Worry less *live* more

RetireAccess Lifetime Pension

TelstraSuper

Contents

Helping take the stress out of retirement

TelstraSuper has over 30 years' experience providing leading superannuation services. Originally established exclusively for Telstra employees, today TelstraSuper is a leading profit-to-member super fund that's open to everyone.

With more than more than 87,000 members and $26.7 billion in funds under management*, we support our members to grow and protect their retirement savings with competitive fees, a leading member experience, and innovation in retirement solutions.

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*As at 19 March, 2025

Creating greater certainty for retirees

Many Australians worry they may run out of money in retirement – a fear compounded by the increased cost of living. This paper explores how Lifetime Pension products can provide greater certainty for retirees as part of an overall strategy – so they can worry less, and live more.

Retirees are stressed, with pre-retirees being most likely to feel anxious about outliving their savings.[1] Often, these concerns are legitimate – especially for Australians retiring with significant debt, older renters, those forced to retire early, and people who've relied on social security benefits for many years.

85%

Fear they will run out of money before they die

+ Average life expectancy

From the age of 65

Women are living to 88

Men are living to 85

Living longer, with modest super balances

Life expectancy in Australia has risen. From age 65, life expectancy for an Australian male is 85 years of age, while life expectancy for an Australian female is 88 years of age. This is more than seven years longer for both males and females compared to 60 years ago.[2]

Our increasing longevity means many retirees feel nervous about drawing down their super account balance quickly. This is exacerbated by the fact that many are living about five years longer than they expect to.[3] More than half the couples retiring now will see one spouse live until age 95. According to the data, those with higher balances are more likely to live longer.[4] As well as longer lives, many of today's retirees are leaving the workforce with a comparatively modest superannuation balance. That's because this generation have not had the advantage of compulsory super throughout their entire working life. As a result, two-thirds of retirees believe they will outlive their savings.[5]

The fear of running out of money and lack of income certainty is affecting the behaviour of even the wealthiest retirees. According to Treasury, a significant number of retirees are expected to pass away with much of their retirement savings unspent.[6] Their unnecessary frugality is probably fuelled by their general lack of confidence in the performance of their financial assets, as well as low awareness about retirement income products that protect against longevity risk.[7]

Pre-retirees feel the stress too

Retirees aren't the only ones worrying about their retirement savings. Pre-retirees, aged between 55 and 64, are the most likely to feel anxious about having enough saved for life after work.[8]

The current cost-of-living crisis is making it even more difficult for this group to boost their retirement savings, with some finding all their income is being diverted to meeting their day-to-day costs. Research confirms that added expenses brought on by inflation are affecting this cohort's ability to make future financial projections and set financial goals.[9]

To manage concerns about spiralling living costs and running out of money in retirement, some pre-retirees are cutting back on expenses, working longer hours, or deferring retirement altogether. Many pre-retirees are also switching their super and investments into higher risk portfolios.[11] While investing some of their funds in higher growth assets may be an effective part of a balanced portfolio, investing too aggressively close to retirement can expose them to sequencing risk – the risk of a substantial loss of capital due to a market downturn close to retirement.[12]

Retirees finishing work with significant debt (such as a mortgage), older Australians who rent, and those who retire after years of living on JobSeeker will most likely run out of super before they reach their life expectancy.[13] Further, people who need to retire early following health or employment challenges may need to access their super before they'd anticipated. This could mean they won't have the amount of retirement savings they'd hoped for.[14]

A survey of 8,500 Generation X investors, the oldest of which are set to turn 60 in 2025, found 48 per cent were worried they wouldn't have enough money to enjoy their retirement.[10]

A potential solution - an additional layer of income

For some retirees, the prospect of outliving their retirement savings is real. So what's the solution?
This paper explores guaranteed income products and how they can be used as part of an income layering approach to deliver greater certainty for retirees.

Managing retirement income in a time of uncertainty

As the cost-of-living crisis deepens, many pre-retirees and retirees are employing strategies to create some financial certainty for themselves. While their actions may be effective in the short term, over time they could erode their standard of living.

Ongoing cost-of-living pressures are affecting Australia as a whole, but retirees – who have a finite pool of funds at their disposal – have been particularly affected.[15] The 2024 Challenger Retirement Happiness Index found that two in three Australians aged 60 or older say that rising living costs have had an impact on their financial security.[16]

Mounting bills a chief stressor

Older Australians say they're mainly concerned about having enough money to cover necessities – groceries, energy, and healthcare. Considering the cost of all these essentials has risen significantly due to inflation, it's no surprise that anxiety levels are rising in parallel.

For people well into their retirement years, worries about increasing medical expenses and the cost of aged care are also driving up anxiety levels.[17] In a 2023 National Seniors Social Survey, two thirds of respondents were somewhat or extremely concerned about keeping up with the cost-of-living increase in the long term.[18]

Tighten your belt, go back to work

To manage these spiralling costs, many Australians are cutting back on their spending – an approach even employed by those most well off. This behaviour is more common in younger age groups and tapers off as people get older,[19] which may be because the older cohort are already living at the limit of their budgets.

Many retirees went back to work: a 2022 study found that just over 17 per cent of surveyed retirees returned to the workforce due to cost-of-living pressures, while another 18 per cent were considering going back.[20] And some of those already working a little in retirement chose to increase their hours.

While both strategies have merits in the short term, they may not be sustainable and can lead to an eroded standard of living. For example, cutting back on costs can lead to Australians going without essentials, endangering their health, safety, and comfort. And while evidence suggests that working in retirement can be meaningful and positive, continuing to work in stressful, physically demanding, or boring work may lead to negative health outcomes.[21]

Shifting the focus from lump sums to income streams

For retirees who can afford to spend more and worry less, the question is: how can they be encouraged to do so?

One solution is to shift the focus from super as a "lump sum" to thinking about the different ways super can work to provide more income certainty. Understanding how much income you can spend in retirement, how long your savings will last (based on your lifestyle and needs) and what income options are available can provide greater peace of mind.

More than one income source

Most older Australians will still rely on the Government Age Pension to bolster their super income at some point during their retirement. Some will qualify for a full or part Age Pension from day one of their retirement, others will qualify later in life as their super balance and other financial assets decrease due to spending.

Currently, only 35 per cent of retired men and 29 per cent of retired women say super is their main source of income.[22] Another 47 per cent of men and 41 per cent of women rely on the Age Pension as their main source of income, drawing a pension from their super as a supplementary source of income.[23] This is typically from an account-based pension (sometimes called an 'allocated pension'), which is Australia's most chosen retirement income product.[24]

Account-based pensions generally give retirees the full flexibility to invest as they wish and the ability to make withdrawals at any time. But the amount of income they can provide relies on the performance of the retirees' investments and how often they draw down on their savings. This means they generally do not offer any safeguard against longevity risk, or the risk of poor investment performance. This can lead to retirees having to compromise between a more basic lifestyle in their early retirement years or the risk of running out of money in their old age.

Explore income layering, try our Lifetime Income Calculator here

Confidence to spend

Super funds are in a unique position to help retirees create an income solution tailored to their needs and circumstances. One way to enhance income certainty is to include a guaranteed lifetime income[25], such as TelstraSuper's RetireAccess Lifetime Pension.

These next generation annuity-style products are designed to provide retirees with a guaranteed base income for their entire life, supplementing other income sources like account-based pensions and the Government Age Pension.

Happier and more secure

Insights from Challenger customers over 60 compared with National Seniors Australia (NSA) 2023 and YouGov's 2024 findings on Australians over 60 revealed that customers that have an annuity-style guaranteed lifetime income product are:

- Significantly less worried about outliving their savings[^]
- Mentally healthier in retirement[§]
- Feeling more secure financially in retirement[#]
- Happier overall[**]
- More socially connected and have more relationships[~]

When comparing results across different surveys like this it is important to remember that people may have different asset bases, and this might influence the results.

Traditional annuities haven't been widely adopted by Australian retirees and there are many myths and misconceptions about annuities that persist today. Two common concerns are that annuities lock away your capital and do not provide a death benefit.

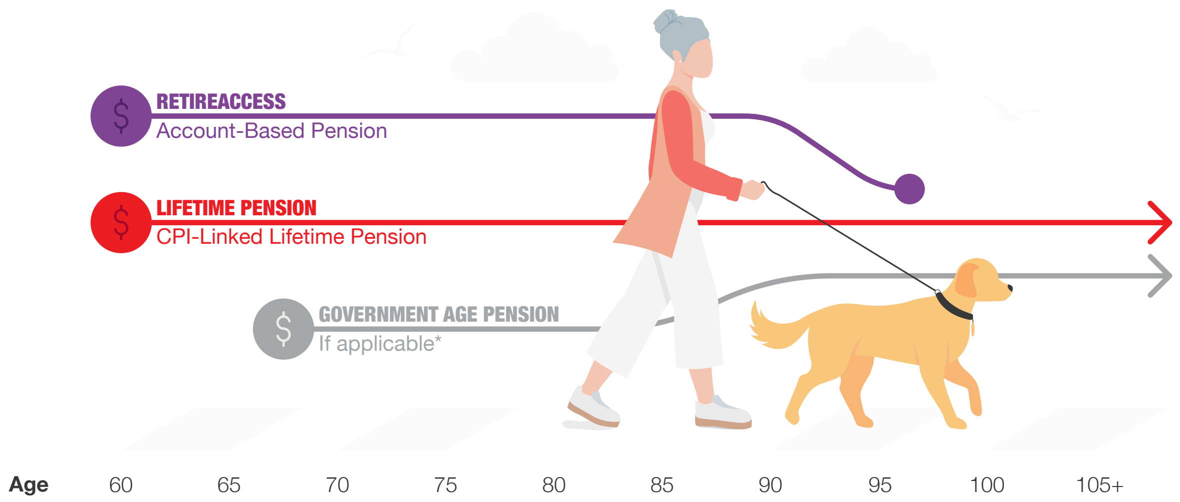
However, this doesn't mean Australians don't want the stability of a lifetime, guaranteed income. Today's Lifetime Pension products are flexible, adaptable and can be an integral part of a retirees overall financial plan where income certainty is a top priority. And since they're also treated favourably under the Age Pension means test, they can provide added benefits for many.

For retirees with modest balances who will likely qualify for the full Age Pension, a Lifetime Pension can offer much-needed peace of mind by providing additional income certainty over and above their Age Pension payments.

For those that qualify for a part Government Age Pension, a Lifetime Pension may lead to an increase in Age Pension benefits.

For well-off retirees at the other end of the spectrum, Lifetime Pensions can work to smooth returns for those who have a limited tolerance to investment risk and market volatility. While the bulk of their super might be invested in more flexible investments, a Lifetime Pension can protect some of their super from the movements of investment markets.

Income layering: an extra layer of protection



Combining a Lifetime Pension with an account-based pension in an income-layering approach can increase retirees' Age Pension benefits and help preserve their capital as they may not need to draw as much from their account-based pension. And since the Lifetime Pension can act as a defensive asset, retirees can confidently invest their account-based pension in more growth-oriented assets, ensuring a balanced portfolio and lasting income.

Maximising Age Pension entitlements

A Lifetime Pension can provide the additional benefit of maximising Age Pension entitlements and boosting retiree income. Centrelink's income and assets test for the Age Pension treat Lifetime Pensions differently than account-based pensions.

Only 60 per cent of the amount invested in Lifetime Pension counts towards the Age Pension assets test until age 85 or for a minimum of five years. From that point onwards, only 30 per cent of the purchase price counts as an asset. This is different from how Centrelink treats account-based pensions or many other types of investments, where 100 per cent of the asset is assessable.

Immediately increasing Age Pension payments

Purchasing a Lifetime Pension reduces a retiree's assessable assets and provides an opportunity to increase their Age Pension entitlement immediately. For example, for retirees already receiving a part Age Pension (or a Pension reduced because of the Assets Test), a $100,000 investment in a Lifetime Pension, will reduce their assessable assets by $40,000. This $40,000 reduction in assessable assets could, in turn, increase a retiree's Age Pension by $3,120 (or 3.12 per cent of the $100,000 invested) in the first year.^^

Access to a part Age Pension for the first time

For retirees who don't currently qualify for the Age Pension because their assessable assets are above the cut-off levels, the purchase of a Lifetime Pension provides an opportunity to reduce their assessable assets and gain access to the Age Pension and concession card for the first time.

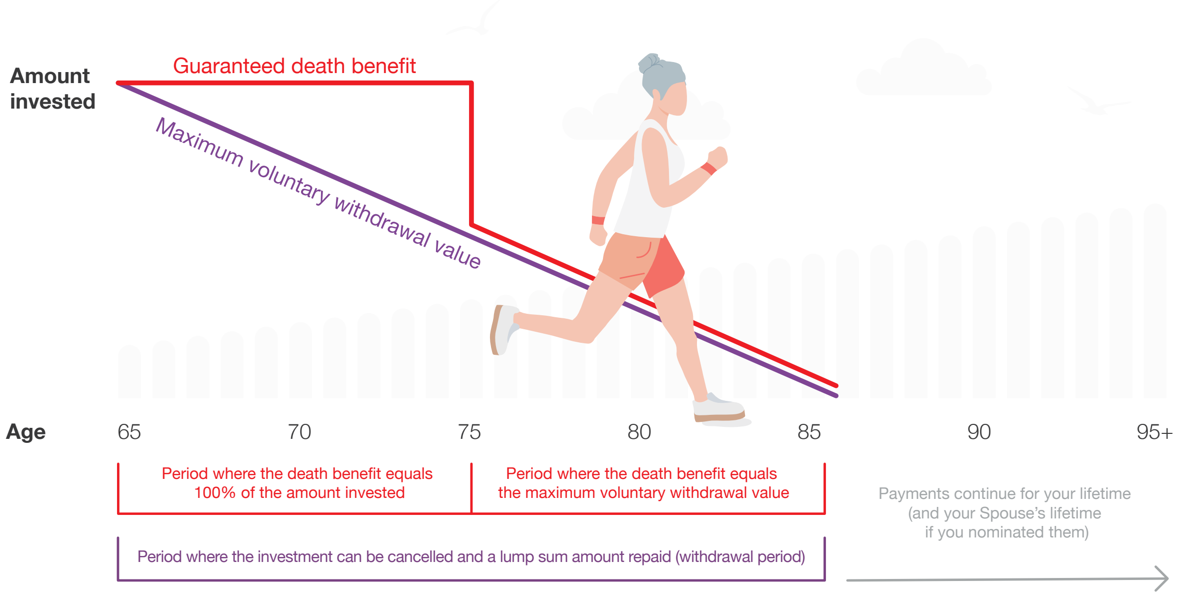
Inflation protection

TelstraSuper's RetireAccess Lifetime Pension can be linked to CPI or the RBA cash rate, allowing the income stream to keep pace with inflation. Lifetime Pensions can also be market-linked, providing more exposure to equity markets. In these circumstances, the payments will be subject to market fluctuations but will, importantly, continue for life.

More flexibility and more control: withdrawal and death benefits explained.

Unlike traditional annuities, Lifetime Pensions give retirees the option to withdraw a lump sum from the product over a long period based on life expectancy if their circumstances change. For retirees who want the certainty of providing for their spouse or knowing the next generation will receive an inheritance, TelstraSuper's RetireAccess Lifetime Pension also offers a guaranteed death benefit on most options. It is important to note the account must be closed if the withdrawal amount is accessed.

Here's a breakdown of how these benefits apply to Pam, a 65 year old female with CPI-indexed payments from TelstraSuper's RetireAccess Lifetime Pension.†



Pam's income

Pam's monthly tax-free payments are indexed to inflation and continue for life (and her spouse's life which she nominated as a reversionary life insured).

Withdrawal if Pam's circumstances change

Pam can make a lump sum withdrawal†† while she is in her 'withdrawal period', which is based on her life expectancy of age 87. Pam's maximum withdrawal value (represented by the purple line) starts at 100 per cent of her purchase price after which it progressively reduces until it reaches zero when Pam turns 87.

Pam's estate value on death

If Pam or her spouse (who Pam nominated as her reversionary life insured) die within the withdrawal period, Lifetime Pension payments continue to the living spouse. If both pass away within the withdrawal period, a lump sum payment will be made to the beneficiaries nominated, or the estate, of the final Lifetime Pension recipient.

This guaranteed death benefit (represented by the red line on the graph) is set at the start of Pam's Lifetime Pension. If Pam and her spouse die during the first half of her withdrawal period (ie before age 76) a death benefit that equals 100% of the purchase price will be paid (less tax if applicable).

For the second half of Pam's withdrawal period, the death benefit is matched to the maximum withdrawal amount which applies at the time of death. The applicable death benefit is only payable after the death of Pam and her spouse. No death benefit is paid if death occurs after the withdrawal period when Pam turns 87.

Lifetime Pensions: the cornerstone of a powerful strategy

Lifetime Pension products can be a key part of a holistic, tailored strategy that combines other income streams – such as account-based pensions and the Age Pension.

Lifetime Pension products offer attractive benefits to retirees. On their own they're not a magical solution to the issues that retirees face[27], but as part of a tailored income-layering strategy, they can provide a regular guaranteed income (with the option to link this to inflation), can help improve portfolio and estate outcomes over a lifetime, and offer the option of flexible withdrawal and death benefits over a long period.

With a Lifetime Pension as part of their retirement income strategy, retirees can enjoy the certainty of having an income for the rest of their lives. They'll also be able to invest the rest of their savings in a more flexible product, such as an account-based pension, which they can access when they need it most. This enables them to worry less – and live more.

Helpful tools

TelstraSuper has a range of helpful calculators that can help you explore income layering – and show how TelstraSuper's RetireAccess Lifetime Pension can be part of an overall retirement income stream. These tools can be particularly useful to formulate a retirement strategy and explore a range of scenarios.

Have feedback?

We welcome your feedback on this paper and invite you to be part of the conversation about creating better retirement experiences for Australians. You can send your feedback to **marketing@telstrasuper.com.au**.

Talk to us

If you're an individual wanting to talk more about retirement solutions you can contact our Guidance Specialists or get advice from TelstraSuper Financial Planning on **1300 033 166**. Employers looking to partner with TelstraSuper can contact us on **1300 544 889**.

Find out more

Maximum Age Pension rates
TelstraSuper RetireAccess Lifetime Pension
Treasury's Report on The Retirement phase of superannuation
National Seniors Australia, The cost of living and older Australians' financial wellbeing

§YouGov 2024 ‘I consider myself to be mentally healthy’ (Rating 78%; Challenger customers rated 85% resulting in a 9% uplift)

^NSA 2023 “The cost of living and older Australians’ financial wellbeing” report p13.(15% said not worried about outliving savings; compared to 39% of Challenger customers resulting in 160% uplift)

^^Based on a single person using Centrelink's rates, as at September 2023

#YouGov 2024 ‘I feel financially secure’ (Rating 56%; Challenger customers rated 72% resulting in a 29% uplift)

~More Challenger customers have good social connections and relationships

**YouGov 2024 Overall Happiness Index (Overall rating 70%; Challenger customers rated 77% resulting in a 10% uplift).

† This example doesn’t apply to members who selected the Enhanced Income option
See the PDS for more information

††Partial withdrawals are not permitted

[1] National Seniors Australia, The cost of living and older Australians’ financial wellbeing, September 2023. [2] Australian Institute of Health and Welfare: Life expectancy and deaths, 06 June 2024. [3] National Seniors Australia and Challenger. How realistic are senior Australians’ retirement plans? National Seniors Australia. July, 2014. [4] [5] Challenger. Retirement income worry. 16 January, 2020. [6] Australian Government Treasury, Retirement income review – final report, November 2020. [7] Australian Government Treasury, Retirement income review – final report, November 2020. [8] Uni SA, Ecstra Foundation, The psychological wellbeing and financial decision-making of older Australians in times of uncertainty, Centre for Markets, Values and Inclusion, June 2022. [9] National Seniors Australia, The cost of living and older Australians’ financial wellbeing, September, 2023. [10] Natixis Investment Mangers, Generation X Report, 17 June 2024. [11] National Seniors Australia, The cost of living and older Australians’ financial wellbeing, September 2023. [12] Superannuation Advice Australia. Avoiding sequencing risk, 2023. [13] National Seniors Australia, The cost of living and older Australians’ financial wellbeing, September, 2023. [14] Super Members Council, Retirement phase of superannuation – submission to the Treasury consultation on Superannuation in retirement, February 2024. [15] National Seniors Australia, The cost of living and older Australians’ financial wellbeing, September, 2023. [16] Challenger, https://www.challenger.com.au/personal/happiness-index, April 2024 [17] Australian Government, the Treasury, Retirement Income review: final report, July 2020. [18] National Seniors Australia, The cost of living and older Australians’ financial wellbeing, September, 2023. [19] National Seniors Australia, The cost of living and older Australians’ financial wellbeing, September, 2023. [20] National Seniors Australia, Older Australians perspectives on working after retirement, June, 2022. [21] Harvard Health Publishing, Working later in life can pay off in more than just income, 1 June, 2018. [22] Australian Bureau of Statistics, Retirement and retirement intentions, Australia, 29 August, 2023. [23] Australian Bureau of Statistics, Retirement and retirement intentions, Australia, 29 August, 2023. [24] Australian Government, the Treasury, Retirement Income review: final report, July 2020. [25] The benefits provided by RetireAccess Lifetime Pension are supported by a life insurance policy issued to Telstra Super Pty Ltd, the trustee of TelstraSuper (“Trustee”) by Challenger Life Company Limited (ABN 44 072 486 938) (AFSL 234670) (“Challenger”). The Trustee, as issuer of the RetireAccess Lifetime Pension product, does not provide any guarantee in respect of the product. The guarantee is provided by Challenger Life under the life policy issued to the Trustee. The Trustee relies wholly on Challenger Life to pay your pension and will not pay your pension under a RetireAccess Lifetime Pension if Challenger Life is unable to. [26] Super Members Council, Retirement phase of superannuation – submission to the Treasury consultation on Superannuation in retirement, February 2024

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