25 years from the age of retirement.
- RG 229.54 We think it is important to set a standard retirement age for the sake of consistency between retirement estimates.
- 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 229.56 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.

### Members' other funds

- RG 229.57 You must not consider the potential effect on the member's end benefit of any other super fund account the member may hold.
- RG 229.58 The status of accounts that a member or a member's partner may hold with other super funds is a factor that 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 be aware of what other accounts a member holds.

### Age pension entitlement

- RG 229.59 If you include an estimate of a member's age pension benefit, you must use the following assumptions:
- (a) that the member qualifies for an age pension under s43 of the *Social Security Act 1991*;
  - (b) that the member has a partner;
  - (c) that the member and their partner jointly own their own home;
  - (d) that the member and their partner each have a single superannuation fund retirement benefit equal to the lump sum and these benefits are applied on the date of the estimate to purchase superannuation pensions that provide each of the member and their partner with income in that year equal to the annual income stream amount; and
  - (e) that the member and their partner have no other assets or income affecting the amount of the age pension payable to the member or their partner, including other superannuation accounts.

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



## Factors external to the member

### Inflation

- 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 229.61 You must assume that current taxation conditions and other legal factors will remain unchanged.
- 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 229.63 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 229.64 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 229.65 The relief does not extend to allowing a retirement estimate to be given at any other time, even if a member requests this.
- RG 229.66 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 229.67 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 229.68 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 229.69 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.

- RG 229.70 This approach is intended to apply regardless of whether members receive their periodic statement in writing or electronically.
- 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 229.72 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 229.73 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 229.74 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 229.75 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 229.76 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 229.77 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 229.78 [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 229.79 More information on the relief in [CO 05/1122] is set out in RG 167.

### Using the assumptions in [CO 11/1227]

- RG 229.80 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 229.81 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 229.82 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 229.83 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).
- 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 229.85 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 229.86 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 229.87 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 229.88 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 229.89 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].

### 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.

The superannuation amounts are shown in today's dollars. The age pension estimate is shown based on current pension amounts.

This estimate does not consider any other superannuation accounts that you may hold or other assets that you own.

### How the estimate is worked out

This estimate has been worked out using these assumptions and figures:

- $\$[insert\ member's\ current\ account\ balance]$  in your super fund now
- your wages will increase at the same rate as inflation
- investment earnings of 3% per year after inflation and investment fees
- annual administration 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 charged in relation to the member during the year ending on the date of the estimate]* (note that this amount may change over time)
- your rate of super contributions during the previous year will continue unchanged until retirement
- you retire at age 67
- you want your super to last for 25 years—that is, until age 92. Around one in six men and one in four women who reach age 67 will live beyond age 92
- 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 superannuation 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 any income tax you may have to pay.

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

### 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 charged in relation to 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 if 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](http://www.moneysmart.gov.au).

The following text must be included if 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](http://www.moneysmart.gov.au).

The following text must be included if the trustee includes an estimate of the age pension. This information must be located in close proximity to the age pension estimate:

This amount represents the amount payable to you and does not include any estimate of the age pension payable to your partner. It assumes that at retirement your partner has the same amount of super as you, that you and



your partner jointly own your own home, and that you and your partner have no other assets or income, including other superannuation accounts.

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 these superannuation amounts or your home.

Age pension rates and eligibility rules may change between now and when you retire. The age pension amount shown at retirement age may also change during retirement as your personal circumstances change.

The Department of Human Services rate estimator lets you estimate your payment rate of age pension, based on your current or proposed circumstances. It does not work out if you will be eligible for a payment. To use the rate estimator, go to [www.humanservices.gov.au/estimators](http://www.humanservices.gov.au/estimators).

## Appendix 2: Superannuation and retirement help on the MoneySmart website

ASIC's MoneySmart website [www.moneysmart.gov.au](http://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, self-managed super funds, 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;
- reverse mortgage 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 on 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"> <li>• makes a financial investment (see s763B);</li> <li>• manages financial risk (see s763C);</li> <li>• makes non-cash payments (see s763D)</li> </ul> Note: See Div 3 of Pt 7.1 of the Corporations Act for the exact definition.
financial service	Has the meaning given in Div 4 of Pt 7.1 of the Corporations Act
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: <ul style="list-style-type: none"> <li>• the provider of the advice has considered one or more of the person's objectives, financial situation and needs; or</li> <li>• a reasonable person might expect the provider to have considered one or more of those matters</li> </ul> Note: This is a definition contained in s766B(3) of the Corporations Act.
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

<b>Term</b>	<b>Meaning in this document</b>
s766E (for example)	A section of the Corporations Act (in this example, numbered 766E)
Statement of Advice	A document that must be given to a retail client for the provision of personal advice under Subdiv C and D of Div 3 of Pt 7.7 of the Corporations Act  Note: See s761A for the exact definition.
superannuation forecast	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

## Related information

### Headnotes

age pension, 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 108 *No-action letters*

RG 244 *Giving information, general advice and scaled advice*

### Reports

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

REP 418 *Response to submissions on CP 203 Age pension estimates in superannuation forecasts: Update to RG 229*

### 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)