



Retirement Income Strategy

30 June 2022

This is a summary of the Trustee's Retirement Income Strategy ('the Strategy') for WealthSolutions Superannuation and Retirement Income and WealthFoundations Super and Pension ('the Funds').

ClearView Life Nominees Pty Limited ABN 37 003 682 175 is the Trustee ('Trustee') of the Funds, and it has developed this Strategy.

Key Objectives of this Strategy

This Strategy has been developed according to specific legislation for the benefit of Members of these Funds who are retired or who are approaching retirement. It addresses how the Trustee will assist these Members to achieve and balance the following Objectives:

1. To maximise expected retirement income over the period of retirement;
2. To manage expected risks to the sustainability and stability of expected retirement income over the period of retirement, as detailed below; and
3. To have flexible access to expected funds over the period of retirement.



Risks to expected retirement income

Specific risks that the Trustee has considered include longevity risks, investment risks and inflation risks to the sustainability and stability of Members' retirement income, and the Trustee defines these risks as follows:

- **Longevity risk** – is the risk that a Member's retirement savings and other available retirement income sources will not extend for their lifetime or be sufficient to meet their needs;
- **Investment risk** – includes market risk and sequencing risk:
 - market risk is the risk of variable, negative or lower than expected investment returns; and
 - sequencing risk is the risk that the order and timing of a Member's investment returns are unfavourable, as the Member periodically draws down on those savings, resulting in less retirement income for the period of their retirement; and
- **Inflation risk** – a key risk to the value of retirement incomes in real terms. It is the risk that a person's income does not maintain its purchasing power over time.



Certain terms used in this Strategy

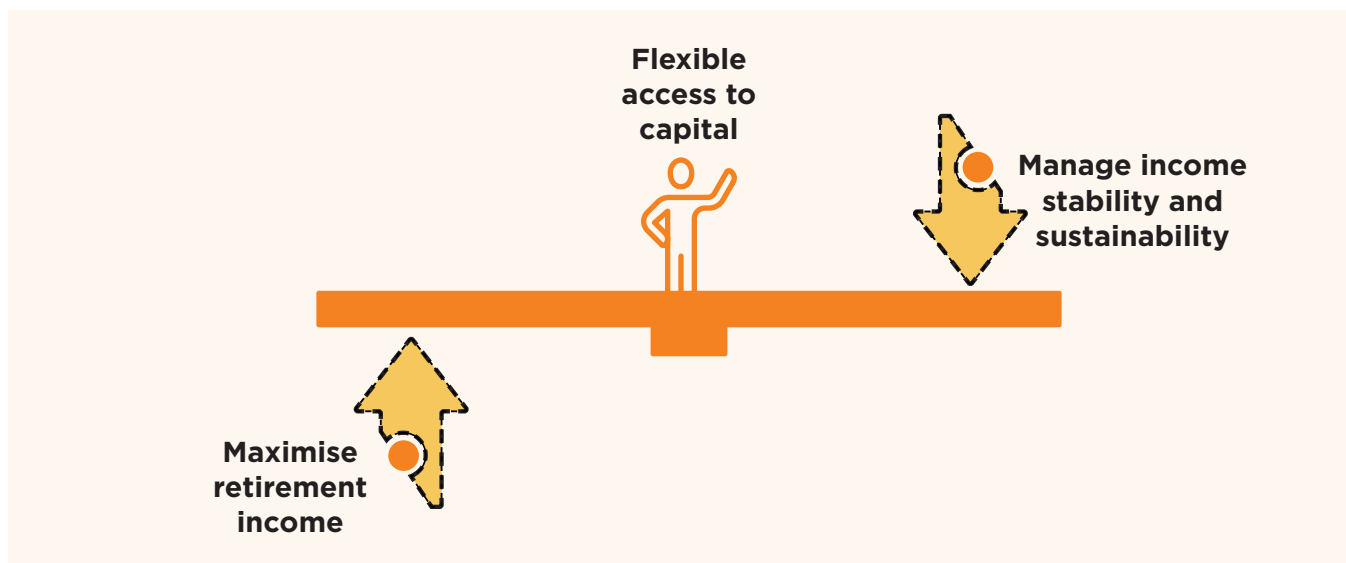
Retired Members: are those that have commenced an account-based pension within the Funds.

Members approaching retirement: are those aged fifty and over, who have not commenced an account-based pension within the Funds.

Period of retirement: is the period when a Member's account-based pension begins and when it ceases due to either the account value reaching zero or the prior death of the Member.

Retirement income: is the sum of the account-based pension received during the Period of Retirement from the Funds, together with any Age Pension payment entitlements under the *Social Security Act 1991*.

Assisting Members to balance the three key Objectives



1. Maximising expected retirement income

The objective of maximising expected retirement income is defined over the whole period of retirement. The Age Pension component (if any) of the expected retirement income will be determined mainly by the Member's age, assets, income, and the Member's longevity (living longer increases the likelihood that a Member will deplete other assets and then qualify for and receive Age Pension income for the rest of their life).

The Account-Based Pension component will be mainly determined by the Member's age, account balance, total returns over time on the assets in which the account balance is invested, the amount of the pension payment (which will influence the remaining account balance on which total returns are earned), and the Member's longevity (where living longer increases the risk of the account balance reaching zero during the member's lifetime).

In the absence of other considerations, the objective of maximising returns over long periods is more likely to be achieved, the higher the proportion of growth assets such as property and equities. However, such assets also have more volatile short-term returns, which can reduce the stability of the total returns and may reduce the stability of the retirement income.



2. Risks to sustainability and stability of retirement income

The objective of managing expected risks to the sustainability of the retirement income relates mainly to the Account-Based Pension. The Trustee considers that sustainable retirement income is income that is dependable and lasts for a Member's entire period of retirement.

In the absence of other considerations, the objective of sustainability over a long period is also more likely to be achieved by adopting an asset allocation with a higher proportion in growth assets such as property and equities and will assist to reduce the risk of the account balance reaching zero, earlier than expected.

There is stability of retirement income where it does not fluctuate greatly from year to year during a Member's period of retirement. There are risks that the actual investment returns on the member's account will fluctuate from year to year due to fluctuations in investment markets. A higher proportion in growth assets will make the fluctuation in the annual returns greater.

Therefore achieving the objectives of sustainability of retirement income and stability of retirement income compete with each other and need to be balanced against each other.



3. Flexible access to funds

The objective of flexible access to expected funds means holding assets that can be readily converted to cash without an impact on value. This will be ensured via the criteria used to select investment options that are available to Members, which will be determined by the Trustee.



Assisting Members to balance the Objectives

There is a trade-off required mainly between maximising the retirement income, sustaining it for as long as possible and achieving stability of the retirement income. Balancing these competing Objectives requires an evaluation tool that takes into account all of the factors mentioned above plus the circumstances and risk preferences of a Member.

As every Member has specific circumstances, risk preferences, needs and wants, the Trustee will make available a retirement income projection model ('model') which can be used by the Member and/or their financial adviser, to balance the three key Objectives. The model will be able to take into account:

- data relating to the Member, such as age, gender, superannuation account balance;
- the Member's Social Security Age Pension entitlements;
- the asset allocation in the investment portfolio that the Member is using for the Account-Based Pension;

- the expected rates of return for various asset classes within the asset allocation over the long periods envisaged for the payment of the retirement incomes; and
- the impact of taxation upon Member returns and retirement income.

The outputs from the model will provide useful and clear information that will assist Members to balance the Objectives and make choices about:

- When to start an Account-Based Pension
- A target age, up to which the Account-Based Pension will be payable
- The level of the Account-Based Pension
- The investment options in which to invest their account.

In addition, the use of a model will be supplemented by education materials that enable Members and their financial advisers to access relevant retirement issues and their retirement income alternatives.

The Trustee has determined that offering Members an Account-based pension with a range of investment choices, suited to a range of investment timeframes, is paramount, together with:

- The provision of factual, educational information to Members including information relating to investment selection, and the provision of investment options considered appropriate for a range of situations where Members may require monies in a specific timeframe to meet identified lump sum needs; and
- The provision of access to a projection model for Members that supports their selection of a personal, retirement income strategy:
 - with a higher degree of confidence that they will have sustainable income for their entire life;
 - that allows for identifiable lump sum payments the Member wants and/or requires in retirement; and
 - that meets their overall retirement financial objectives.

Assisting Members regarding their retirement income

The Trustee will provide:

- a pathway for Members to find a financial adviser when seeking personal financial advice;
- factual information for Members approaching retirement and for Members who are retired about retirement topics such as eligibility for the Age Pension, the concept of drawing down capital to supplement expenditure requirements, and the different income streams available to retiree Members; and
- the model that enables a Member and / or their adviser to input additional personal information, if they so choose, in order to create projections that are more specific to themselves, without receiving personal advice.

This Strategy does not consider the specific circumstances of individual Members and recognises that collecting information about Members, in and of itself, does not result in the provision of financial product advice.

Steps taken to gather Member information

The Trustee has gathered general information about the membership necessary to inform the formulation and review of their Strategy. These steps have involved gathering information to the extent necessary to form a broad understanding of the membership as a group and also within the cohorts of Members approaching retirement and Members who are retired, to identify the types of assistance that could be offered to them to achieve and balance the three Objectives.

Investment options for Members

In addition to the investment options currently available to Members, the Trustee is considering the development or sourcing of specific retirement income products, having regard to:

- The needs of Members approaching retirement and Members who are retired concerning the three key retirement income Objectives;
- The adequacy of current investment options for Members; and
- Enabling Members and / or their advisers, to combine different types of products to achieve their desired retirement income.

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Information current as at 30 June 2022.

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