Redesigning Australia's retirement system through increasing take up of lifetime incomes

A behavioural finance review

FINAL REPORT

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1 EXECUTIVE SUMMARY

The Orford Foundation believes Australians will have a more comfortable and enjoyable retirement if they include lifetime income streams in their retirement portfolios. The Foundation is trying to overcome the low take-up of lifetime income streams.

In conjunction with the Blueprint Institute the Orford Foundation has commissioned Simon Russell from Behavioural Finance Australia to investigate and identify behavioural strategies that could enhance awareness, interest, understanding, and take-up of lifetime incomes in Australia — by bridging the gap between academic insight and the day-to-day practices of superannuation funds and financial advisers. Simon is an expert in the field of behavioural finance and has practical knowledge of both Australian superannuation funds and financial advisers from his years of work with these two groups.

The current report builds on research previously commissioned by the Orford Foundation, adding to insights that have been gleaned from various focus groups, one-on-one interviews, and laboratory experiments.

<u>What research was undertaken for this report?</u>

The current research involved a desktop review of publicly available web sites, videos, calculators, brochures, disclosure documents, press releases, public interviews, etc. The organisations covered in the research were from three key cohorts:

- <u>Major Australian superannuation funds,</u> some of which currently offer lifetime incomes, others have them in development and roll-out, and others with no apparent plans to introduce them in the near future.

- <u>Australian financial advisers</u>, each of whom has had some involvement with lifetime incomes. This is evidenced by them either having referred clients to Generation Life, having made contact with David Orford, or having been a contributor to a white paper on retirement incomes that was produced by Allianz Retire.

- <u>Other lifetime annuity providers</u>, from both Australia and overseas.

A checklist of decision-making issues and opportunities was developed based on previous research and initial hypotheses. This checklist was then used to capture insights from each organisation's publicly available information. From these completed checklists the results were consolidated into the relevant sections of this report, along with associated insights. Based on these insights potential approaches to increase the take-up of lifetime incomes have been highlighted. These are shown in grey boxes throughout the body of this report.

What are the key findings?

The main over-arching theme of this report is that acquiring a lifetime income product can be complex and difficult; we need to find ways to make it easier. This finding is consistent with the broader Australian retirement system that many consumers already find too complex and difficult. Behavioural research suggests that, in order to reduce their cognitive load, when there is complexity, people often do nothing or use a decision-making heuristic, such as sticking to the default option. The fact that many Australians are invested in the default investment option of their default super fund, with default insurance arrangements, and receive their default (i.e. employer) contributions is evidence of both their disinclination to make decisions about their retirement savings generally and the power of default options to influence outcomes.

In this regard, lifetime incomes are likely to be no different. In fact, when the additional complexities of retirement incomes are layered on top (e.g. uncertainty about retirement spending needs and longevity, myriad product features and options, etc), arguably people's inclination to either do nothing or to stick to the default option could be stronger for lifetime incomes than for other parts of the retirement ecosystem.

Given the apparent need to reduce the cognitive load on decision-makers and to make it easy for people to understand and acquire lifetime incomes, the current review found some positives:

- Well-structured engagement materials. Super funds and other lifetime annuity providers' content was found to generally align well with decision-making principles for the effective provision of complex and detailed concepts. As a result of the way they are presented these materials are likely to decrease the cognitive burden on readers (relative to poorly presented materials), thereby increasing the chance that people will consume and understand the content. These materials often also address biases that could lead consumers to under-prioritise some of the benefits of lifetime income products (such under-prioritising longer-term or uncertain incomes that could occur beyond their life expectancy).

- Effective use of soft-defaults. Some super funds and other lifetime annuity providers have established "soft-default" arrangements. These soft-defaults are the allocations to lifetime annuities that are embedded in case study examples, in calculators, and in some product design rules. They subtly suggest the decision that consumers should make if they are uncertain, although typically without making an explicit recommendation, and while still requiring the consumer to confirm this choice. A soft default that requires an active decision for the consumer to confirm the allocation (rather than a hard default that does not) appears appropriate given the irreversible nature of some lifetime income product choices.

- <u>Product features that address common concerns.</u> The lifetime income products that were reviewed typically offer options that address common concerns about lifetime incomes, such as the client losing their capital in the event of their death, or their income not growing and keeping up with inflation.

- <u>Efforts to support financial advisers.</u> Lifetime annuity providers appear to have gone to great lengths to make it easier for financial advisers to provide retirement income-related advice to their clients, including providing teams of BDMs and training managers, various tools and technology support, and having their products integrated into the investment platforms that advisers commonly use.

But the review identified a number of problems that could potentially limit the use of lifetime income products. These include:

- <u>Overwhelming complexity and heterogeneity</u>. The products that were reviewed tend to be complex. They typically have numerous options for consumers and advisers to navigate. Choosing between them often requires thinking through complex inter-temporal, probabilistic trade-offs and interaction effects, the types of decisions that research suggests consumers are likely to struggle with. For example, various products ask consumers to contemplate whether they would prefer:

    - More lump sum if they die, but less income while they are alive.
    - More income now, but less growth potential in the future.
    - More lifetime income now, which means less need to draw down their account based pension ("ABP"), which means more for their estate if they die.

  The products include bonus payments, adjustment mechanisms, and cap-and-floor arrangements. And no two products are the same, making it difficult for clients and advisers to compare and choose between them.

- <u>Not enough decision-support</u>. Other than the use of soft defaults in some instances, often there is insufficient support to help consumers to make decisions, such as how much of their retirement savings they should allocate to a lifetime income product, and which product features they should choose. The calculators provided on many of the web sites that were reviewed ostensibly serve this purpose but, in terms of their ability to support decision-making, were found to be largely ineffective. They do not make it easy to compare scenarios, for consumers to iterate towards a preferred solution, or to know when they should have the confidence to proceed.

- <u>Not a priority for some super funds</u>. While some super funds are clearly progressing towards the use of lifetime income products, others are not. Those funds whose members tend to be younger, or who have lower incomes and lower wealth understandably might not consider lifetime incomes to be a current priority.

- Not well aligned with advisers. The financial advice businesses that were reviewed tend to be small, generalist businesses (i.e. not specialised in the provision of retirement income-related advice). Providing retirement income advice did not appear to be a priority for them. This is consistent with broader research which demonstrates that people with moderate wealth (i.e. those for whom a lifetime income product might be most suitable) tend to be unwilling or unable to pay a fee for advice that is sufficient to make it profitable for advisers. As a result, the opportunity for greater take-up of lifetime income products through these advisers appears small.

What potential approaches are suggested?

A number of potential approaches to increase the take-up of lifetime income products have been highlighted throughout this report, each of which would require further investigation. The main suggestions were:

- Increased use of soft defaults by super funds. As mentioned already, a number of funds have already decided to use soft defaults. Others appear to be in the process of doing so. As a result, there is already momentum and the supportive power of social influence on super funds (in the form of peer-group comparisons) to encourage others to follow. However, having a soft default arrangement to communicate to all members at the point of retirement might not suit all funds. Some might (rightly) be concerned that lifetime income products are not suitable for some cohorts of their members (such as those who retire with very low balances). To help overcome this these funds could be encouraged to use smart soft defaults, being soft defaults that are tailored to different cohorts. If enacted, the proposed changes under DBFO tranche 2 legislation could help to enable this[1].

- Increased use of an accumulation feature. AMP and MLC have a product feature that allows members during their accumulation phase to slowly accrue a more beneficial treatment under the Age Pension assets test. Turning on the feature appears to require little effort by members, comes at no cost to them and results in no other changes to the member's investments. At the point of retirement it could create compelling psychological and financial reasons for the member to convert some of their retirement savings into a lifetime income product. This appears to be a potentially large but longer-term opportunity.

[1] https://storage.googleapis.com/files-au-treasury/treasury/p/prj344d0591b29014c92eccb/survey/c2025_637814_em.pdf

- An alternative route for decision-support. Many lifetime annuity providers rely heavily on financial advisers to assist clients to assess the appropriateness of a lifetime income product, to choose one, and to select their preferred product features. Given the limited success that lifetime annuity providers appear to have had with this approach so far, despite substantial efforts to engage with advisers, alternative models to support consumer decisions-making could be considered. These include the use of a range of decision-making tools and general advice. They could be delivered by super funds, by annuity providers or by a separate independent specialist advice business.

- Many smaller tweaks. The review identified numerous opportunities for improved client engagement and better alignment with psychological research. Each tweak is likely to have a relatively small positive impact on the take-up of lifetime income products, although the total effect of making numerous small changes is, of course, expected to be more substantial. Some of these changes relate to product design, some to application processes, some to financial advice processes and technologies, and some to the presentation of client engagement materials.

What are the next steps?

The next step is to consider the results documented in this report and determine which issues or opportunities warrant further investigation. In particular, any suggestions within this document that have actuarial, legal, taxation or social security implications should not be relied on and may require independent verification. And, more broadly, conclusions drawn from this desktop research may need to be confirmed by other means, such as by speaking to employees at relevant organisations and/or by being granted access to data or materials that are not publicly available. It is possible that this report contains errors that these further investigations could correct.

Disclaimer

This report has been prepared for the Orford Foundation. No liability is accepted for its use by any other party. In particular, this document is not intended for retail investors and should not be interpreted as financial, legal, tax or Centrelink advice. It is not a recommendation to purchase a lifetime annuity or any other financial product.

2 KEY QUESTIONS & DESIRED OUTCOMES

This section outlines the key questions and desired outcomes that were proposed prior to the current research being undertaken, and to which this research was intended to contribute.

2.1 Key questions

<u>What behavioural factors contribute to the low uptake of lifetime income products among retirees, advisers, and superannuation funds?</u>

While previous research has identified a raft of behavioural issues, the current research has focussed on the role of complexity as a key contributor to the low uptake of lifetime income products. Psychological research suggests that this complexity (of retirement planning generally and of lifetime income products specifically) can lead people to make no decision or to implicitly use simple decision-making heuristics, such as "stick with what I know", "don't make an active choice – just go with the default option", or "do what other people do". Historically, these types of decisions each favour the use of ABPs rather than lifetime annuities.

While complexity creates the conditions for behavioural biases to flourish, a range of other decision-making factors are also addressed in this report. These including the role of incentives, social influence, frictions and prior beliefs. Also addressed in the report are how people weigh in their retirement decisions short- versus long-term incomes, certain versus probabilistic outcomes, and the risk of losses of capital or reductions of income. Each is relevant in different contexts.

<u>How can these products be better presented and framed to resonate with financial advisers and their clients?</u>

A number of potential approaches have been suggested in this report that could better align existing lifetime income products, and the way they are framed and presented, with behavioural research. These include adding an accumulation feature, embedding lifetime annuities in lifecycle products, targeting healthy clients as early adopters, removing the risk of reductions in income, simplifying or reducing investment choices within annuity products, providing more effective decision-support tools and guidance, and using messaging about trustworthiness, simplicity and ease.

However, a major barrier to more clients receiving advice related to lifetime annuities appears to be that many potential clients are unwilling to pay a sufficient fee for that advice. Therefore, to substantially increase the uptake of lifetime annuities a new approach might be required. That approach could be based more heavily on cheaper and more scalable on-line information and guidance, decision-making tools and phone-based general advice.

What practical tools, nudges or conversation approaches could make it easier for advisers to discuss longevity risk and annuity solutions with their clients?

From the current desktop review it appears that substantial efforts have already been made by a number of lifetime annuity providers to assist financial advisers to provide advice related to lifetime income products. A specific review of that assistance was largely beyond the scope of this desktop analysis. This is because the tools, resources and support provided to financial advisers often require a log-in to access, or happen behind closed doors between a BDM and an adviser.

The current research has, however, suggested a number of practical tools and nudged that could make it easier to discuss longevity risks and lifetime income solutions with clients. These include conversation strategies to help advisers to articulate the value of their advice, to overcome objections, and to nudge clients towards making decisions. They also include tools that help advisers to more easily compare different lifetime income products, process improvements to simplify client fact-finding, and seminars to engage inactive clients.

This report has also advocated for the benefits of effective triage: BDMs engaging with the right advisers at the right time, and advisers engaging with the right clients. However, given the limited scope of the current research it is unclear the extent to which BDMs and advisers are already employing some of these strategies.

How can superannuation funds and insurance companies be encouraged to actively consider and incorporate lifetime income products in their retirement solutions?

Industry and regulatory momentum is already heading in the direction of super funds incorporating lifetime income products into their retirement solutions, but with some funds slower to respond than others. The current research has suggested avenues to encourage super funds to introduce lifetime income products, including:

- Identifying measures that can make it easier and less costly for super funds to outsource the provision of lifetime income products, including associated member engagement. This is relevant for funds that do not have the necessary expertise or resources internally, and it is likely to be especially pertinent for smaller funds. While potentially beneficial, it is anticipated that there will be a number of complexities in implementation, such as integrating an outsourced lifetime income solution with a fund’s existing administration, technology and client engagement. These complexities are largely beyond the scope of this review.

- Assisting funds to identify and engage with the specific member cohorts for which lifetime income products would be most suitable. This is likely to be most relevant for those funds which have membership bases comprising a majority who have very low retirement balances and for whom a lifetime income product might not be suitable, but with some member cohorts for whom it would be appropriate.

What explanatory material would members like and would calculators help?

The current research has focussed less on what members would like per se, and more on what decision-making research suggests that they would need in order to assist them to make a decision and to take an action to acquire a lifetime income product. For example, if asked what they would like, probably few members would say they want more soft defaults, even though this might be the single strongest influence on their decisions and actions. In contrast, they might say they want more information, even though there is a risk that any information that is provided to them they will ignore.

Rather than more information, per se, the current research has suggested that what members need is more assistance in making a decision. For example, this report has suggested the need for more effective decision-making tools that allow members to step through decisions one (relatively simple and easy) step at a time. They need more summaries and simplifications. And they need more guidance.

In terms of calculators, those that were reviewed as part of the current analysis were found to be largely ineffective, although some were more effective than others. Specific issues and opportunities for improving these calculators are discussed in this report. The calculators' main failing is their limited ability to assist clients to make a decisions, largely as a result of them not allowing user to easily compare different options and to readily draw conclusions. In addition, often they do not guide the user towards retirement setting / options that they would find most desirable. Modified calculators that are better designed to facilitate decisions could be part of the solution.

2.2 Desired outcomes

<u>A set of clear recommendations for how financial advisers, life insurance companies and superannuation funds can be supported to engage more effectively with lifetime annuity solutions.</u>

A summary set of recommendations is provided in the following section of this report. Many of those recommendations are centred on the theme of making it simple and easy. For example, how can it be made easy for financial advisers to make product comparisons, to engage with new and existing clients, to discuss their fees, and to overcome client objections? And how can it be made easy for super funds to develop a lifetime income product and associated client engagement materials, easy for them to target relevant member cohorts, and easy for their members to use?

<u>Practical communication frameworks or prototypes that you recommend for industry use (in super funds and advisors).</u>

The checklist used for the current research is perhaps an example of this. It is a framework for identifying the various decision-making issues that are evident in a piece of communication related to lifetime annuities. In the current research the checklist was applied to publicly available communications only (such as website and calculators). However, the same or similar checklist could be applied to assess advice documents, digital advice tools, member email communications, etc.

<u>Insights that help "make the longevity conversation easier" for financial advisers and their clients.</u>

This report has recognised that substantial distortions in how people understand their longevity could impact their use of lifetime income products. Research suggests that these distortions could include some people under-estimating their life expectancy, some under-estimating the range of their potential longevity outcomes, and some over-estimating the chance of them dying early. Each could adversely impact their perceptions of the value of a lifetime income.

While apparently rational, addressing longevity in terms of probabilistic outcomes risks adding further complexity to an already complex decision-making process. Ironically, this could increase the risk of clients straying from "rational" decision-making principles, particularly for clients with lower levels of numeracy or who are suffering from age-related cognitive decline. As a result, this report has recommended strategies to simplify the longevity conversation, such as distilling numerical probabilities into a small number of scenarios with easy-to-understand labels, and providing summary conclusions. Again, these approaches are consistent with the broad theme of this report: try to cut down effort and complexity, and find ways to make it simple and easy.

Strategies that contribute to increased consideration and, ultimately, uptake of lifetime income products.

Some of the main approaches that this report has suggested that could increase the use of lifetime income products include:

- The increased use of soft defaults, to nudge clients towards using lifetime income products, while still requiring them to make a choice.

- The increased use of an accumulation feature, to give clients a greater motivation at the point of retirement to use a lifetime income product.

- Alternative routes for decision support, to open up new ways to help clients to understand lifetime income products and to make the decision to use one.

- A number of small tweaks to client engagement materials and products, with each expected to have a small incremental beneficial effect on product usage.

3 SUMMARY RECOMMENDATIONS

Given the limited scope of the current research, it is difficult to make definitive recommendations; by its nature desktop research can overlook some important issues. However, based on the current research the following tentative recommendations are proposed.

Highest priority

These following recommendations are considered the "highest priority" due to their potential to have a large impact on the use of lifetime annuities. Also, they place little decision-making burden on advisers and clients, while still allowing them freedom of choice. And the cost for super funds and/or other annuity providers to implement these recommendations appears manageable.

	Recommendation	**Comment**
Super funds	Where possible, add an "accumulation" feature to existing lifetime income products.	Could provide long-term economic and behavioural benefits, but with some legislative risk.
Super funds & other annuity providers	Integrate annuities into lifecycle and default retirement products, including associated rules for withdrawal rates, but with the option for clients to choose.	The full benefits of a lifetime income are easier to capture, and could also be easier to communicate, at a portfolio-level.
Super funds	Increase the use of lifetime annuities in soft-default arrangements, or in cohort-specific smart soft defaults.	The specific approach would depend on a super fund's member profile at retirement.

Medium priority

The following recommendations are considered “medium priority” because while they may be relatively easy to implement, the potential increase in the use of lifetime annuities is likely to be lower than for the highest priority recommendations. Alternatively, with these recommendations, there is a potential for a large increase in the usage of lifetime annuities, but the costs and risks in implementation are higher. Broader research would be required to investigate those implementation issues in greater detail.

	Recommendation	**Comment**
Super funds & other annuity providers	Include more guidance for clients on web sites, in tools and calculators to simplify decisions and to help clients and advisers make comparisons and to choose lifetime income products and features.	This could be a relatively low-cost and easy-to-implement way to reduce the burden on client decision-making, but still has a heavy reliance on advice and/or on clients making an active choice.
Super funds & other annuity providers	Remove pain points, "frictions”, additional steps and complexities in application processes.	Some easy wins are possible, but some improvements may face technology, administration and legal constraints.
Alternative advice & guidance model	Create a retirement income advice and guidance ecosystem to support retirement income decision-making, based largely on the provision of general advice by phone and on-line.	There is a large opportunity to assist clients who are unwilling or unable to pay for personal advice, but it comes with business risks and costs.
Other annuity providers	Tweak lifetime income products to better align them with behavioural research, including product simplification, eliminating the potential for losses of income, targeting healthier older people, etc.	Even with some simplification, product complexity and heterogeneity is still likely to be a major constraint to the use of lifetime annuities.

Lower priority

Given the limitations of the current research, the benefits for the lower priority recommendations are more uncertain. Further research, including discussions with financial advisers, technology providers, advice compliance teams, and annuity provider BDMs could assist to confirm the nature and extent of these opportunities.

	Recommendation	**Comment**
Financial advice technology, compliance, processes, etc	Improve and/or simplify the tools, processes and conversation strategies used by advisers to make comparisons between different lifetime annuities, to formulate their advice, to demonstrate that it is in their clients' best interest, to communicate it to clients, and to convince clients of the value of their advice.	These tools, processes and conversation strategies are largely outside the scope of the current review. However, some evidence was reviewed that suggest that opportunities for improvement exist.

What could help but has not been recommended

It is also recognised that there may be other approaches that could dramatically increase the use of lifetime annuities, some of which have been applied in other countries. For example, taxing lump sum withdrawals in retirement, or increasing the taxation of death benefits, or mandating a minimum allocation of retirement funds to lifetime annuities. However, significant changes to policy settings are beyond the scope of this report.

4 HOW TO OVERCOME BEHAVIOURAL BIASES

Previous research has suggested a number of decision-making biases can make it difficult for people to appreciate the benefits of lifetime incomes. These biases include:

- “Hyperbolic discounting” (i.e. overly prioritising the short-term). This could be problematic given that lifetime incomes tend to provide long-term benefits.
- Viewing an annuity as a gamble about not dying too early.
- The disconnect that people can feel with their future self. This can be a problem given that it is their future self who will enjoy the benefits of a lifetime income product.
- The difficulty people can have in appropriately incorporating uncertainty and probabilities into their decision-making. This can be problematic given that lifetime income products are designed to cover years of life that retirees are uncertain whether they will live long enough to actually enjoy.

One of the reasons that people exhibit decision-making biases is because it is an attempt to reduce their cognitive load. People tend to be “cognitive misers”, attempting to conserve their finite mental energy and resources. As a result, when faced with the possibility of having to solve a complex problem, or to work through a large amount of information, they will often seek a mental shortcut. That mental shortcut could result in them doing nothing, sticking to the default or standard option, doing what they have always done, or doing what they think other people do. Currently, these shortcut decisions are not likely to favour the use of a lifetime income.

<u>Different approaches to deal with biases</u>

When dealing with decision-making biases, a number of approaches are possible. One is to seek to <u>overcome the bias</u>. So, for example, if people tend to prioritise the short-term then perhaps ways can be found to help them to think more about the long-term. This is possible but can be difficult; biases are often too deeply ingrained to overcome in this way. The risk is that no matter how credible the arguments about the importance of the long term, people will still prioritise their immediate futures.

Lifetime incomes are not special in this regard; this is also the reason why arguments for people to eat healthy diets and to get plenty of exercise have failed to dent the obesity epidemic. These approaches can seem logical and are often the first thing that is tried, and yet because they reflect a focus on only conscious, “rational” decision-making, can fail to have the desired impact on people’s behaviours.

An alternative approach is to side-step the bias, such as by changing the way a decision is framed so that the bias becomes less relevant. For example, if people are concerned that purchasing a lifetime income will mean that they will lose their retirement savings if they die then, in addition to discussing death benefits, perhaps the decision can be reframed more around incomes; one cannot live off a death benefit. Doing so means that the concern about losing money if they die is not necessarily overcome, but hopefully it fades into the background as other considerations become more prominent. The benefits of framing retirement income options in different ways has been explored in the previous Orford Foundation research.

Another approach is to make the bias less likely to occur. This could be achieved by simplifying complex concepts, by presenting information in more digestible bite-sized chunks or by using colour to highlight key points in charts. Doing so gives the client more chance of applying the necessary cognitive resources to properly think through a retirement income decision and to (hopefully) make a decision that is in their and their family's best interests. The benefits of simplifying choices have also been highlighted in previous Orford Foundation research.

Perhaps an even more potent strategy is to see if a decision to purchase a lifetime income can be reframed in a way that actually aligns it with a relevant bias. So, for example, if people tend to focus on the short-term, rather than try to better explain the long-term benefits of a lifetime income product, can the short-term benefits be highlighted instead? Some examples of how this can be achieved have been highlighted throughout this report. Similarly, if they find it difficult to make complex decisions and trade-offs about life expectancies and long-term cashflows, rather than trying to work through those complexities in detail, can a client be given a simple heuristic to use instead? This is akin to helping people to eat nutritious foods, not by explaining the health benefits, but by making healthy foods taste good.

These approaches are not mutually exclusive; they can be used in combination. For example, this report has advocated for strategies to reduce complexity and the risk of information overload. However, even with these strategies some complexity is likely to remain, leaving scope of the use of other approaches too. And different clients are likely to be impacted differently; those with higher financial literacy or with past experience with lifetime pensions from defined benefit plans might need less support to understand and to choose a lifetime income, compared with those with lower financial literacy and for whom the concepts of a guaranteed income for life are unfamiliar. In short, different approaches could benefit different consumer cohorts.

The research findings

The tables below highlight a number of specific examples from throughout the report in which different decision-making biases are relevant, including potential alternative approaches that could be adopted to support the use of lifetime incomes. Those that underpin the highest priority recommendations relate to complexity, defaults and super fund incentives. Complexity creates the conditions for clients to try to avoid making a decision about a lifetime income. This complexity could potentially be reduced, but probably not avoided entirely; solutions that work with this complexity are required. Default options are one of those solutions; they give clients an easy route to avoid the complexity while still acquiring a lifetime income. And super funds could be supported to use these default options by aligning with their incentives, such as by helping to make it relatively simple, easy and cheap for them to do so.

Decision-making issue	Finding	Possible approaches
Complexity	It can be difficult for clients and advisers to compare options and to choose an appropriate retirement income solution.	Make decision-making biases less likely, by super funds providing more effective decision-support tools, comparisons and summaries, or by annuity providers simplifying some product features, or by advisers simplifying related client engagement and cashflow budgeting processes. Or align with biases, by providing social cues and other simplified heuristics and guidance to support decision-making.
Defaults	Super fund members might choose an ABP because they perceive it as a default option, or as a continuation of their existing super arrangements.	Align with the bias, by framing lifetime incomes as soft default retirement options, or by incorporating them into lifecycle products, or by introducing an accumulation feature with conversion option.
Super fund incentives	Super fund trustees have an obligation to act in the best interests of members but some have a limited incentive to provide a lifetime income because their funds' members have low balances at retirement or are younger.	Make the problem less likely to occur, by helping super funds to offer relatively low-cost-to-implement and simple solutions that can be targeted to relevant member cohorts and accompanied by effective member engagement.

The following table outlines some of the key decision-making issues that, in addition to complexity, underpin the medium priority recommendations. For example, the poor alignment of adviser incentives creates the need to consider an alternative advice and guidance model (in order to support a broader group of consumers to make decisions about lifetime incomes). And insights about a range of other decision-making biases can be embedded in guidance, in product features and in various processes in order to better align each of them with how people naturally think and behave.

Decision-making issue	Finding	Possible approaches
Adviser incentives	Advisers do not have a strong incentive to advise target clients in relation to lifetime incomes because many of those clients are unwilling or unable to pay a fee that is sufficient to allow advisers to sustainably provide this advice.	Side-step incentives, by considering alternative, lower-cost, more scalable advice/ engagement models, including seminars, videos and phone-based general advice. Make the problem less likely to occur, by helping advisers to reduce the cost and increase the profitability of providing advice related to retirement incomes.
Social influence	People can be adversely influenced by the fact that few others are using lifetime incomes.	Align with the bias, by nudging super funds, advisers and clients towards decisions with positive social cues about what their peers think or say about retirement and retirement incomes, and by leveraging early adopters.
Insufficient concern about longevity risk	Some clients weigh short-term issues more heavily in the decisions rather than long-term uncertain ones (such as the risk of outliving their savings)	Align with the bias, by framing outputs to highlighting the short-term benefits of lifetime incomes, such as increased withdrawal rates in early years. Or overcome the bias, by advisers highlighting salient examples of longevity from the client's family, or by discussing a small number of simple longevity scenarios.

Decision-making issue	Finding	Possible approaches
Insufficient concern about income relative to the risk of a loss of capital	Some clients focus more heavily on their capital than on their retirement income, resulting in them favouring ABPs.	Side-step the issue, by framing retirement decisions in terms of income (and giving more prominence to these frames), and as a portfolio (including ABP and Age Pension) rather than as a stand-alone decision. Align with the bias, by providing products that remove the risk of loss of capital (which many already do) as well as the risk of reductions in income (which some don't).
Lack of awareness or negative perceptions	Some super funds, advisers and clients have negative perceptions about lifetime incomes, don't understand them and don't see their benefits.	Side-step the issue, by identifying and supporting super funds, financial advisers and clients who are already most predisposed to using lifetime incomes (such as clients in good health, or who have experience with defined benefit plans), and at a time that is right for them.
Frictions	Additional steps and efforts that clients and advisers are required to take in order to acquire a lifetime income can inhibit their acquisition.	Make the problem less likely to occur, by streamlining, automating or simplifying application processes.

5 METHODOLOGY

Behavioural Finance Australia has been employed by the Blueprint Institute to undertake the current research, ultimately on behalf of the Orford Foundation.

<u>Build on the previous research</u>

The first step of the current research process was to build on prior relevant studies funded by the Orford Foundation at Melbourne Business School ("MBS") and University of New South Wales ("UNSW"), (collectively "Orford Foundation Prior Studies"). This first step involved identifying the key findings and recommendations of the Orford Foundation Prior Studies and assessing how the current research either:

- Aligns with that previous research,
- Complements it, such as by taking a different approach to assess the same issue, or
- Differs from it, such as in its focus, emphasis or philosophy.

A summary of key findings from this first step in shown in the next section of this report, with further detail in Appendix 1 and Appendix 2.

<u>Desktop review</u>

The second step of the current research involved a desktop review of how super funds, financial advisers and other lifetime income providers currently engage with their clients. The review sought to identify the specific instances in which different psychological consideration are relevant and how they are likely to impact the behaviour of clients, advisers or super funds.

The review covered publicly available material, such as web sites, tools and calculators. To reduce the time and cost of the project it focussed on what is most likely to impact clients' behaviour, rather than seeking to be exhaustive. For example, given their expected limited impact on client behaviour, PDSs were mostly not reviewed.

To ensure some consistency across the different businesses that were assessed, a checklist of issues was developed and then utilised. The insights that were captured in the checklist for each business were then consolidated, summarised and analysed in this report.

6 THE CURRENT RESEARCH IN CONTEXT

This section provides a brief overview of some of the key finding from the Orford Foundation Prior Studies and how the current research either aligns with them, complements them or differs from them. A full review is provided in Appendix 1, with a list of the Orford Foundation Prior Studies provided in Appendix 2.

Points of alignment

Key points of alignment between the current research and previous research include:

- The relevance of a range of psychological attributes and biases in how consumers make decisions about lifetime incomes.
- The importance of how retirement options are framed for consumers.
- The need to manage complexity, information overload, to simplify, and to use language that is easy for consumers to comprehend.

Points of complementarity

The current research is different from but complementary to the previous research because the previous research relied on focus groups and one-on-one interviews, well-controlled (but necessarily artificial) laboratory experiments, and broad ecosystem-level observations. In contrast, the current research is able to apply insights gleaned from the previous research to more specific, tangible, real world scenarios.

Differences in focus, emphasis or philosophy

To some extent there is a trade-off to be made between the benefits of consumers having greater knowledge and understanding, versus the benefits of making things simple and easy for them. For example, providing more detailed information could allow some consumers to understand their options more fully, but at the same time it could overwhelm other consumers and make them feel that choosing a lifetime income product is too difficult. In making this trade-off the current research places more emphasis than was apparent in the previous research on solving the problems of information overload and complexity, rather than on the benefits of broad awareness or financial literacy campaigns. More generally, the current research appears to place a greater emphasis on making things easy (for consumers and for industry participants) on the basis that the easier things are, the more likely they are to happen.

7 AUSTRALIAN SUPER FUNDS

The current review included a range of large superannuation funds. It was not intended to be exhaustive, but it was intended to be sufficiently representative of the superannuation industry that meaningful insights could be derived from it. To this end, the review included some funds which already offer a lifetime income product to their members and others that do not. It also included industry, retail and government sector funds.

The funds that were reviewed which already offer their members a lifetime income product were:

- Australian Retirement Trust,
- Commonwealth Superannuation Corporation, and
- UniSuper.

Some funds have not yet made lifetime income products available but have publicly announced their intention to do so. At the time of writing these funds are at various stages in the process of development and implementation. In this category, the following funds were reviewed:

- AMP Super,
- MLC Super,
- NGS Super,
- Australian Super, and
- Aware Super.

Other funds have not publicly announced any definitive plans to provide a lifetime income product. The funds in this category that were reviewed were:

- CBUS, and
- Hostplus.

7.1 Why have some funds not introduced a lifetime income product?

It appears that the funds (CBUS and Hostplus) that have so far not announced definitive plans to offer a lifetime income product have member bases for whom lifetime incomes are less likely to be appropriate, at least in the near term. For example, CBUS states in its Retirement Strategy that its members often experience broken work patters and unpaid super, resulting in them tending to, "have lower balances than the average population at retirement".[2] Given this, and the potential for their members to be forced to retire early for work or health reasons, CBUS believes that the majority of its members have a high need from their super fund for flexibility (particularly for flexible access to capital in the years between preservation age and Age Pension age). In contrast, according to CBUS the majority of their members have a relatively lower need for help with income maximisation, or for longevity, inflation or investment risk mitigation. This suggests that a lifetime income is unlikely to be the best option for many of CBUS's members.

In the case of Hostplus, while it has mentioned that it is, "investigating the use of lifetime income products to help manage longevity risk,"[3] and also the possibility of adding deferred annuities to its product suite,[4] the current review found no publicly announced definite plans for the fund to introduce a lifetime income product. Like CBUS, Hostplus' member base tends to have a relative low balance (with a median of just $20k, versus CBUS' median of $44k).[5] In addition, contributing to retirement incomes being less immediately relevant for the fund, Hostplus has a skew towards younger members, with a median age of just 34.

Of course, CBUS and Hostplus' member demographics do not mean that lifetime incomes would be inappropriate for all of their members; presumably some of their members could benefit from these products and some of these members will retire soon. However, given that funds are legally obliged to act in the best financial interests of their members it is understandable that they would be reluctant to spend time and money to create a product that they perceive would be used by only a minority of their members, at least in the near term.

Considering the super industry more broadly, similar dynamics are likely to apply to other funds whose members tend to be either younger or have lower balances. And these issue are likely to be particularly pertinent for funds with smaller membership bases, given that these smaller funds are less able to reap the scale benefits required to spread the up-front costs of introducing a lifetime income product across a large membership base. They are also less likely to have the internal resources and expertise necessary to develop and roll-out their own product.

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[2] CBUS Retirement Strategy, available at: https://www.cbussuper.com.au/content/dam/cbus/files/forms-publications/general-information/cbus-retirement-strategy-summary.pdf
[3] Hostplus Retirement Income Strategy, available at: https://hostplus.com.au/members/retirement/why-retire-with-hostplus/retirement-income-strategy#accordion-700acd2c54-item-de75eea8ff
[4] https://www.investmentmagazine.com.au/2023/05/the-ultimate-member-experience-hostplus-lays-ambitious-goal/
[5] APRA Quarterly Fund Statistics, March 2025. Available at: https://www.apra.gov.au/quarterly-fund-level-statistics

Possible approaches to increase the use of lifetime income products

Provide a relatively cheap, simple and easy-to-implement outsourced option for those funds that apparently don't view a lifetime income product as a sufficient priority to develop in-house, or don't have the resources or expertise to do so. The outsourcing arrangement could include product design and development, along with the provision of associated member engagement tools, advice and processes.

Being able to identify and engage with only a specific cohort of a fund's members, being those members for whom a lifetime income product is most likely to be appropriate, might help assuage some funds' concerns.

While some funds have developed or are in the process of developing lifetime income products and associated client engagement content in-house (ART, Aware Super[6] and UniSuper, for example), others have sought external assistance (eg MLC Super, NGS[7]). This suggests that at least some funds are amenable to an outsourced solution. However, it is anticipated that there will be some complexity to work through to ensure that an outsourced product integrates well with the fund's existing administration, technology, client engagement and other policies and processes. A simple product might not only help members to understand and acquire a lifetime income, but also their fund to implement it.

[6] Investment Magazine, available at: https://www.investmentmagazine.com.au/2025/05/aware-super-on-behaviour-risk-and-the-great-retirement-income-question/

[7] https://www.investmentmagazine.com.au/2025/04/with-challenger-deal-ngs-super-plays-the-retirement-confidence-card/

7.2 Are complex product features worth it?

This sub-section highlights the major psychological issues related to the product features being offered by Australian super funds. A further discussion of product features is included in the section related to other lifetime annuity providers, for which a greater array of products and features was available for review.

Simplicity versus complexity

Generally speaking there is a trade-off between the benefits of more features, and the cost of the additional complexity that those features can cause. On the one hand, more features potentially allows for the products to be better tailored to individual needs and preferences. For example, some members may prefer more income now versus more later in retirement, while others might prefer more income while they are alive but care less about receiving a death benefit. Those features can also help overcome common objections about lifetime incomes. For example, an optional death benefit can help to overcome the perceived loss of capital on death, while a 6-month cooling off period or allowing for a payment on voluntary exit could reduce a member's fear about the irreversibility of their annuitisation decision.[8]

However, on the other hand, the additional complexity that these features add risks further overwhelming fund members so that they do nothing or stick to what they perceive as the default option. This is currently likely to be an ABP.[9] There is little value in the additional features of a product that nobody uses.

In the case of the super funds reviewed for the current research, the more complex products are being rolled out by retail funds, being MLC Super and AMP Super. Perhaps these funds' complex products are justified, given their close ties with financial advisers. Maybe the advisers will reduce the risk of members becoming overwhelmed, as the advisers help members to navigate various product complexities. The additional features and options also potentially create opportunities for advisers to demonstrate the value of their advice.

However, as is discussed elsewhere in this report (in particular in the section that relates to financial advisers), making this equation work for both clients and advisers is difficult, and in the Australian market appears to have so far largely been unsuccessful. Arguably this is because clients who could benefit from a lifetime income and associated advice tend to be unwilling to pay a sufficient fee for that advice. Advisers are burdened by having to explain various complexities to clients and then convincing these largely unwilling clients to pay. Given all of the inherent complexities, the client's psychological incentive is to avoid the problem and to do nothing, while the adviser's incentive is to find an alternative client who is willing to pay their proposed fees. Given these dynamics, it appears that the odds are stacked against a complex approach; it's too difficult.

[8] ART offers a 6-month cooling off period. MLC offers a payment on voluntary exit.
[9] Orford Foundation Prior Studies reported that an ABP was seen by members as being an extension of their existing superannuation arrangements. See Appendix 1.

In contrast, some of the industry funds (such as UniSuper and ART) have elected to strike a balance more in favour of simplicity. NGS Super appears to be of a similar mindset; while its product has not yet been launched, it has publicly stated that in designing its solution, “simplicity is key”.[10] As is discussed throughout this report, simplicity is not likely to be sufficient on its own to dramatically increase the use of lifetime incomes; soft defaults, effective guidance, etc, would also help. However, relative simplicity does reduce one of the significant barriers to the up-take of lifetime income products.

Accumulation feature

One feature of the more-complex AMP and MLC product offering is worth singling out for special attention. That is the feature which, once activated during the accumulation phase, slowly accumulates a (possibly substantial) preferential Age Pension asset test treatment on behalf of the member. The good news is that there is little cost or burden on the member to use this feature. For example, at the time they activate the option there is no additional fee charged and no other changes to their superannuation arrangements. And the member is not being asked to make an irreversible commitment; at the point of retirement there is no obligation on them to transition into a lifetime income.

Activating this feature does, however, require younger members to make a decision in favour of their retirement, a challenge that can often be difficult. But at least the action being asked of younger members is tiny; there is no request for them to sacrifice today’s pleasures to boost their retirement savings, no need for them to think about asset allocation or risks and rewards; these younger members merely need to change a setting in an app.

While there is no obligation for members who have activated this feature to transition to a lifetime income product at retirement, being able to realise the increased Age Pension benefits that they have slowly been accruing could create a substantial financial incentive for them to do so. Various psychological effects are also likely to create momentum in the direction of these members ultimately choosing a lifetime income. Failing to do so would result in them foregoing a long-earned reward, triggering “loss aversion” (ie the disproportionate fear of loses). And it would mean acting in a way that is inconsistent with their past actions, potentially creating “cognitive dissonance” (ie the unpleasant feeling of holding two inconsistent thoughts in one’s mind – one being that they’ve already decided and acted to create a benefit in retirement, and the other being that now they are contemplating reversing that decision). Arguably, given these psychological dynamics, when this accumulation feature is activated a lifetime income stream now competes with an ABP in the member’s mind as the natural extension to their accumulation account.

In summary, the accumulation feature could create a strong tailwind favouring the long-term up-take of lifetime incomes.

[10] https://www.investmentmagazine.com.au/2025/04/with-challenger-deal-ngs-super-plays-the-retirement-confidence-card/

Possible approaches to increase the use of lifetime income products

While the level of engagement that AMP Super and MLC Super are able to achieve with younger cohorts is uncertain, the up-sides in terms of members using and benefiting from lifetime incomes could be substantial. The accumulation feature appears to be relatively stand-alone, suggesting that it could potentially be bolted on to other lifetime income products offered by super funds without necessitating substantial changes to those products.

To limit the impact of additional complexity on members, the accumulation feature could be communicated only:

- To younger member cohorts via targeted communications, or
- To new members, perhaps with the support of a phone call with a person who is qualified to at least provide some general advice.

7.3 How effective is the over-all member engagement related to lifetime incomes?

Part of the solution to the risk of overwhelming members with information overload and complexity relates to how information is presented. Some ways are better than others. On this measure, overall, the super funds that were reviewed do well. While some member engagement content is clearly still a work in progress at the time of writing (given that some funds' products have not yet been fully launched), across a number of funds evidence was found for a range of engagement strategies that psychological research suggests could help members to digest content that could otherwise overwhelm them. Some examples are discussed in the table below. The conclusion from this analysis is that if members don't use the lifetime income products that they are being offered, being overwhelmed by the format used to present information is unlikely to be the reason.

<table>
<tr><td>“Layering”</td><td>This means that information is presented in a way that allows high level messages to be readily accessed with the opportunity for more detail to be explored if and when the member wishes to.

Examples from the super funds that were reviewed include:
• Drop-down lists (that give a handful of key points with further detail about each point only revealed if the user chooses),
• Hover-over information icons (that reveal explanatory information if the user hovers their mouse over them), and
• Summary information being provided, with links to more detail in calculators, digital advice tools, PDSs and other documents.

Complex information, such as the operation of a pool, were largely (although not exclusively) left to the PDS. Here they are accessible for the (probably) small minority of members who are particularly curious, but otherwise are removed for the majority of members for whom this information risks being overwhelming.</td></tr>
<tr><td>“Chunking”</td><td>This means grouping long lists of items into meaningful “chunks” so that they don't become overwhelming, and so that the information they contain can be more readily absorbed. An example from Australian Retirement Trust was grouping related questions from a long list of FAQs.</td></tr>
<tr><td>Using different formats</td><td>Whereas large stretches of text can be off-putting, the super funds that were reviewed often provided short bursts of text that were often accompanied by videos, learning modules, comparison tables and case studies.</td></tr>
</table>

UniSuper is somewhat of an exception to the rule that funds were able to present relatively large amounts of detailed information in an effective way. While UniSuper's members were not in danger of being overwhelmed, in UniSuper's case it was because the fund provides its members with little information on its web site. Instead UniSuper appears to rely more heavily on its members gaining an understanding of its lifetime income product, its features and benefits, by the member contacting one of the fund's financial advisers.

To support this model UniSuper has invested heavily in financial advice, having an internal team of 165 advisers across the nation. Last year these advisers reportedly had 60,000 meetings with 40,000 members, providing general, intra-fund and comprehensive advice.[11] This suggests that if UniSuper's members don't use its lifetime income product then it might have something to do with the conversations they have with the fund's advisers. These conversations were beyond the scope of this desktop review.

Opportunity for more targeted communications?

The current review did not include the various forms of communication sent directly from super funds to their members, including emails, statements and reports. However, it is recognised that these communications could potentially allow super funds to provide more timely and more personally relevant information to their members. To the extent that this occurs it aligns with decision-making research that suggests that people are not equally likely to make a decision at all times; rather, they can be particularly prone to make decisions and to take actions at certain times or after certain life events. Given this, it is best to contact them at one of those times, particularly with information that is personally relevant.

In the case of planning for retirement, a key life event that has been mentioned in previous research is, of course, a member's retirement. But those life events also include the member changing job, receiving a pay rise, or buying a house.[12] Other examples include them reaching a milestone birthday, their own illness, and the ill-health or death of a close family member. To the extent that super funds are aware of these life events there may be an opportunity to send targeted communication to their members, although probably not in all cases.

As an example of how this could be applied, pension funds in the UK are required to send members a "wake-up" pack to their members, starting from when they reach the age of 50. The pack includes a brief summary of relevant retirement planning-related information. At least one fund in Australia has discussed the possibility of doing something similar with its members.[13] However, with the generally low levels of engagement by super funds members and their overwhelming propensity to ignore the communications they receive from their super fund, it is unclear how effective even this more targeted approach will be in influencing members' decisions.

[11] https://www.investmentmagazine.com.au/2025/06/why-unisuper-thinks-the-best-default-is-a-decision/
[12] https://www.gov.uk/government/publications/engaging-with-pensions-at-timely-moments/final-report-engaging-with-pensions-at-timely-moments?utm_source=chatgpt.com
[13] https://www.investmentmagazine.com.au/2023/01/super-funds-gear-up-for-retirement-with-education-campaigns-new-products/?utm_source=chatgpt.com

7.4 How effective are the calculators?

Previous research commissioned by the Orford Foundation suggests that people's engagement with retirement calculators is poor.[14] To improve engagement these researchers have made suggestions such as eliminating from calculators information that is not necessary, and giving simplified information upfront with more detail available via a click-through (ie, the idea of "layering" that was discussed in Section 5.3). The current review examines the applicability of these issues to the calculators that super funds currently make available for their members. It also asks a more general question being, "how easy do these calculators make it for fund members make a decision about using a lifetime income?"

<u>What most calculators do</u>

As a general observation, most of the calculators that were reviewed display outputs in the form of a stacked column chart, with each column reflecting the income a member would receive in a given year during their retirement. The columns are typically stacked by income source (ie Age Pension, lifetime income and ABP). After displaying one set of outputs the calculator gives the user the opportunity to change some of the setting and to see a revised column chart.

The assumption of presenting information in this way appears to be that the user will keep iterating the calculator's setting until they are able to create a chart that displays a set of projected annual incomes that best suits their retirement needs and preferences. Those setting would then form the basis of their decision of how much to allocate to a lifetime income, and perhaps also the basis for their choice of product features. Logically, this make sense. However, once decision-making issues are considered, it doesn't appear to be effective in practice.

<u>Will the user see any results at all?</u>

Firstly, there is a question of whether a user will progress a sufficient way through the calculator's intended customer journey that they are able to view any results at all. If the user encounters too many "frictions" (ie points where effort is required) they may give up before any results are displayed. To mitigate this risk ideally the calculators should quickly progress to the point of showing results before the user encounters too many questions, particularly difficult ones.

On the positive side, some calculators (such as Australian Retirement Trust and AMP Super) provide members with results (which are largely based on default assumptions) before asking them for much information. This approach works on the assumption that it's better to show members a result that might not be perfect but which they can later refine if they wish, than to aim for a perfect result that (because the member become frustrated with the process) they may never see.

[14] MBS Report 11, "Experiences with an on-line calculator". See Appendix 1.

Not all calculators take this approach, however. The UniSuper calculator, for example, asks members a few difficult questions, such as a member's target income in retirement and whether they would prefer a single or joint life product, before providing any outputs. In the absence of a financial adviser to guide them (which in the case of UniSuper, with its large emphasis on financial advice, is possible), each additional question is an opportunity for the member to find the process too difficult and to give up.

Will the user change the settings?

If they do view some results, will the user play with the tool and consider different approaches? Previous research suggests that in the absence of guidance people don't actually iterate like the creators of these calculators intend.[15] To help overcome this, Australian Retirement Trust provides users with a tutorial before they use the calculator. That tutorial shows member the mechanics of how to change the assumptions.

After viewing the tutorial, members might understand how to change the assumption, but not necessarily in which ways they should. None of the funds that were reviewed provide much assistance to help users to determine in what ways they should go about optimising the calculator's outputs to suit their needs. How should they determine whether to raise their target income (to enjoy more income early in retirement), or to lower it (in order to have more income in the years past their life expectancy)? And by how much should they adjust? At what age would it be acceptable for their ABP to reduce to zero? How much income should they allow after that date? These questions have no easy answers; complex trade-offs are required; there is much uncertainty. Unfortunately, "difficult", "complex" and "uncertain" are the characteristics of decisions that people often try to avoid. In this case it means not adjusting the calculator's settings.

Possible approaches to increase the use of lifetime income products

To improve the effectiveness of these calculators they could do more to guide members towards decisions. They can do this by helping members to optimise their retirement projections and by giving members the confidence to make a decision. This guidance could take different forms, such as:

- Social norms. For example, "most of our members feel comfortable if their ABP lasts until they turn 90" (assuming that this is indeed what most of a fund's members actually say). What is important for the purposes of this example is the fact that there is guidance, rather than the particular age that is specified.

[15] MBS Report 11, "Experiences with an on-line calculator". See Appendix 1.

- Simple heuristics. For example, “you might like to set your income as high as possible to make the most of your early retirement years, but so long as your ABP doesn’t run out before age 90.” Again, this is an example of the type of heuristic that could be used, rather than necessarily the specific guidance that a fund might want to provide its members.

- An optimiser function. A calculator could have a handful of pre-set optimisation algorithms that a member could use to reflect their broad intentions. For example, “maximise my total income assuming I live until 90”, or “maximise my income in the first 10 years of retirement,” or “maximise my income right now”, or “maximise my income so long as it never falls below $50k, no matter how long I live”. These scenarios could include short descriptions, or personas that users could choose from, such as “Long-term income maximiser”, or “Live to the max while I still can”, or “Safety first”. Clicking the optimiser would give them a scenario that matches their chosen persona, rather than them having to tinker with the details.

- Confidence to decide. Calculators could provide confirmation that the results look reasonable. For example, green ticks could be used to indicate that the user’s projection is within certain parameters that most members find acceptable.

What if users don’t change the settings?

Given the difficulty that the users of the current breed of calculators are likely to encounter in assessing different scenarios, each calculator’s default settings are anticipated to have a large impact. If users are likely to stick with what they see first, does what they see first favour the use of a lifetime income product? In the case of Australian Retirement Trust and AMP Super[16] the answer is “yes”. These calculators default to a 50/50 allocation between ABP and lifetime income products. In contrast UniSuper’s default allocation is 100/0 in favour of an ABP. UniSuper’s default position possibly reflects its members having higher balances at retirement (and correspondingly less eligibility and reliance on the Age Pension), although the median balance for members in the fund is still only $67k[17].

In a superannuation industry in which many people are invested in the default investment option within their default superannuation fund, and have the default amount of insurance, it is difficult to overstate the importance of default settings as a determinant of people’s

[16] Note that AMP Super only recommended members use the calculator if they were unable to access the fund’s digital advice tool. Given this, the calculator might have only limited applicability and the digital advice tool more relevance. However, the digital advice tool was only available to members and so was not included in the current review.
[17] APRA Quarterly Superannuation Fund Statistics, March 2025.

choices and outcomes. This is no different in the context of a complex calculator tool that research suggests that people don't tend to adjust.

If they do change the settings, will it help them to make a decision?

If a user does change a calculator's settings and is presented with different versions of the same column chart, unfortunately that doesn't necessarily make it easy for the member to reach a decision. The calculator might show cashflows, but it also needs to help the member to bridge the gap from the information to a decision. It needs to help a user who says to themselves, "that's interesting, but what should I do with this information?" In this regard, the types of guidance discussed above (social norms, simple heuristics, etc) could assist.

In some ways, how results are displayed by these calculators is unhelpful. For example, to determine if they prefer one scenario over another requires the member to compare the height of possibly twenty columns in one chart with the height of another twenty columns in a second chart. Making this challenge particularly tricky, when they attempt this comparison the first chart has since been replaced on screen by the second version. The users is left to attempt the difficult task of keeping that first chart, with all of its income levels and income components, in their mind's eye while they compare it with the second.

In using the calculators the author observed himself asking question like:

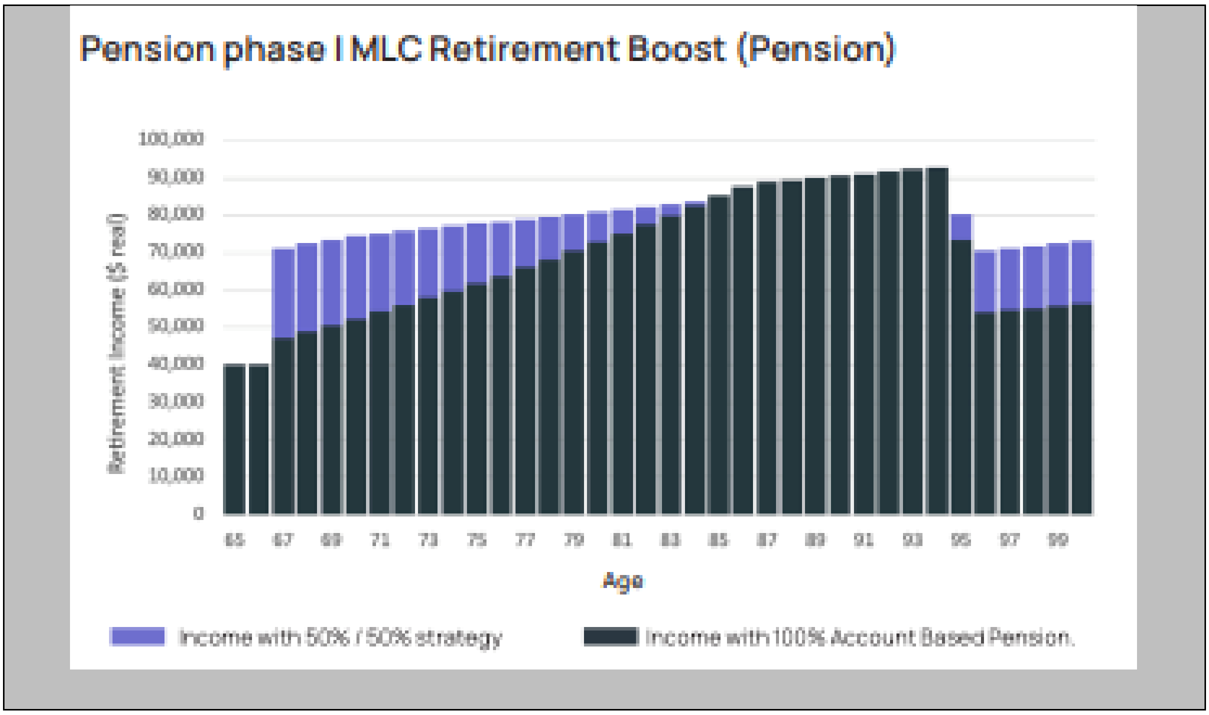
- "This one says I'll run out of my ABP at age 92. What age did the first one say again?"
- "My target income on this chart is $82k. Was that the same as on the first chart?"
- "I think these bars are higher, but has the scale on the chart changed?"

To help members to make decisions these calculators need to help members to make comparisons. Having one part of the comparison vanish during the comparison process isn't helpful.

Possible approaches to increase the use of lifetime income products

The calculators that were reviewed could potentially be improved by having a function that allows two options to be compared on screen at once, so that the differences between two alternative scenarios can be readily identified. The image shown below, provided by MLC Super in a flyer for advisers, provides an indication of how this framing could be achieved.[18] However, in this case the choice of the black colour for some of the columns potentially obscures any amounts by which the purple bars fall below them (if they do).

[18] MLC Retirement Boost Adviser Flyer, available at https://www.myexpand.com.au/_doc/MLC%20Retirement%20Boost_Adviser_Final/



<u>Some summarising of results helps</u>

Rather than only relying on column charts, Australian Retirement Trust and AMP Super both took steps to help simplify a member's decision by providing summary results. Those simplifications could make it easier for the member to reach a decision, even if the simplified decision might not factor in every relevant consideration. This is consistent with research by the Australian Government's Behavioural Economics team that found that text that compared key features in words were consistently more effective in improving comprehension of lifetime incomes than tables and graphs showing numerical estimates.[19] In the context of comparing options, providing summary text was also found to improve perceived clarity, decision-making ease, decision-making confidence, and willingness to choose a lifetime income. Text won't always be better of course, but it can sometimes assist consumers to draw conclusions from numbers and charts when those conclusions could otherwise be difficult for them to discern.

In the case of Australian Retirement Trust, it provides its members with a calculator that shows only the first year of income in retirement. While not highlighting the long-term benefits of a lifetime income product (which a member could potentially explore in a different calculator that the fund also provides) this approach does have some advantages that favour the use of lifetime incomes. For example:

- In this simplified decision-making context, the member only has to determine whether using a lifetime income product results in their initial retirement income being higher. As

[19] https://www.pmc.gov.au/sites/default/files/2025-06/supporting-retirees-in-retirement-income-planning.pdf

this appears to generally be the case, this display of summary information favours the use of lifetime incomes.

- It aligns with “hyperbolic discounting”, ie the tendency for people to heavily weigh in their decisions the benefits that they enjoy in the near term.

- It aligns with a simple decision-making “heuristic” or “rule-of-thumb” that some retirees use (as was evident in previous Orford Foundation research), that is roughly along the lines of, “just show me how I can get more with what I’ve got”.[20]

The calculator used by AMP Super also takes steps to make the assessment of the benefits of a lifetime income easier. AMP achieves this by summarising some of the key benefits at the top of its output chart. This summary shows the number of additional years that the user could enjoy their target income (before reverting to only the Age Pension) and how much extra income they would receive each year after their ABP fully depletes.

ART and AMP’s approach still requires the user to remember information that has disappeared from their screen, but at least the member has the more manageable task of having to only remember one or two figures.

[20] See Appendix 1.

7.5 How effective is the framing?

Previous research has highlighted the benefits of framing decisions about lifetime incomes “broadly”, as part of a portfolio of income sources in retirement, rather than on a stand-alone basis. A positive finding from the current review of major super funds is their consistent application of this principle. The three main sources of income in retirement (Age Pension, lifetime income and ABP) are typically shown together and discussed as being components that will work in combination. There is understandably less emphasis on other sources of retirement income (such as income from other investments, from part time employment, etc).

The variation between the funds in their use of this broad, portfolio framing is largely a matter of degree. For example, AMP Super and MLC Super have a strong focus on the positive impact that using a lifetime income can have on the Age Pension benefits a member will receive. This is consistent with the fact that these funds’ products are specifically designed to maximise the Age Pension. In contrast, in ART’s member engagement content any Age Pension benefit that might accrue from using the fund’s lifetime income is difficult to discern (and probably much smaller anyway).

How best to integrate a lifetime income and an ABP?

While lifetime income products and ABPs are typically discussed by super funds as being used in combination, these funds provide little guidance about how best they should be integrated. AMP Super does mention that, due to the increased certainty and financial confidence that having a lifetime income product might provide, members might further boost their income in their early retirement years by choosing to draw a higher income from their ABP. In fact, AMP’s calculator assumes that members draw more than the minimum from their ABP, something that retirees have so far been reluctant to do.[21]

Whether and how AMP Super plans to support members to draw more of their ABP, and therefore to realise some of the benefits of their lifetime income product, is unclear. As an indication of a direction that AMP Super could take, NGS Super’s “Easy Default” product, via which its lifetime income product is proposed to be made available, has established default drawdown rules that exceed the legislative minimums. CSC has taken a similar approach with its retirement profiles. With these approaches, retirees can benefit from increased incomes by default.

[21] https://treasury.gov.au/sites/default/files/2020-11/p2020-100554-complete-report.pdf

Possible approaches to increase the use of lifetime income products

Funds could establish rules and processes that support their members to take full advantage of their lifetime incomes, such as by drawing more than the legislative minimum on their ABP. Helping to ensure members actually realise the benefits of a lifetime income could assist members to have confidence to acquire the product, and also assist super funds to have the confidence to offer them.

Other framing & information presentation techniques

A number of other techniques for framing and presenting information are discussed in this section about Australian super funds. In different contexts, each could support members to make decisions about lifetime incomes. Some of these techniques help align lifetime incomes with the way that people tend to think and make decisions. For example:

- The use of an accumulation features to help frame the decision to purchase a lifetime income as an extension of a member's existing super arrangements, rather than an ABP as being seen as the only natural extension.

- Framing an allocation to a lifetime income as a soft default, by incorporating it into the default settings in calculators, as well as into videos and case study examples.

- Framing retirement income from different sources as corresponding to different spending wants and needs in retirement.

Many of the other examples of framing techniques that were uncovered in the current research are aimed at simplifying the decision to purchase a lifetime income, and making the decision easier. This aligns with previous Orford Foundation experimental research that found that, "when given a simple choice, and without an abundance of overwhelming options, attributes and financial jargon, there are Australians who would consider annuities as a fairly significant retirement income strategy as they reach retirement." Despite this, that research also found that when provided with more complex and detailed information a large proportion of study participants preferred to make no choice at all.[22] Simplicity matters, a lot.

[22] See Appendix 1.

Examples from the current research of the ways super funds can use framing techniques in order to make decisions simpler and easier include:

- Presenting information about lifetime incomes in ways to help reduce the risk of members becoming overwhelmed, such as by “layering” and “chunking” information.

- Framing charts produced by calculators in order to make it easy for members to make comparisons between different scenarios.

- Framing the outputs from calculators in summary form in order to help members to easily determine the conclusions from detailed outputs.

- Simplifying the period over which lifetime incomes are considered, such as by focusing on the income in only the first year, or the income across the whole of retirement, rather than showing the income in each year of retirement.

- Framing the benefits of lifetime incomes in terms of the uplift in the Age Pension specifically, rather than considering their broader benefits and trade-offs.

7.6 How are decision-making biases addressed?

The review of super fund member engagement found numerous examples of funds attempting to side-step or align with various biases. For example:

- As discussed above, Australian Retirement Trust highlights the immediate benefits of a lifetime income product in terms of the increased income members will receive in the first year. Similarly, AMP Super mentions the additional income that a member can receive in the first 10 years of retirement. This aligns with psychological research that suggests that if there are short-term benefits then it's probably worth highlighting them.

- To support complex explanations funds sometimes provide simple heuristics for members to use. For example, AMP Super highlights the number of additional years for which a member can receive their target income before reverting to only Age Pension payments. And MLC Super aggregates the whole of retirement when it asks members, "did you know? Retirement Boost can provide up to 50% more income in retirement when combined with the Age Pension." No probabilities and complexities about life expectancies, no inter-temporal trade-off or gamble is required for a member to assess this; they can easily discern that more income or the same income for longer are both preferable.

- AMP Super reframes the whole decision-making process away from a lifetime income being a way to manage longevity risk. Instead, their focus is on the Age Pension benefits it can bring. AMP Super states, "by utilising Centrelink concession rules, the feature reduces the amount of super counted in the Age Pension assets test – potentially increasing entitlements and retirement income by more than $100,000 in the first 10 years of retirement."[23] Members should, "use the government rules to unlock more income", they are told. This is another example of simplified decision-making: more Age Pension in retirement is good.

- And there are also examples of the funds leveraging, "mental accounting" techniques (the idea that people have different mental accounts for income that they receive from different sources). For example, Australian Retirement Trust states that, "a lifetime Pension can give you the confidence that you'll meet your regular expenses. And you can use your Retirement Income account for those special things, like a holiday or a new car." By using mental accounting they align their suggested strategy with how people naturally think.

[23] AMP, available at: https://www.amp.com.au/about-amp/news/2025/june/AMP-launches-market-first-retirement-income-boost-for-super-members---AMP-Super-Lifetime#:

Fewer attempts overcome biases directly

Attempts by the funds to tackle decision-making biases head-on were more limited and appeared secondary in their member engagement. For example:

- Australian Retirement Trust mentions the importance of members considering the risk of living past their life expectancy. However, this suggestion appears within a lengthy disclaimer that is unlikely members will actually read.

- AMP Super used the terminology “future self”, urging members to, “do your future self a favour”. However, the fund does little to help members to make a deeper identity- or emotional connection with their future self.

- AMP Super mentions the probabilities of living to different ages. However, its discussion of longevity risk is merely a brief explanation of calculator outputs, rather than the focus of its messaging.

The broad conclusion from this is that the super funds that were reviewed have largely decided that they need to move away from more traditional approaches that seek to highlight the benefits of lifetime incomes in terms of long-term incomes and the risk of outliving one’s life expectancy. Instead, they appear to have concluded that it’s more effective to speak about the short-term benefits of lifetime incomes and their impact on the Age Pension.

7.7 How easy do they make it to choose an allocation?

One step in the process of choosing to use a lifetime income is determining the proportion of one's balance to allocate to it. As discussed in the context of calculators, on the whole the funds that were reviewed provide little explicit guidance on this. The strongest guidance that they do provide is the implicit recommendation that is embedded in the default allocations used in their calculators, videos and case studies. The absence of more explicit guidance is likely to make these default allocations an even more powerful influence on members' decisions.

Some funds prefer to use a soft default

In the case of AMP Super, MLC Super and Australian Retirement Trust the default allocation used in its calculators, videos and examples is a 50/50 split. Being a default allocation means it could have a disproportionate influence on members' decisions. Adding to this weight is the fact that a 50/50 allocation also aligns with the "1/n heuristic" (which is a simple decision-making rule that many people use to choose between different options, being to simply split their investments equally between them). Of course, members still have the option to choose whatever proportion they wish to allocate to a lifetime income, but in the case of these funds the decision-making cards are stacked in favour of members choosing 50%. This is the easy option.

In the case of Australian Retirement Trust at least, the heavily influence of defaults appears to be by design, with the fund publicly advocating for the greater application of soft defaults.[24] Similarly, NGS Super has indicated that its lifetime income will be incorporate into its "Easy Default" product, the soft default retirement option that it offers its members. If these funds believe that soft defaults are the most beneficial way to influence their members then it makes sense that they provide little guidance to assist their members to choose a personalised allocation that might differ from the default. These funds might argue that it's better to go with the default than to complicate the process in pursuit of a personalised solution that leaves member feeling overwhelmed.

Other funds prefer members to make an active choice

In contrast to these funds, UniSuper reportedly wants its members to make active choices, rather than use defaults. As was recently reported in Retirement Magazine, "at a time when many super funds are trying to remove points of friction in members' transition to retirement – and put them in one-size-fits-most products once they're there – [Giacomo Tarantolo, UniSuper manager of retirement solutions] says UniSuper wants to introduce more choice into a complicated process and that 'the best default is active decision-making'."[25] The reason for this is UniSuper's belief that, "there's so much information that a

[24] https://www.investmentmagazine.com.au/2025/08/art-pushes-soft-default-for-retirement-ahead-of-productivity-summit/
[25] https://www.investmentmagazine.com.au/2025/06/why-unisuper-thinks-the-best-default-is-a-decision/

fund can't know about their members, such as the assets of their spouse, or their assets outside super." This emphasis on active choices might better suits UniSuper's more academically-inclined member base (who might be more willing to work through complex information than are the members of other funds). As mentioned previously, it could also be supported by UniSuper's heavy investment in financial advice.

However, UniSuper focus on active decisions hasn't avoided the issue of defaults completely. Their member engagement materials still incorporate a default allocation, one that is set to zero (ie 100% to an ABP). In addition, on its application form UniSuper tells its members that they should allocate no more than 40% to a lifetime income product. The fund's default allocation and this guidance could have a powerful negative impact on the likelihood that their members allocate their retirement savings to the fund's lifetime income and, if they do, the proportion that they choose.

It is not clear why UniSuper's default allocation has been set so differently from those used by other funds. Perhaps it reflects differences in the needs and circumstances of some of its members. Perhaps it reflects the views of senior managers at the fund about the usefulness and appropriateness of lifetime income products. Whatever the reason, UniSuper hasn't levelled the decision-making field by setting their default to zero. Rather, they've tilted it away from their members choosing a lifetime income product. They rely on the fund's advisers and their members' diligence to tilt it back to whatever is appropriate.

<u>Commonwealth Super Corp provides a number of different profiles to choose between</u>

Commonwealth Super Corp (CSC) offers eight different profiles that members can choose between, three of which incorporate an allocation to a lifetime income. CSC appears to be taking a middle road between a soft default and personal financial advice. CSC's options allow for more personalisation than can be offered by a single standardised soft-default, but require less time, effort and potentially cost than would be required to obtain personal advice.

To help members to choose the profile that best suits them CSC provides a filtering mechanism that allows members to narrow their choices depending on their home-ownership and coupled status. While this is helpful, a number of barriers reduce the chances of members using one of the fund's retirement profiles. These include the fact that:

- Before members choose a retirement profile they are presented with an option that is referred to as a "standard" retirement income stream. Being "standard" suggests that it is akin to a default option, or that it is a common choice made by most people, or that it is a safe option. In contrast, by implication any other choice is "non-standard" and hence could be perceived as a more psychologically risky choice. These non-standard profiles require members to make active choices to do something different from the norm. Non-standard active choices are a type of decision that people can fear later regretting; it's psychology safer to stick to the standard approach.

- If members do want to select from the various retirement profiles on offer, and they have successfully narrowed their choices by specifying their homeownership and coupled status, choosing an option from the list is still not straightforward. Members need to navigate overlapping or discontinuous ranges, financial information that they might not know or feel confident to estimate, and inconsistent and somewhat ambiguous terminology. For example, do they have financial assets that are worth less than $69k, or is it in the higher range of between $87k and $145k? Is their super between $324k and $400k, or in the overlapping range of $180k and $400k? Will they be eligible for "part or full Age Pension", or "part Age Pension", or "full Age Pension"? And would they want to use their retirement income for "top ups and emergencies" or for "top ups and occasional spending"? It's understandable if members find it difficult to choose.

- If members do manage to choose a profile, and happen to choose one which includes a lifetime annuity then they encounter another barrier. They are then told that they need to work with a financial adviser to assist them to purchase that annuity. Not only does this create a significant friction in the process, but it comes after members are told that the retirement profiles that they just chose from are suitable for members who are, "unlikely to seek financial advice about using your super in retirement". The application process requires them to do the very thing that they self-identified as being unlikely to want to do.

7.8 How easy is it to implement?

Once a member has made a decision to use a lifetime income product and has decided the proportion of their balance to allocate to it, an action needs to be taken by the member to put those decisions into effect. Here is where psychological research suggests that small "frictions" (ie, little efforts that create barriers to actions taking place) risk preventing a member's intentions from being translated into the actual purchase of a lifetime income. To reduce the risk of this happening the application process for a lifetime income product should be simple and easy. Unfortunately, across the super funds included in the current research this wasn't always the case.

Australian Retirement Trust

The ART application process requires members to complete a form and to make a phone call. While the ART application form is reasonably user-friendly, including annotations with useful information, there are several different versions of the processes for members to choose between. Selecting the right process depends on whether the member or their spouse already has a Q-Super account. The somewhat convoluted explanation of these processes is shown below, replete with logical connectives: "you don't have to …", "but if …", "you can either …", "… you'll need to", "… you can", etc. It would be a travesty for a member to have successfully navigate the complexities of planning for their retirement only to be lost in a maze of different application processes.

How to buy a Lifetime Pension Show all

How do I buy/open a Lifetime Pension?

You don't have to have a QSuper account to open a Lifetime Pension. But if you **already have a QSuper account**, you can either:

- Apply in Member Online, or
- Complete and submit the application form in the back of the PDS (pdf).

If you're opening a Lifetime Pension as a death benefit income stream, you'll need to use the paper form.

If you **don't have a QSuper account**, you can apply to join QSuper online if your spouse has a QSuper account. You'll need to do this before you open your Lifetime Pension.

Otherwise, there are 2 forms that you need to fill out.

1. Open an Accumulation Account for Lifetime Pension applicants (pdf). You'll find this in the back of the Accumulation account PDS.
2. Open a Lifetime Pension - For non-QSuper members only (pdf). You'll find this in the back of Part A of the Lifetime Pension PDS.

Make sure you email or post us both of the above forms together.

Find out more ›

UniSuper

One “friction” in the UniSuper application process results from the fact that the income a member will receive if they purchase a lifetime income is not evident on the fund’s web site. The fund’s application process suggests that their members call the fund to receive a quote for the rate, which the member should then subsequently incorporate into their application. These extra steps mean extra effort and a reduced chance of the member successfully acquiring a lifetime income. It is not difficult to imagine ways to streamline this process.

AMP Super

AMP has not yet made its full product available to members. However, some small frictions are already evident in their processes. For example, whereas eligible AMP Super Choice members will have the accumulation feature automatically added to their account, eligible MySuper members have the option to add the feature themselves. MySuper members can do this via the fund’s app, which will hopefully make it relatively easy, but it’s still a step that they are required to take (or two steps if they first need to download the app). It appears that the need for MySuper members to add the feature themselves is a legal requirement, so is perhaps unavoidable in the absence of legislative change.

MLC Super

As with AMP, MLC Super’s full product is not yet available. However, some frictions are evident in the process to set up the fund’s accumulation feature. It appears that a transfer request needs to be completed in some circumstances, new notifications of contributions need to be made to a member’s employer, new account numbers need to be issued and the member’s on-line performance will be reset. These frictions could impact the fund’s members, their advisers and the members’ employers.

While advisers might be able to help members to overcome some of these types of frictions, advisers themselves are not impervious to them; they also benefit from simple and easy processes. Confirming this point, Ashton Jones, director of consumer innovation at Insignia Financial (MLC’s parent) commented that, “over 50% of our Expand advisers were using or considering lifetime income solutions, but there were quite a lot of barriers, like the fact that they’re not well integrated on platforms today. It’s not easy to implement them, and while [advisers] can see the benefits of them, particularly from an Age Pension perspective, and giving confidence to spend, those barriers were limiting their take-up and consideration of the solution.”[26] As helpful as advisers might be they are still human.

[26] Investment Magazine, available at https://www.investmentmagazine.com.au/2025/07/mlc-steps-up-to-the-retirement-income-plate/

Possible approaches to increase the use of lifetime income products

Funds should make their application processes as easy to navigate as possible. This could include removing unnecessary frictions and providing assistance to navigate complex processes, both for members and for their financial advisers. For example:

- ART could convert their convoluted worded logic into a tool in which members are asked a couple of key questions, such as whether they already have a Q-Super account. On the basis of their answers to those questions they could then be directed to the suitable application form. Or, even better, the multiple different application process could be consolidated into a single simple process that can accommodate all of ART's members.

- UniSuper could make the income rates available on its web site or otherwise display them during their application process.

Technological, administrative and legal constraints might limit funds' ability to eliminate all frictions, but this shouldn't prevent them from at least tackling the ones that are within their immediate control.

8 AUSTRALIAN FINANCIAL ADVISERS

The financial advisers who were reviewed as part of the current research were included on the basis that they already have some interest and involvement in the provision of advice related to lifetime incomes. Those advisers were identified from three sources:

- David Orford's contacts.
- Financial advisers who contributed to a white paper on lifetime incomes that was published by Allianz Retire.[27]
- Advisers referred by Patrick Clarke, GM Retirement Solutions at Generation Life, as having, "recommended more than one life income and advise on retirement and in mid-market."

Relative to the broader population of financial advisers, these advisers were anticipated to be among the most prospective for providing advice on retirement income streams and, as a result, for recommending lifetime incomes to their clients. And yet, despite this, the analysis discussed in this section suggests that they do not represent great opportunities for either of these things.

<u>What do these advisers look like?</u>

Details of the financial advisers and their associated businesses that were included in the current research are shown in Appendix 2. The key findings of this analysis are that:

- <u>They are small.</u> The advice businesses tend to be small, typically with 1 to 5 financial advisers, in addition to other administrative or professional staff.
- <u>They are not specialists.</u> The advice businesses do not specialise in providing advice on retirement income streams; they typically provide broader advice including wealth management, business planning, tax and accounting services. Clients requiring advice in relation to income streams represent only a fraction of their total clients, possibly a small fraction.
- <u>They have no in-house retirement expert.</u> In most cases there is not a retirement incomes specialist who could shoulder the burden of becoming competent in advising on lifetime income products. There is no specialist to whom the other

[27] "Retirement Income Products Reframed", available at https://www.allianzretireplus.com.au/campaign/retirement-income-products-reframed.html

advisers could either refer their clients, or who they could ask for support in providing retirement income advice to their own clients.

- Their target clients are not well aligned. The businesses' target clients often do not appear to match the target demographic for lifetime incomes (ie clients who are nearing or in retirement and who have moderate wealth). For example, one advice firm specifies a maximum age threshold of 45 years for its clients, and another a minimum account balance of $1m. And for the integrated accounting/financial advice businesses that were reviewed, their target client demographics are likely to include small business owners.

In summary, these are small businesses which are possibly advising few of the types of clients for whom a lifetime income would be suitable. If there are large businesses that specialise in providing retirement income advice to clients with moderate wealth then they are not within this group of advisers. Neither were these types of businesses evident from a broader on-line search.

8.1 Is it worth the effort?

As a result of the business characteristics described above it could be difficult for advisers to gain sufficient benefits to justify the up-front cost of becoming competent in the provision of advice related to lifetime incomes. This cost is in the form of their time and effort required to become well versed in the different lifetime income products that are available, to be able to compare the risk and benefits of each, and to be able to navigate their respective features and application processes. Advisers would also need to establish processes in order to make product comparisons that will satisfy their legal/compliance requirements to ensure that their advice is in their clients' best interest. And they would need the skills to be able to explain their advice to their clients, in order to satisfy their ethical obligations to do so.

These tasks clearly troubles some advisers, as was highlighted in previous Orford Foundation research. In that research financial advisers reported being nervous about making errors when submitting applications for lifetime incomes on behalf of their clients. They also lamented the difficulty they have when providing advice on lifetime incomes in satisfying both their product comparison requirements and their need for clients to understand their advice.[28] If they are going to make the effort to become competent in each of these tasks then they would probably want a significant cohort of clients to pay the fees they charge for the associated advice.

The up-front effort required by advisers was also recognised by Allianz Retire in a white paper written for advisers in which it states that, "being an early adopter of guaranteed lifetime income products requires commitment, ongoing education and a willingness to embrace change. It's important to be well-equipped to overcome misconceptions, manage reluctance and promote better understanding around the topic."[29] While this messaging could be inspirational for some advisers, it could be a reality check for others, suggesting that unless they have the necessary commitment then perhaps they should stick to established advice models and processes with which they are already comfortable. Advising on lifetime incomes doesn't sound easy.

Some of the effort described in this subsection might actually be unavoidable. This is because advisers have an obligation to conduct a reasonable investigation into the financial products that might meet their clients' needs[30]. For some clients this would presumably entail investigating lifetime income products, particularly as those products become more ubiquitous. However, how this legal obligation practically impacts advisers' advice processes was not apparent from the current research.

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[28] See Appendix 1.

[29] "Retirement Income Products Reframed", available at https://www.allianzretireplus.com.au/campaign/retirement-income-products-reframed.html

[30] https://www5.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s961b.html

Possible approaches to increase the use of lifetime income products

To make it easier for advisers to assess and recommend lifetime income products, advice tools within XPlan that facilitate making comparisons between different retirement income products and strategies could be created or improved.

The tools available to advisers via XPlan have not been reviewed as part of the current research. However, given the costs and timeframes required to improve them there is a chance that they are not reflective of the most recent lifetime income product developments and have therefore become sub-optimal. However, it is unclear who would pay for any improvements. Iress would presumably be reluctant to upgrade XPlan without having a client pay for the changes.

It is noted that independent providers might try to support advisers to make comparisons between different products, and that at least one business already exists in the Australian market with this objective.[31] The tools and processes provided by this business were not accessible for the current research. It is therefore unclear how effective this business' services are at making product comparisons easy for advisers, and how easy it is for advisers to integrate those comparisons into their advice.

It might be more difficult for large dealer groups

It is notable that all of the advisers included in the current research were either self-licensed or licensed via an independent licensee. This suggests that additional barriers could exist to engaging with advisers who are part of larger dealer groups. Those barriers could include the requirements to have products accepted onto approved product lists and to be made available on investment platforms. The compliance teams within large dealer groups might also have to satisfy themselves about the processes and documentation requirements for the provision of advice in relation to those lifetime income products. Things tend to move more slowly in large, complex organisations, particularly if there are conflicting incentives. Smaller advice practices, with control over their own products and processes tend to be more nimble.

[31] https://www.retirementedge.com.au/about

8.2 Are clients willing and able to pay anyway?

Even if advisers are competent in providing lifetime income-related advice, and they are able to establish the necessary advice processes, their clients still need to be willing and able to pay for that advice. But it is questionable whether clients with low-to-moderate incomes and wealth will pay the quantum of fee that an adviser would need to charge in order to make the provision of that advice economically viable. For example, Adviser Ratings research in Australia from 2024 reported that consumers, on average, are willing to pay $911 for financial advice, and that two thirds are willing to pay less than $500.[32] The research contrasts these figures with the only 6% of advisers who offer fees below $1500 for new clients and a median adviser fee of around $4000. It is because of their low willingness or ability to pay for advice that financial advisers have often eschewed clients within low-to-moderate wealth and income.

A similar problem seems to be evident in the UK. A recent "Thematic Review of retirement income advice" undertaken by the Financial Conduct Authority included a survey of advisers who are active in the retirement advice market. It found limited use of annuities for clients who retire with retirement savings of more than £250,000.[33] While advisers tend to prefer clients with higher wealth because they are more likely to be able to pay their fees, the FCA data suggests that when it comes to providing retirement income advice they tend not to recommend that these clients purchase a lifetime income.

In summary, there appears to be a substantial disconnect between the complexity and work required for an adviser to provide advice about retirement incomes, and the willingness and ability of the types of clients who could benefit from that advice to actually pay for it.

[32] https://www.adviserratings.com.au/news/advice-fees-rise-what-australians-are-really-willing-to-pay-for-financial-advice/
[33] https://www.fca.org.uk/publications/thematic-reviews/thematic-review-retirement-income-advice

Possible approaches to increase the use of lifetime income products

While a disconnect appears to exist, this potentially could be reduced by helping advisers to articulate and demonstrate the value of their advice. Where the adviser can clearly calculate a measure of additional income that their advice will create this could enable them to use an anchoring strategy. That is, by “anchoring” the client on a higher number first, their fee is likely to feel more reasonable.

For example, “this strategy will result in you earning $55k of extra income over the first 10 years of your retirement; for advice on how to achieve this my fee is $3k”. Research shows that anchoring strategies can be a very powerful way to influence people’s perceptions of value, even if they are aware of the strategy. However, the ethical use of anchoring presumes that adviser’s fee is reasonable and the value creation for the client is genuine.

The current desktop research did not determine how many advisers already present their value proposition in this way, and whether BDMs support them to do so.

8.3 Is there a broader opportunity within advisers' businesses?

Could there be an untapped opportunity within advice businesses among clients that the adviser does not necessarily have an active relationship with? This could include clients who:

- The adviser has previously advised but who have not agreed to pay for on-going advice, or
- Have been "inherited" from other advisers as part of internal succession plans or from business acquisitions, or
- Receive services from other professionals in their business, such as tax/accounting professionals.

Some of these clients could fall within the target demographic for lifetime incomes, ie having moderate wealth and currently approaching retirement. And, as a result of the adviser's (albeit somewhat tenuous) existing relationship with these clients, they are likely to be easier for the adviser to engage with than for the broader population of potential clients. However, the challenge still remains of convincing these clients to pay an advice fee that is sufficient to justify the adviser's time and effort in engaging with them. To the author's knowledge, attempts to access these types of clients have not been as successful as the apparent opportunity appears to suggest they should be.

Possible approaches to increase the use of lifetime income products

If they don't already, lifetime income providers could partner with advisers to deliver seminars and webinars to groups of unadvised clients. Those seminars would comprise general advice only. At the seminars clients could be challenged to contemplate:

- The different sources of income available to them in retirement, beyond an ABP.
- How those the different sources of income can complement each other.
- The possibility of the client living a long time in retirement.
- The client's different needs for income at different stages of their retirement.
- Some of the key trade-offs involved in retirement planning.
- The value of receiving personal advice related to retirement incomes.

As a result of attending the seminar some clients might seek personal advice. Some might find the seminar sufficient informative to make a decision to purchase a lifetime income without further advice. Others might take no action but feel more confident or informed from having attended. The key appears to be achieving a mix of outcomes that creates a win-win-win for the client, the adviser and the lifetime income provider.

8.4 Could financial advisers' client conversations be enhanced?

The actual conversations held between advisers and their clients are largely beyond the scope of this desktop research; no advisers were interviewed as part of this research and no client conversations were observed. However, the way that advisers frame those conversations, the specific words, phrases and questions that they use, and the way that they handle common objections to lifetime incomes could each have a material impact on the likelihood of a client understanding and seeing the need for a lifetime income. A detailed examination of these issues could be a topic for further research.

However, as part of the desktop research a number of instances of advisers describing their retirement income-related advice processes and client engagement were uncovered. These include:

- Interviews with Australian advisers that were described as part of previous Orford Foundation research; and

- Video interviews with UK advisers that were provided by the annuity provider, Just, on its website.

<u>Some aspects of adviser's conversations are well aligned with behavioural research</u>

The following examples were observed:

- <u>Framing strategies</u>. Some advisers reportedly frame lifetime incomes in terms that clients might be more likely to understand, such as an annuity being a type of insurance (as distinct from an investment). They sometimes also frame them in line with common ways that people think about money (such as that different sources of money serve different purposes, ie a form of "mental accounting"). To this end, advisers described the role of a lifetime income in meeting a client's income "needs", as opposed to their "wants" (for which the client could use an ABP instead). And some advisers reported trying to encourage clients to frame their decisions more in terms of income rather than capital. Each of these framing strategies appears to align well with previous behavioural research, making it easier for clients to understand and appreciate the benefits of lifetime incomes.

- <u>Dealing with longevity</u>. When planning for retirement some advisers reportedly add 5 to 10 years to a client's life expectancy to help clients think about their needs later in life. To make the possibility of living beyond their life expectancy feel more real some advisers ask their clients to consider their own parents' experiences (on the basis that some of their parents have already lived beyond standard life expectancies or are approaching them while still in relatively good health). And to assist clients to envision their retirement years, and to make those years feel more tangible, some advisers asked clients about the actual activities that they would undertake at different stages of their retirement, rather than speaking only in broad, abstract or financial terms. These approaches also align with previous research that suggests that clients might need assistance to feel a connection with their future self in order to appropriately plan for retirement, and that adding specificity could help them to do that, even if the specific examples do not eventuate entirely as the client envisages.

- Objections handling: Some advisers reported that their clients reject lifetime incomes because of a fear that their money is locked away or that their capital will be lost if they were to die early. These objections can be handled by educating clients about the features of more modern annuities (such as the provision of a death benefit) that are specifically designed to address these issues.

- Different media. Advisers use a combination of tools, charts and whiteboard diagrams to support their conversations; they don't only use words.

A conclusion from these accounts from advisers is that at least some advisers are using conversational strategies with their clients that are well aligned with behavioural research. However, it is unclear from the current review how representative these conversational anecdotes are. Do the advisers who report using them actually use them consistently? And what proportion of advisers who speak to clients about lifetime incomes use these strategies at all? What a number of self-selected advisers report in videos and to researchers might not accurately reflect the reality of a broader population of advisers' day-to-day client conversations.

Possible approaches to increase the use of lifetime income products

From the current research it appears that some advisers are currently using a number of effective conversation strategies with their clients about lifetime incomes, at least some of the time. To build on this, two possible approaches could be to:

- Ensure consistency: Help advisers to embed into their tools and templates the types of conversational strategies that they already described using, so that these strategies are utilised consistently. Behavioural research suggests that it's easy to forget, and that simple tools, like checklists, can help to ensure that the things that you know you should do, do not get overlooked.

- Foster broader utilisation: It might be that only a small percentage of adviser are using the types of strategies that have been described in this section. There could be a benefit in assisting a broader cohort of advisers to move closer towards the best practice standards that these leading advisers are already describing.

It is noted that at least some annuity provider BDMs may already be pursuing the goals of greater consistency and broader applicability described above. However, BDMs were not interviewed as part of this desktop research.

Possible approaches to increase the use of lifetime income products

In addition to the conversation strategies described by advisers in this section, a number of additional approaches could be applied. Some examples are outlined below.

- Use of social comparisons. Behavioural research demonstrates that, particularly when faced with uncertainty, people can be significantly influenced by what others do or say. That influence can sometimes be hidden from people's conscious awareness, meaning that they are influenced by other people more than they expect or are willing to acknowledge. The power of social influence suggests that advisers could gently nudge clients with data or case studies that demonstrate how other people who have purchased a lifetime income are happy with their choice and are enjoying their retirement. Or social influence could be used to help nudge clients through the various choices they need to make. This could be achieved with phrases in the form of, "most of my clients in your situation … prefer more income in the early years of retirement / want at least part of their income to go to their spouse if they die / want to keep a cash balance of $20k in case of emergencies". As long as any recommendations are in the client's best interest and take into consideration their individual circumstances and preferences, the use of social influence simply helps nudge the client towards the right decision.

- Broad / portfolio framing. Some of the challenges that advisers mentioned appear to be able to be at least mitigated by framing a lifetime income more broadly, as part of a portfolio of sources of retirement incomes (rather than considering a lifetime income's merits on a stand-alone basis). For example, if the income from an annuity is perceived as being too low, this objection could potentially be overcome on a portfolio basis when an up-lift in Age Pension benefits is included. Similarly, framing at a portfolio level allows for a potential increase in total returns as a result of an ABP being invested more aggressively when used in combination with a lifetime income. This is not to say that broad portfolio framing will always result in a lifetime income being beneficial, but it could help clients who are missing the big picture.

- Default terminology. As mentioned in the context of super funds, a challenge for the use of lifetime incomes is that ABPs could be considered the default option, and seen as a natural extension of people's existing superannuation arrangements. The power of defaults is likely to be less influential in the context of an adviser's client conversations, but could still have an impact, making the adviser's task of convincing the client to use one more difficult. To mitigate this, advisers could utilise their own default terminology. For example, "it depends on your situation, of course, but for people who have around $500k of super and who are likely to receive some Age Pension, my starting position is that you will probably want to include at least some lifetime income in the mix". In this context, a decision to not include a lifetime income could be considered to be an active decision to step away from the standard approach; some annuitisation has effectively become the default.

But some things advisers currently do might be adding time, effort and complexity

Not everything that advisers currently do appears to be beneficial. Some things could add unnecessary complexity while contributing little to improve the quality of advice. One potential example is that some advisers start by helping clients to develop detailed cashflow budgets and projections. Retirement income strategies are then selected to match those cashflow needs. While the logic makes sense, this approach raises a number of potential problems.

One of those potential problems is that clients can find it difficult to predict their future cashflow needs. This is likely to be particularly difficult given that many will be trying to imagine future parts of their life in which their lifestyles change dramatically (ie as they transition into retirement and then at different stages of retirement). If it's hard to imagine what your life will look like in the future then it is probably also difficult to imagine the cashflow requirements associated with that life. The risk is that while the cashflow forecasts these clients develop with their advisers might be detailed, that detail actually masks their inaccuracy; a retirement income castle could be built on a foundation of sand.

More broadly, there is the problem of advisers sometimes asking clients for information that they cannot be reasonably expected to provide. An example that was unconverted as part of the current research is an adviser who reported that they ask their clients to rate sequencing risk and longevity risk on a scale, and then use the client's apparent relative concern about each of these risks as a basis for their recommendations. Even if clients understand these risks intellectually, are clients able to think through their potential manifestations on the clients' income and lifestyle in order to provide a meaningful rating of these risks? Is this approach simply adding more sand to the foundations?

There is also a problem with adding more steps, more effort and more time to an advice process. Generally, the more time and effort the higher the fee and, consequently, the fewer clients who are able to afford that fee. And the more time and effort required by the client the more likely they are to become fatigued, to provide answers that they haven't properly understood or considered, or to want to discontinue the advice process. Each step needs to add something important in order to justify its place in the process; anything that adds further complexity to an already difficult decision-making process should be scrutinised with an eye for simplification.

Possible approaches to increase the use of lifetime income products

Approaches that could help advisers to simplify their advice processes include:

- Simplifying cashflow budgeting and focusing on the things clients are most likely to know or are able to fairly easily estimate. For example, a cashflow budget could include specific amounts of cash required in the first two years of retirement (eg to pay for a new car, a holiday or a home renovation), but then use a rough proxy for expenses thereafter (such as an ASFA standard, or a percentage of pre-retirement income). Or a simplified cashflow budget could use aggregated current expenses as a starting point and adjust for a small number of big-ticket items that the client knows will change after retirement (such as the discontinuation of mortgage payments if they use their retirement savings to fully repay their mortgage).

- Using tools that simplify comparisons. As was mentioned in the section about Australian Super Funds, simplified messages can help to summarise detailed charts and tables, and could assist advisers and clients to cut through the complexity. For example, does a lifetime income result in an up-lift in income in the first year? Does it result in the client's ABP lasting longer? Does it result in more income after their ABP runs out? These summary findings could help bring out the pertinent points from a sea of data in which they might otherwise be obscured. In doing so they could make the adviser's job easier in assessing and communicating the value of a lifetime income.

It Is unclear from the current desktop research how many advisers already use these types of approaches.

8.5 Some advisers don't like annuities

Previous Orford Foundation research has classified advisers into three segments:

- "Pro-annuity segment": This segment writes annuities for numerous clients.
- "Fluctuating segment": This segment wrote more annuities in the past, however less now due to Centrelink changes and/or because of current interest rates.
- "Anti-annuity segment": This segment writes few annuities. They believe annuities do not meet needs, aren't attractive, and are confusing to clients.

Convincing advisers to move from one cohort to another could be difficult; people don't tend to readily change their opinions. In the case of advisers there are some practical barriers to change too. An adviser changing their mind could also necessitate them changing their investment philosophy, business processes and value proposition. And they might need to explain to their clients why their advice has changed, presumably while being careful not to suggest to their clients that the previous advice they received was faulty. None of these things is necessarily impossible, but each could create an impediment to change; it can be psychologically and practically easier to remain consistent with one's past self.

While the preceding discussion suggests advisers fall neatly into three buckets with little movement expected between them, reality is likely to be more nuanced. There are probably shades of grey; some advisers will be more firmly in one category or another, while others will be closer to the margin. This is where nudging can help. The idea of "nudging" is about tilting, sometimes in subtle ways, a decision-making environment towards an outcome that is seen as beneficial. Those nudges are unlikely to impact people who are deeply entrenched in an opinion or behaviour. Rather, they are more about tipping the balance for people who are close to the threshold of taking an action, who are perhaps favourably disposed to an idea but uncertain about what to do, those who have failed to act due to inertia, or who do not have strong beliefs one way or another.

In the context of lifetime incomes, this suggests that the advisers who might be most influenced by nudges are those:

- In the "pro-annuity" segment, who already have positive views about annuities and who could potentially be nudged to advise more clients about their benefits.
- In the "fluctuating segment", who could be encouraged to use annuities when the time is right.

In contrast, trying to nudge advisers in the "anti-annuity segment", or in the "fluctuating segment" at the wrong time, are could be largely futile.

Possible approaches to increase the use of lifetime income products

The ideas discussed in this sub-section emphasise working with the right advisers at the right times. They suggest finding a target group of early adopters, of first picking the lowest hanging fruit before trying to shake the entire tree. This could involve better systems to target advisers, in order to focus the efforts of BDMs on a smaller number of the most prospective advisers. Those advisers would need to have positive beliefs about using a lifetime income, as well as a sufficient number of clients with a set of circumstances which makes a lifetime income suitable. These advisers are likely to charge fees that are affordable for people who retire with moderate wealth, and have business processes that allow them to deliver retirement income-related advice on a sufficiently cost-effective basis to make it sustainable.

A similar principle could be applied to advisers' clients. Advisers could potentially use better systems to target clients, not just in terms of their age and wealth, but potentially also in terms of their attitudes and experiences. For example, previous Orford Foundation research found that people who have had experience with defined benefit plans tend to be more readily able to understand lifetime annuities. This suggest the possibility of targeting clients who work in industries in which defined benefits have historically been more prevalent, and perhaps also targeting their family members and friends (who have become familiar with defined benefits vicariously).

And thinking about clients and advisers together, there could be a benefit from the better matching of clients and advisers. For example, perhaps some older female clients feel more comfortable discussing their retirement plans with an older female adviser. Previous Orford Foundation research highlights the important role that women play in retirement planning, particularly given their longer life expectancies. However, the advisers who were included in that previous research were predominantly male. It is also notable that only one of the advisers included in the current desktop review is female, and she is a younger woman. If older female clients prefer older female advisers, the limited evidence reviewed as part of this desktop analysis suggests that they might struggle to find one.

And timing matters too. It might be possible to better time the approach to advisers and clients. For example, if some advisers prefer annuities when interest rates are higher, perhaps wait until they go up. Similarly, if some value the risk-mitigation benefits of fixed rate lifetime annuities, then perhaps target these advisers following a period of market volatility. This approach aligns with the documented benefits of providing "just-in-time" communication, delivered at the point that the recipient finds it most useful. Not only does this benefit the adviser (who doesn't have to wade through communications from a BDM that they feel are irrelevant), but it hopefully also frees the BDM to spend more time with more immediately prospective advisers and their clients.

As discussed previously, given the limited nature of the current desktop review, it is not clear the extent to which BDMs and advisers are already applying the types of strategies described above.

8.6 A deeper dive on longevity risk

Longevity risk is central to the discussion about the benefits of lifetime incomes. However, there is evidence that life expectancies are sometimes not being appropriately formed and applied, both by clients and by advisers. Problems that have been identified include:

- That people tend to under-estimate their life expectancy.[34] In turn, this could lead them to under-estimate the benefits of a lifetime income.

- The use in retirement tools and client engagement materials of a specific age at death, rather than considering a range of scenarios for each client. This could result in the client failing to appropriately consider the possibility of living a shorter or longer life. Both of these scenarios could adversely impact the client; in the case of dying early, by having failed to enjoy as high a retirement income as they could have, and in the case of dying later, by running out of savings.

- The use across the industry of life expectancies that are too low. This could occur because of a failure to account for future medical advances, for example, or the fact that certain cohorts (particularly healthier and wealthier clients) are likely to live longer than the broader population average.[35] This could result in these clients under-estimating the benefits that they could achieve from using a lifetime income.

Arguably, what advisers should do is use an age that accurately reflects a client's actual life expectancy, after adjusting for the likely trajectory of mortality rates into the future, and after accounting for as many of the client's specific age, health and other characteristics as is practicable and meaningful to do.[36] They should then assist the client to understand the range of possibilities that exist around their life expectancy, and the probability that each of those scenarios will eventuate. This should then allow advisers to help clients to choose a retirement income solution, or portfolio of solutions, in a way that more heavily weighs the most likely scenarios but also accounts the possibility for the less likely ones to occur.

In reality, decision-making constraints are likely to make the client-engagement aspects of this theoretical ideal difficult to achieve.

<u>Substantial decision-making biases impact how people think about probabilities</u>

One challenge that advisers are likely to face in adopting the approach described above is that people tend to be poor at accurately incorporating probabilistic information into their

[34] https://link.springer.com/article/10.1007/s12062-011-9049-1
[35] https://www.optimumpensions.com.au/why-you-will-live-longer-than-you-think/
[36] The Optimum Pensions LifeSpan calculator is one example that attempts this, taking into consideration exercise, smoking history and diet, among other things. https://www.optimumpensions.com.au/about-the-lifespan-calculator/

decisions. For example, when asked to specify a range within which they feel 90% confident that something will occur, that range tends to be considerably too narrow. This means that, generally speaking, when asked to think about confidence intervals in this way people tend to substantially underestimate the amount of uncertainty. Things that they expect to happen only 10% of the time actually happen roughly half the time. In the context of a lifetime income, under-estimating the range of uncertainty could result in them focussed too heavily on living close to their life expectancy, and not sufficiently considering a broader range of outcomes.

How probabilistic issues are framed can have a substantial impact on how people assess risks; it's not just about under-estimating confidence intervals. When people are asked to think about a specific event with a specific probability, other decision-making issues are evident. For example, outcomes with a very low but non-zero probability of occurring (eg 1%) are often substantially over-weighted in people's decisions. This is particularly the case if they can remember or imagine a salient example of that event. Archetypical examples include the over-inflated sense that many people have that they will win the lottery, or that they will be eaten by a shark. In the context of lifetime incomes this category could arguably include an over-weighting of the probability that they will die suddenly at a relatively young age.

Probabilities add to complexity

While, at face value, helping clients to think about different events with different probabilities might help, it also has a down-side; it creates additional complexity. It adds to the cognitive burden on clients by asking them to hold in their mind a number of different alternatives at once. Given the already inherent complexity, this burden is magnified in the context of making a decision about a retirement income. Three probabilistic scenarios each with three sources of income makes nine things for the client to think about, for example. Further multiplication is required if clients are then asked to compare different lifetime income providers or different product features across multiple scenarios.

As discussed elsewhere in this report, increased complexity heightens the risk that client and advisers either do nothing or apply a simple decision-making heuristic (such as "stick to the default", or "do what everyone else is doing"). None of these outcomes favours the use of lifetime incomes. Therefore, if not managed appropriately, a well-meaning attempt to help clients think through probability estimates could backfire. For some clients at least, the benefits of thinking probabilistically could be more than offset by the detrimental effects of information overload and complexity. It is reasonable to expect that clients with lower numeracy or who are starting to suffer from age-related cognitive decline are at greatest risk.

Possible approaches to increase the use of lifetime income products

Some approaches aimed at simplification could help clients to accurately reflect probabilistic longevity outcomes in their decisions. This could be achieved by:

- Distilling numerical probabilities into a small number of scenarios with easy-to-understand labels, such as "die early", "average life" and "long life". The percentiles that each scenario corresponds to would then become a footnote (that could be explained to a particularly curious and numerate client), rather than being central to the process (where they risk overwhelming clients who have neither of these characteristics).

- Providing summary conclusions, such as, "in all three scenarios you will have enjoyed more income with a lifetime income," or "if you die early you'll just get your capital back, but if you live an average or long life you'll be better off". Clients and advisers shouldn't have to hunt through multiple columns of data to discern the main conclusions from different scenarios. Ideally, they shouldn't have to multiply probabilities in their heads or create confidence intervals, both of which are likely to be difficult and error-prone. Comparisons should be easy and conclusions obvious.

8.7 Is it time for a new approach?

Given the limited success so far of the financial adviser channel as an avenue for distributing lifetime annuities it is worth considering alternative approaches. The ideas discussed below are based on the premises that a) many clients will need some advice or guidance in order to acquire a lifetime income product, and b) they will not be willing or able to obtain that advice or guidance from a traditional financial adviser. Some potential alternatives are summarised in the table below, and then discussed further on the following pages.

Summary of alternative approaches	
Develop a digital advice tool for consumers	Need a partner with a large customer base. Scalable, but expect low utilisation.
Create an independent on-line retirement incomes advice ecosystem for consumers	Higher utilisation is possible, but comes with more costs and risks. Risks could potentially be reduced through JVs with complementary businesses.
Assist super funds to create their own on-line advice ecosystems	Already happening to some extent. Current legal constraints might reduce but could still be a limiting factor.

<u>Possible approaches to increase the use of lifetime income products</u>

One approach is to develop <u>a digital advice tool</u> that could provide personal advice in relation to income streams. Having low marginal cost and being scalable means that the tool could be affordable for clients with moderate wealth and could be accessible by a large number of retirees. These are substantial advantages compared to relying on the human adviser network.

In comparison to more limited on-line calculators, a digital advice tool that provides personal advice would necessarily take into consideration all relevant aspects of a client's personal circumstances, meaning that there is more assurance that a lifetime income is in the client's best interest.

However, to be successful the tool might need to be adopted by one or more third parties (such as a bank or major super fund) which has access to a substantial customer base in the target demographic for lifetime incomes. These organisation might prefer to develop their own tools that better integrate with their existing technologies and client engagement processes.

Even if adopted by a bank or major super fund, based on the limited use of other digital advice tools, a new digital advice model related to retirement income streams could have limited take-up. In fact, there could potentially be even lower engagement relative to other advice tools due to:

- The target demographic for the tool being older people who are at or near retirement, rather than younger Australians (who are more likely to be digital natives and who are often the target for other digital advice tools).
- The potential irreversibility and high stakes nature of some retirement income-related decisions. This could increase the need for trust and reassurance, and therefore the perceived need to speak to a human before taking action.
- The complexity of the advice and advice process related to lifetime incomes. This could make using the digital tool too burdensome for many consumers.

<u>Possible approaches to increase the use of lifetime income products</u>

Another alternative is to create a <u>retirement income advice and guidance ecosystem</u>. That ecosystem could include tools that are designed to provide advice and guidance and to support decision-making, providing mostly general advice rather than personal advice. It could also include a telephone-based general advice support service, along with on-line videos, case studies and other educational materials.

In combination, such an ecosystem could create greater confidence and engagement than a digital advice tool by itself. And by offering different levels and types of engagement it could allow clients to self-triage to the type of support that they prefer or require, and are willing to pay for.

LifeSherpa provides a model for how this could work. That business offers an online platform through which users can access qualified financial advisers, online courses and a range of resources and tools that are designed to make advice affordable (in their case for younger people and those with relatively simple needs). LifeSherpa provides free access to a range of tools, such as a “financial freedom factor tool” – to discover what stands between the user and their financial freedom, a “personalised financial wellness report”, and a “money personality profile”. They also provide free access to quizzes and a learning academy. LifeSherpa’s customers who pay a monthly subscription fee of $55 also have access to one-on-one coaching, an app to track their expenses, and to courses on topics such as budgeting and debt management. There is an additional fee if clients want to receive limited scope personal advice.

It is possible that many of the services provided by LifeSherpa to a younger cohort could be adapted to suit a retirement context, incorporating a retiree's financial and non-financial needs in retirement. For example:

- The equivalent of a "financial freedom factor tool" could be one that asks what could free the client from the fear of running out of money in retirement.
- In a retirement context, a "personalised financial wellness report" could become a "retirement wellness report". As well as financial issues it could consider broader retirement factors such as health, social network and sense of purpose.
- An equivalent of a "money personality profile" could explore a retiree's attitudes to under- or over-spending at different stages of their retirement.
- One-on-one coaching could support retirees to navigate retirement income options at the point of retirement and to manage withdrawal rates and liquidity requirements thereafter.
- And on-line courses could educate about Age Pension rules and how different retirement income options can work in combination.

Like a digital advice tool, this approach could have a relatively low marginal cost per user and be scalable. However, it would require building a new business, potentially including a substantial investment in marketing. Some of these costs and risks could be mitigated by, say, establishing a joint venture with a group that already provides a similar service to a different consumer segment (such as LifeSherpa) and/or by outsourcing some of the support services to a third party (such as Mercer, Industry Fund Services or Link Advice).

There is also a risk that major super funds will develop a competing service and provide it for no additional fee to their members. Enhancing member engagement related to retirement incomes is already a focus for some funds. Any funds taking this route would be facilitated by the proposed loosening of restrictions on super funds providing targeted prompts to their members which has been proposed (albeit not, at the time of writing, legislated) under DBFO tranche 2.[37] Also under that proposal, advice on retirement incomes could potentially be collectively charged, even if in providing this advice the member's non-superannuation circumstances have to be considered, so long as the advice is not complex or costly to provide. However, these proposals will still restrict super funds' abilities to provide advice and guidance to a limited set of scenarios that are outlined in the draft legislation.

Possible approaches to increase the use of lifetime income products

Super funds have a natural advantage as a result of having an existing relationship with their members, but perhaps they do not have the skills, expertise and resources to service all of their members' retirement needs. With this in mind, another potential approach is for a specialist in lifetime annuities to partner with super funds to assist them to develop a retirement income advice and guidance ecosystem. This type of partnering is already occurring to some extent, with some funds outsourcing aspects of their member engagement related to lifetime income products to third parties (eg MLC Super outsourcing to Challenger).

As mentioned above, such an approach could be facilitated by proposed changes under DBFO tranche 2 to allow both the greater provision of general advice and for the collective charging of some personal advice, both of which could substantially assist members to understand the benefits of lifetime incomes. However, some limitations would remain that would restrict the types of advice and guidance that super funds could provide and how they could charge their members for them.

Even with additional scope provided under this proposed legislation, risk aversion could lead some funds to continue to err towards providing less useful generic information, rather than attempting greater personalisation at the risk of inadvertently providing general or personal advice.

[37] https://storage.googleapis.com/files-au-treasury/treasury/p/prj344d0591b29014c92eccb/survey/c2025_637814_em.pdf

9 OTHER LIFETIME ANNUITY PROVIDERS

The lifetime annuity providers that were reviewed for the current research were suggested by David Orford.[38] They are outlined in the table below, separately by geographic region.

Australia	Allianz Retire Challenger Generation Life AMP MLC
UK	Just Scottish Widows Standard Life Nest
USA	Equitable Blackrock
South Africa	Just

[38] Three other annuity providers were suggested but have not been reviewed. One was Brighthouse, whose website was blocked. This is presumably as a result of a regional limitation that Brighthouse has imposed on access to its website from Australia. In the interests the timely and on-budget delivery of this report, Legal & General and Canada Life were also excluded.

9.1 What pertinent product features is each annuity provider offering?

In general, the annuity providers that were reviewed as part of the current research have introduced products with an array of features that counter common objections to lifetime annuities. Those objections include their inflexibility, their potential for the retiree to lose their capital, and their lack of growth. Some of these features are baked into the product design, while many are options that customer can choose to include.

The products that were reviewed commonly offer death benefits, reversionary options (to pay full or partial income) and guaranteed payments to dependents after death. Some also provide a withdrawal option on early exit. Some offer a fixed rate of income, some a rate linked (or partially linked) to inflation, linked to changes in the RBA cash rate, linked to the performance of a market index, or to the performance of a specific investment fund. Some are investment-linked but with various caps, floors, deductions and adjustments. Some offer the possibility of greater income for people with unhealthy lifestyles. No two products are identical.

<u>Some product features have clear psychological benefits</u>

Some of these features align better with psychological research than others. Among the those that are well aligned are the investment-linked features that allow customers to trade away the upside they might obtain from the highest investment returns. The psychological profile of how people respond to gains and losses of different magnitudes suggests that these highest returns have proportionately less impact on people's decisions, making it psychologically palatable for clients to give these up.

In exchange for relinquishing some of the up-side, some products (for example, those offered by Generation Life and Just) allow clients to obtain a higher income earlier in retirement. This aligns with the concept of "hyperbolic discounting", which is the tendency for people to favour the short-term over the longer-term in their decision-making.

Other products (such as those offered by AMP and Allianz Retire) allow clients to completely avoid the prospect of any loss of capital over a specified period. This also aligns with psychological research, which highlights the sensitivity people often have to the prospect of even small losses. It is also consistent with the "money illusion" (ie the concept that people tend to overlook the effects of inflation and consider amounts only in nominal terms). In real terms even with the guarantee a loss is still possible.

Similarly, Just and Allianz employ mechanisms to avoid the risk of clients' incomes declining. In the case of Just this mechanism is funded by deducting a margin from returns, while Allianz caps returns. As a result, both companies are able to tell their customers that their incomes will never go down. Not only does this align with the sensitivity people often have to small losses, it is also arguably more aligned with the lay-person meaning of a "guaranteed" income; their income is guaranteed to never run out <u>and</u> they are also guaranteed a certain minimum. In contrast, it is understandable if a customer feels somewhat disappointed by lifetime income products when they find out that a "guaranteed income" is merely a guarantee that they will receive some unknown amount, however small.

The types of features discussed above create an effective psychological arbitrage: clients giving up something that they tend not to value in return for something that they do. Having said that, there are other reasons why these mechanisms could create greater wellbeing for clients than merely leveraging people's psychological proclivities. Income received earlier in retirement can be more readily utilised while retirees have more energy and are more active. And the upside benefits of receiving more income could understandably be less valuable than protecting retirees from the possibility of falling incomes; as nice as it may be, the joy of a holiday might not to loom as large in a retiree's mind as the possibility of having their electricity disconnected.

But more complexity likely means less usage

While each feature might be beneficial individually, collectively they create complexity that is likely to make it more difficult for customers to understand the different lifetime annuity products on offer, and to choose the options that best suit them. In addition, the heterogeneity of products and features across the industry could contribute to the difficulty that some advisers have in comparing products, to determine which is in their client's best interest and to provide advice. Not only do advisers have to understanding the products and make sure they suit their clients, but they also have the burden of being able to explain everything to their client in terms they can understand. Are great products that are difficult to use really that great?

While lifetime income products are supposed to reduce uncertainty in retirement, it is arguable that their complex product designs simply replace one set of uncertainties, such as "how long will I live?" and "will my money run out?", with another set. That second set could include questions such as, "how much income will this product actually pay me?", "how will this complicated adjustment mechanism work in practice?", and "how can I work out which of these different products is best for me?" As one of the consumers in the previous Orford research commented, when there are too many unknowns it becomes impossible to plan.[39]

How can these complexities be surmounted? In addition to the possibility of more effective advice or engagement models (which are discussed elsewhere in this report), is there anything that can be done from a product design perspective? In the absence of radical product simplification and standardisation, is there something that can make it easier for consumers to decide to acquire a lifetime income product? The remainder of this sub-section outlines a number of possibilities.

[39] See Appendix 1.

Possible approaches to increase the use of lifetime income products

One way to help make things easier is to lay the groundwork early, so when the time comes to consider a lifetime income the decision-making path has already been smoothed. Two ways to lay the groundwork are outlined below.

Greater use of an accumulation feature. As has already been discussed, MLC's and AMP's accumulation feature, once activated, can make it feel psychologically unpalatable at the point of retirement for a client to do something other than to acquire a lifetime income product. However, it is recognised that there may be some legal or other impediments to some lifetime annuity providers adding this feature, and further legislative risk related to potential changes in the Age Pension rules thereafter.

Embed lifetime annuities in "lifecycle" products. A different way of sowing the seeds early is to enrol clients in lifecycle (or "target-date") funds that have annuitisation as a soft default for when clients reach retirement. This is the approach that Blackrock has taken in the US and is proposing to adopt in Australia too.[40] Nest's Guided Retirement Fund similarly creates a runway for a lifetime income to be purchased, in their case when the member reaches age 85. The ease (hopefully) of taking an action within the structure of their existing investments should also help tilt the decision-making scales in favour of partial annuitisation.

In both these examples, decisions still need to be taken at the point of retirement, such as the percentage of one's retirement funds to allocate to a lifetime income and the various product options to choose. However, when making these choices hopefully the retiree's mindset has been transformed from, "how can I avoid this complex decision completely?" towards, "this is something I am already doing, I just need to get through this process".

[40] https://www.professionalplanner.com.au/2025/05/blackrock-joins-the-retirement-income-fray-with-generation-life-deal/

Possible approaches to increase the use of lifetime income products

In some cases products provide features that deliver clients either a mixed blessing, or perhaps not as strong a positive psychological impact as they could. Product tweaks could create opportunities for increased take-up. Examples include:

- Products that assess clients' lifestyle and health characteristics and offer them a higher income if they are assessed as having a shorter life expectancy. One can only imagine a client being told by their annuity provider that, "we believe that you are going to die early so have decided to pay you more". The additional income is a benefit, but it comes with a sting in the tail in the form of a blunt assessment of the client's mortality. Retirement is already an emotional journey without being reminded of your pending demise. Could the script be flipped, creating a product feature that makes people feel good about themselves when they purchase it? Perhaps a product that is designed for healthy older people. Perhaps it would come with a complementary gym membership but no death benefit. And while incomes might need to be adjusted to reflect the increased longevity of these clients, at least this type of product would align with the perception that was articulated in previous consumer research that annuities suite people who will live a long time.[41] Healthy clients could be the early adopters; once their numbers grow, through the power of social influence, they could encourage others to follow.

- Products that only partially reduce the risk of clients' incomes declining. Finding a trade-off that allows these products to move all the way to being able to say, "your income will never reduce", are likely to be worthwhile from a psychological perspective, given how sensitive people tend to be to even small losses.

- Products offering numerous investment choices. The potential for choice overload could be mitigated by reducing some of the investment options, or by including only index funds or a handful or pre-mixed portfolios. This would limit one avenue for advisers to provide advice. However, a theme of the current research is that the burden of complexity is likely to be bigger, and the opportunity via financial advisers smaller, than perhaps has been acknowledged to date.

[41] See Appendix 1.

9.2 How effective is the over-all client engagement related to lifetime incomes?

As is the case with Australian super funds, the other annuity providers that were reviewed generally conform to established good practice about presenting complex information to clients.

Good content delivery overall

Across the annuity providers that were reviewed navigation tends to be easy, including separate content for clients and for advisers. Content is layered with headings and high-level summaries supported by opportunities to click-through, drop-down or hover-over for more detailed explanations. Text is combined with videos. Abstract concepts are illustrated with examples, case studies and charts. Common questions are addressed in FAQs, and common objections in “myths busting” sections. And they tend to give clear guidance about who their product is for, as well as its main features and benefits.

There are also examples of good alignment with different psychological effects. For example, the power of social influence is used by a number of providers; if you want to influence advisers the you should let them be influenced by other advisers. Examples of this include Allianz including comments from advisers in one of its white papers, Challenger including short adviser testimonials, and Just including videos of advisers discussing the delivery of retirement income-related advice.

There are also numerous examples of annuity providers employing mental accounting, other simple heuristics and analogies. They do this by, for example, marrying different sources of income up for different purposes, such as lifetime incomes and the Age Pension (or equivalent) being for necessities, and ABPs being more for discretionary purchases. Similarly, Allianz tries to make things easier to understand by referring to a lifetime income as, “your retirement pay cheque”. And AMP relates the bonus payments that clients receive as being like, “life insurance in reverse” (which goes part way to explaining why the annuity provider keeps their capital if they die; it’s because it’s a one-off premium payment, not a windfall gain).

But there are exceptions

Generation Life and Equitable are exceptions to the general rule of good client engagement. For example, Generation Life has no separate menu for clients and advisers, which makes some of its content a little awkward in its language and messaging. For example, perhaps the term “sequencing risk” can be used if you are talking to an adviser, but not if you’re addressing a client. Also, for both Generation Life and Equitable there is less intuitive triaging to help clients and advisers find relevant content and explanations, with headings and summary descriptions sometimes being somewhat vague or inconsistent. In addition, Generation Life provides some long stretches of text that cover multiple topics with less usage of layering, or of supporting videos or case studies. Equitable does provide an explanatory video, but it quickly becomes complex, with multiple different options presented in quick succession. It appears that the mindset of these two annuity providers is that clients should speak to their adviser in order to understand their products; that is the adviser's job. While this might be true, perhaps advisers job could be made easier by having access to more user-friendly website to which they and their clients could refer.

<u>And there is limited decision-support</u>

Across the board there is little of what could be called "decision-support". Beyond describing product features and benefits, not much assistance or guidance is given to help a client and their adviser to determine which options they should choose. However, a few glimpses were evident of decision-support in action. These included:

- Standard Life, which provides a tool that uses a decision-tree approach. It steps the user through a series of questions that leads them to a narrowed-down range of suitable options. It then provides a summary of those options as an output. Along with comparison tables (which were also common among other annuity providers) and key points to think about, Standard Life appears to be making a credible attempt to help users navigate its product options.

- AMP, which provides an animated comparison chart that allows users to visualise the difference between two options in the income they will receive across retirement. This contrasts with the charts shown in most calculators which display one scenario at a time, making it difficult to compare different options and therefore difficult to choose between them.

- Just, which in one case presents three options to readers and then tells them that the options have equivalent value. This brief statement of value simplifies the client's decision; they now don't have to attempt the difficult task of determining which is the higher value option, they merely have to consider which they prefer.

A caveat to the conclusion that limited decision-support is provided is that, with the exception of one set of outputs from the Generation Life "Retirement Income Optimiser", the current research has not assessed the tools and other resources that annuity providers make available directly to advisers. The Generation Life outputs do provide some decision-support to assist an adviser and their clients. For example, they include a "payback period" and simple text summaries to accompany multi-year stacked column graphs. However, a conclusion about whether a lifetime annuity is beneficial is still not as readily discernible from the various tables and charts that are included in the outputs as perhaps it could be.

Lifetime annuities used in combination

Across the annuities providers that were reviewed, annuities are often mentioned as being part of a portfolio of income options (including the Age Pension, or equivalent, and an ABP). However, the annuity providers understandably mostly focus their client engagement content on the characteristics of their product itself, on a stand-alone basis. It's then left to the client and their adviser to determine what their overall retirement income picture looks like. Unfortunately, however, as a general rule the more work that is left to the client and their adviser the less likely it is to happen; people tend to eschew effort.

AMP and Just take greater steps in their videos and case study examples to map out what a portfolio approach to income in retirement might look like for a client. Given that much of the benefit of a lifetime annuity can come from its impact on other sources of income these benefits should be made clear. What is the uplift in a retiree's Age Pension, for example? Or the increase in income that could result from them being able to draw more from their ABP? Or the increased longevity of their ABP by them being able to maintain their overall income with a lower drawdown rate? Telling someone that their Age Pension might be higher is nice, but it's not as effective as translating that statement into an estimated increase of $10,000 per year, for example. As a general rule, abstract theoretical concepts tend not to impact people's decision as much as having those concepts translated into the actual dollar amount that they will receive.

Is "new, innovative & sophisticated" a good thing?

It was clear from some annuity providers that they are seeking to differentiate their product from those that financial advisers might have been familiar with in the past (and about which they presumably have negative opinions). Often the current set of products are described in terms of being either "new" or being "first to market", "innovative" or "sophisticated". This is understandable. However, it appears misaligned with the frame of mind of a typical lifetime annuity client. They are considering making a (for them) large, complex and potentially irreversible decision that could impact them for the rest of their life. Does this type of client want something that is "new", "innovative" and "sophisticated", or would they rather a product that is "well-established", "trustworthy" and "simple"? And from an adviser's perspective, if a client wants something that is well-established, trustworthy and simple, will the adviser want to consider a product that is new, innovative and sophisticated? Will they want to give themselves the difficult task of convincing their client of its benefits given that it doesn't look like it's what the client wants?

Possible approaches to increase the use of lifetime income products

The analysis in this section suggests three avenues to potential increase the use of lifetime annuities:

1. Move all annuity providers towards best practice client engagement in terms of the delivery of information, the use of social influence, mental accounting and other heuristics. Some annuity providers have further to move than others, but for many there are instances where improvements can be made to enhance the clarity and accessibility of the information that they provide.

2. Increase the availability and quality of decision-support tools and guidance to assist retirees to choose between products and, for a chosen product, to select the features that best suit them. This might include decision-trees or the use of personas that clients could identify themselves as being like. This guidance should help clients to translate the information and lists of benefits (that currently populate annuity provider websites) into the decisions and actions that they can take. It should allow users to step through a decision-making process one clear and relatively easy question at a time.

3. Develop an offer that is centered on the key messages of trustworthiness, simplicity and ease. Ideally the messaging would accompany a product with features that are similarly relatively simple and easy to understand and to use. In this case the product might suit a new distribution channel such as that proposed in the section related to financial advisers, rather than necessarily needing to be intermediated by an adviser, although a simplified product might suit many advisers too. Given the negative connotations that some people have with annuities, and the confusion they cause in others, the name of the offer need not include the word “annuity”.

9.3 How well aligned is it with advisers?

With some limited exceptions (such as Blackrock distributing via employer sponsored pension plans, and Scottish Widows allowing existing customers to apply directly), the annuity providers that were reviewed rely heavily on financial advisers to distribute their products. The adviser's role in this process appears to include first assessing the client's cashflow requirements in retirement, including the need for income and the potential flexibility to accommodate any lump-sum expenses. And then secondly, helping the client to select a suitable combination of annuities and other products, as well as an appropriate set of annuity feature and options. Just provides a video in which advisers outline the advice processes they follow.[42] Those processes tend to be holistic and comprehensive, rather than quick or simple.

Some products create on-going advice opportunities

In addition to the opportunity to provide advice at or near the point of retirement, some of the products that were reviewed also facilitate on-going advice opportunities. AMP is one example. AMP's deferred annuity option appears to create the potential for significant Age Pension benefits which can be optimised by an adviser tinkering with the deferral timing and the extent to which part or all of it is commuted. Modelling provided by AMP in one of its videos shows a scenario in which optimising the deferred annuity settings results in a client being able to enjoy their target income for longer and receiving more income after their ABP runs out. Relative to an alternative scenario it also results in the client having increased death benefits during some of their retirement years. For clients who are within the appropriate Age Pension qualification ranges, advice that allow a client to capture these benefits appears to be quite valuable.

Other annuity providers (such as Generation Life and Just) allow advisers to potentially add value to their clients by switching between various investment options during the life of the annuity. How many advisers use this feature and, if they do, how many of them add value to their clients in the process was not evident from the current analysis.

Advisers are given a lot of support to provide advice

Some product providers (such as AMP, Allianz and Challenger) appear to go to great lengths to tip the cost/benefit analysis in favour of advisers providing annuity-related advice. They attempt to make it easier and less time consuming for advisers by providing teams of BDMs, Business Development Associates ("BDAs") and training managers to coach advisers through aspects of retirement income advice. They also provide various on-line tools and resources. These include detailed client modelling, access to a detailed age care calculator, strategic income solutions / retirement frameworks, case studies, client profiling and suitability assessment tools. They also provide technology support.

[42] https://www.justadviser.com/tools-library-events/video-library/

Just also provides "talking points" that advisers could use in their client conversations. Examples include, "John, would you feel more comfortable knowing that a portion of your income is guaranteed, no matter what the market does?", and "by using Secure Lifetime Income, you can help keep your investments growing while ensuring your essential needs are covered." It is not clear how useful advisers find these conversation tips.

And to make their administration easier, various products offer the facility for advisers to deduct their fees directly from the product (so long as the client consents). Administrative and other barriers are also reduced by annuity products being made available on technology platforms that advisers commonly use, and by them being approved by numerous licensee/dealer-groups. In summary, advisers are offered a strong helping hand to provide annuity-related advice.

But is it worth it?

In order to realise the value-added advice opportunities that lifetime annuities appear to present it has to be worth it for both the adviser and for the client. Despite all of the assistance that they receive, the adviser still has work to do. There may be additional analyses to undertake and to document, client meetings to plan for and attend, and changes to implement. And for the client there is the additional burden in terms of their time and effort to meet with their adviser and to work through their options. And, of course, there is the need for the client to pay the adviser's fee.

This cost-benefit analysis might change over the course of a client relationship. The further through retirement any advice is provided the older the client will be. With age comes the increased risk that the client suffers from some degree of cognitive decline, potentially along with declining energy levels and decreasing motivation to spend one's remaining time manage one's finances. This could further increase the effort required (by both the client and adviser) to ensure the client understands any advice they are receiving. As a result, the complexity of the advice that can practically be provided to many retirees later in their retirement is likely to reduce.

Possible approaches to increase the use of lifetime income products

Given that substantial attempts that have already been made to make adviser's work easier, incremental gains that are possible from more attempts in the same vein might be limited. However, possible additional sources could include:

- Improvements to advice technologies (such as Xplan) to make them more suitable for annuity-related advice. This was raised as a possibility in the section related to financial advisers.

- <u>Reducing the overall compliance burdens on financial advisers</u> to provide advice generally (rather than annuity-related advice specifically). Some initiatives in this regard have already been proposed. For example, the proposed BDFO reforms (tranche 2) introduce the concept of a client record, potentially obviating the need for a Statement of Advice. However, it is questionable how effective this will be in reducing the overall burden on advisers.

If traditional financial advice remains prohibitively expensive for many retirees, and if annuity products remain too complex for them to understand on their own, then perhaps a middle-ground is required. That middle-ground could fill the current void between high quality personalised advice (that many retirees will not be prepared to pay for and so will not receive), on one hand, and them trying to navigate complex factual information by themselves (that they will become overwhelmed by and not understand or act on), on the other.

The middle-ground could include phone-based support as the default option for any retiree who is considering an annuity but who has unresolved questions, rather than them being referred to a financial adviser. That phone support could include general advice in the form of simple decision-making rules and heuristics that help to cut through the complexity. Being general advice it would necessarily be limited in its ability to take into consideration a client's personal circumstances and, as a result, it would not be able to make a specific recommendation. But it could, nonetheless, help a client who is otherwise lost in the maze of product features and options.

APPENDICES

APPENDIX 1: CURRENT RESEARCH IN THE CONTEXT OF PREVIOUS RESEARCH

	Previous research methodology/ findings/recommendation	**Current approach**
Use of focus groups and interviews (Report 2, Report 6)* * See Appendix 2 for full titles and links to previous research	The research provides numerous insights from focus groups with consumers and one-on-one interviews with various participants in the retirement ecosystem. However, it also notes that there are limitations to what people can reliably report about their own decision-making. For example, it was found that emotional decision making significantly drives pension/annuity attitudes and purchase intentions, despite the majority of respondents reporting that they predominately rely on rational decision-making.	Broader psychological research demonstrates that people often don't understand their own decision-making processes, preferences, etc. Understandably, they typically don't report aspects of their decision-making that are beyond their conscious awareness, for example, and that they therefore (often incorrectly) consider to be unimportant. The current research leverages the subjectively reported thoughts and experiences reported in the prior research, but also relies on broader psychological and behavioural finance research to look beyond the rational decision-making that people purport to use.

	Previous research methodology/ findings/recommendation	Current approach
Ecosystem approach (Report 2)* * See Appendix 2 for full titles and links to previous research	Some of the previous research used an "ecosystem" approach to zoom out and consider the retirement landscape holistically. This was based on the view that the interactions and co-dependencies between various participants are important. For example, there are conflicting messages that consumers are exposed to (eg between different super funds, between advisers and super funds). The government was part of the ecosystem and was seen as being key to supporting an environment of innovation. The government also engages with consumers directly and is seen as a trusted source by consumers. Specialist annuity providers were not explicitly included in the ecosystem, although were mentioned in places throughout the research. For example, they were seen by advisers as a creating a barrier to the adviser recommending annuity products to their clients, with some advisers commenting that they are nervous that they will get things wrong when applying for an annuity on behalf of a client.	The current research is cognisant of the broader ecosystem and its interconnections. However, the focus of the current research is more granular. It examines the specific engagement strategies being used by specific industry participants. While leveraging this foundational research the current research is intended to be more tangible and specific, and less conceptual. Government engagement is not directly included in the current review, although potential candidates for inclusion could have included MoneySmart, ASIC, and CentreLink websites. While the government is not analysed directly in the current research, cases where the government creates impediments or could support change have been identified (such as in relation to the rules related to the provision of general advice.) Unlike the previous research, annuity providers are included in the current research. They can influence consumer directly, and indirectly (by influencing advisers, super funds, government, etc).

The decision-state model (Hazel Bateman presentation)* * See Appendix 2 for full titles and links to previous research	The approach taken in this presentation is predicated on the idea that people go through a series of decision states before they are ready to purchase an annuity. Those states progress from: • Unaware to aware, then from • Not interested to interested, then from • Incapable to capable of making a purchase, then to • Choosing now, later or never. It was suggested that different strategies can be applied to progress people who are at different stages of this progression. For example • For moving from "unaware" to "aware", financial literacy, retirement planning, and increasing familiarity with retirement income products were recommended. • For moving from "not interested" to "interested", socialising retirement risks, building longevity literacy, and introducing retirement income products and characteristics were recommended. • For moving from "not capable" to "capable", increasing people's specific understanding of the characteristics of retirement income products and facilitating product comparisons were recommended. Proposed interventions include just in time product information, a simple retirement calculator, vignettes to illustrate life expectancy and longevity information, and interactive / experiential tools to facilitate longevity literacy / awareness.	The decision-state model might useful conceptually but there are questions about its practical applicability. For example: • Through what process and with what certainty/precision can we identify the people at each stage so that we can target them with specific initiatives to get them to the next stage? Would whatever this segmentation approach entails be better than other alternatives (such as targeting people simply by their age, their super balance, or by their on-line behaviour/choices)? • What exactly is required in order to progress to the next stage? How much awareness is required, for example, before moving on to their levels of interest? Presumably it would be wasted effort to continue increasing awareness beyond a necessary threshold. • Can steps in this process be skipped? For example, not much awareness, understanding or capability is required if a client purchases an annuity via a soft default, or via an adviser. The decision-state framework was not directly applied in the current research.

	Previous research methodology/ findings/recommendation	Current approach
The role of paternalism (Report 2, Report 3)* * See Appendix 2 for full titles and links to previous research	Questions were raised in the previous research about the extent to which government or other ecosystem participants should seek to dictate consumer outcomes (in order to protect consumers from themselves and from industry's self-interest). Alternatively, should they instead try to facilitate consumers making their own choices, perhaps through fostering understanding and engagement. On the one hand, compulsion risks disadvantaging people whose circumstances don't make an annuity product suitable. On the other hand, current approaches to foster consumer understanding and engagement have had limited success.	The approach taken in the current research is perhaps a happy medium in this debate. It is aligned with the concept of "libertarian paternalism", the idea that consumer's choices can be subtly influenced in order to make them better off (such as by making them more likely to choose a lifetime annuity in cases in which one suits their needs and circumstances) while still preserving their freedom of choice.

Psychological attributes and biases are important (Report 2, Report 3, Report 4, Report 5, Report 6, Report 9, Report 10)* * See Appendix 2 for full titles and links to previous research	Various psychological attributes and biases were highlighted throughout the previous research, including: • Procrastination and inertia, particularly in the face of uncertainty. • Locus of control and self-confidence in information search and decision-making. • Anxiety about choosing a financial adviser. • A low level of trust in ecosystem participants. • Hyperbolic discounting (ie over-prioritising the present relative to the future). • Emotional decision-making, particularly around aging, exiting the workforce, longevity in the face of fragility, health concerns and cognitive decline. • An inability for consumers to perceive and connect with their future self. • The role of expectations and assumptions (such as that contribution levels and withdrawal limits are “magic numbers”). • Heuristics (ie simplified decision-making rules), such as “retire with no debt, get on the Age Pension and hold onto your wealth”. • The impact of previous negative experiences. • Mental accounting (ie using separate mental accounts to treat money from different sources differently), such as that money received after life expectancy is not really your money, or an annuity is to cover health insurance and rent, or that you should only spend dividends and interest – not capital. • Mental models of super, such as that ABPs are seen as an extension of super whereas annuities are	These types of psychological attributes and biases are central to the current research. That research extends the previous research by identifying specific instances in which these issues apply to client engagement strategies and how they might be better accommodated with alternative approaches.

	Previous research methodology/ findings/recommendation	Current approach
	considered something different, or a mindset of accumulation versus decumulation.	

	Previous research methodology/ findings/recommendation	Current approach
Role of social influence (Report 1, Report 2, Report 9)* * See Appendix 2 for full titles and links to previous research	Previous research mentions the role of friends, family, spouses, social circles and on-line forums in aiding or influencing people making decisions. Some focus group participants discussed their inability to talk with personal connections about annuities. Some found that a discussions with family friends didn't help; it was superficial, or their family member had a different risk profile/preferences, or didn't have enough knowledge to provide useful guidance. Researchers suggested that this inability to discuss the annuity product with one's social circle would potentially have heighten consumer's uncertainty and scepticism of annuities, and that sharing ideas and seeking validation from trusted personal connections could help to validate decisions. The role of social Influence was also evident with advisers, with one mentioning that their clients sometimes asked them how their retirement balance compares to others', even though this should theoretically be irrelevant to their own goals, retirement plans, etc. The clients were seeking social comparison and validation. The researchers suggested that future research measures the effect of such social interventions in promotional messages.	The current research also reflects the importance of social influences on consumers' decisions. It extends the breadth of analysis from simply using social networks to gather information and validate decisions, to include a wide range of options to include social nudges within client engagement (eg the use of case studies, client statistics, injunctive norms, etc). These types of nudges can often impact people in ways that they would not be aware of or acknowledge, and so would be unlikely to comment on when asked in a focus group or interview.

	Previous research methodology/ findings/recommendation	Current approach
Incentives (Report 2, Report 10)* * See Appendix 2 for full titles and links to previous research	Incentives and self-interest were mentioned as playing a role in both super fund and financial adviser decision-making in relation to annuities. For example, it was mentioned that super funds could have an incentive to keep retirees' money rather than to encourage them to spend it. And in the context of advisers, they have an incentive to recommend strategies that are more likely to require clients to return to them for on-gong advice (which choosing an annuity could make more difficult). Researchers recommended the removal of self-interest.	Incentives are considered as part of the context for the current research. While overcoming conflicting incentives might be difficult, and removing self-interest entirely might be unrealistic, some alternative options could be considered, such as creating new (less conflicted) channels to provide advice and guidance to consumers.

Information and choice overload (Report 1, Report 2, Report 6, Report 7, Report 12)* * See Appendix 2 for full titles and links to previous research	The previous research highlighted a difficulty of consumers making their own choices in the context of long and opaque disclosure, and the plethora of different products and choices. Industry participants mentioned the challenge of consumers finding information that is meaningful to them (ie personally relevant and impactful – such as when can they retire, how much will they get, how long is it going to last), rather than generic information such as asset allocation. Experiments revealed that when given simple options people allocated 15-20% of their money to annuities, but when given more detailed choices of annuities (including different product characteristics) there was a strong tendency to make no choice. The importance of the “no choice” option was greater than the importance of all other attributes combined. The discomfort in making a choice was despite the fact that people had no ‘skin in the game’ (ie it was a theoretical experimental context). The researchers comment that consumers want to avoid complex product decisions. Attempts to make information more dynamic and engaging yielded little benefit, as they seemed to just add complexity to an already prohibitively complex product, driving no choice. They concluded that for products that are, by their very nature, complex, these findings suggest that the complexity of annuity attributes is overwhelmingly prohibitive to consumer decision	The problems of Information and choice overload are central to the current analysis. What strategies are currently being employed to mitigate these problems? What could be done better? For example, how can information be provided in smaller “chunks”, and layered so that the most important information is most prominent?

	Previous research methodology/ findings/recommendation	Current approach
	making. Therefore, a drastic shift towards simplification of information and choice is recommended for annuity and retirement income product providers. The researchers urged annuity providers to consider what strategies might help break complex decisions down into smaller, more digestible steps for the consumer. And they noted that choices involving more than 3 options might be too many for consumers to meaningfully and comprehensively evaluate.	

Role of education and engagement (Report 2, Report 3, Report 9, Report 12, Hazel Bateman presentation)* * See Appendix 2 for full titles and links to previous research	It was noted that there was limited awareness and understanding of annuity products by consumers. Given this, researchers understandably recommended broad awareness campaigns about annuities be delivered from credible and trustworthy sources of information. In one case the researcher suggested that this campaign should target younger cohorts (on the basis that they might be more open to using annuities). However, there was some debate about the likely efficacy. • One industry participant suggested that that engagement and education creates confidence in consumers, rather than ability. • Another noted that within the super fund context there was a low rate at which members opened their email correspondence and statements, leading them to question how much their members valued information, and therefore also the benefit of having lots of information on their web site. • A consumer focus group member agreed that they should improve their financial literacy but found the idea of taking that step and gaining that financial literacy to help her to take charge of her financial decisions was too overwhelming. • The researchers themselves noted a "dearth of studies that evaluate the effectiveness or influence of a financial education intervention". • Product knowledge was found to be a driver of annuity attitudes and purchase intentions, but with low predictive validity (ie it didn't account for much of the	The current research comes from the perspective that: • We should focus more on financial capability (ie helping people to make a decision) rather than improving their knowledge or levels of engagement per-se. This aligns with ASIC's view as well as broader academic research that shows that interventions that are intended to improve financial knowledge tend to realise little benefit in terms of consumer behaviours and outcomes (and even in many cases, in terms of consumer knowledge itself). • The provision of information risks exacerbating the problems of information and choice overload, and adding to the amount of complexity consumers face, the frictions and inertia, etc. As a result, information needs to be carefully targeted and controlled, ensuring that it is personally relevant where possible. • It is more powerful to deliver information just-in-time for consumers to make a decision than at times that might suit industry participants or, in the case of younger cohorts, years ahead of their decision. Knowledge decays rapidly (ie people forget), let alone the risk that information becomes outdated due to changes in products, tax and Age Pension rules, etc. • There might be better ways to achieve the same outcome, such as was demonstrated by the ATO by making it easy for people to consolidate their super funds, rather than simply relying on educating people about the need to do so.

	Previous research methodology/ findings/recommendation	Current approach
	variability in consumers' attitudes and intentions; other things mattered more). For example, people with higher financial literacy were found to more strongly see pensions/annuities as beneficial, wise and easy, but had no higher intention of using them. In contrast, people who are concerned about financial security more strongly identify pensions/annuities as essential and have higher purchase intentions but also report lower product knowledge.	• While often counter-intuitive and meeting resistance from industry professionals, sometimes removing information is more effective that adding it.

Segmentation of consumers (Report 2, Report 5, Report 10, Report 12, Hazel Bateman presentation)* * See Appendix 2 for full titles and links to previous research	Previous research identified important differences between clients that could be relevant for segmentation purposes. For example, clients have different needs; some care about longevity risk while others are more focussed on estate planning. Some have high versus low current incomes. Some have high versus low balances. More specifically, people with moderate retirement savings ($100k-$500k) and those who are concerned about financial security reported higher purchase intentions. People in the $100-500k group have higher product knowledge and familiarity than the low group, and higher concern about financial security than the high group. Aligned with this, a lifecycle model suggests partial allocation (around 20%) to annuities from retirement wealth >$200k. Advisers were found to segment their clients in terms of their assets, their capability and risk aversion, along with the Age Pension benefits that each was likely to be eligible for. Clients who are familiar with defined benefit funds seem to have a better understanding of annuities. In focus groups, some consumers saw annuities as being for those who expect to live a long time. Researchers recommended that segmentation should target moderate retirement savings and those with concern about financial security, possibly also those with	Aligned with previous research, the current approach is premised on the idea that ensuring that engagement is personally relevant requires targeting that engagement to the individual themselves (ideally) or, at least, to the consumer segment for which it is likely to be most relevant and impactful. However, to be successful it is anticipated that this segmentation should minimise the impact on financial industry participants and on consumers. For example, incorporating an extra element into a financial adviser's risk profiling or fact finding questionnaire might be an unwelcomed additional burden for both advisers and their clients, particularly in the context of attempts to make choosing an annuity simpler and easier.

	Previous research methodology/ findings/recommendation	Current approach
	higher financial literacy within this group. They also recommended that adviser include a loss aversion assessment as part of their profiling of clients.	
Purchasing an annuity requires advice (Report 2, Report 9, Report 10)* * See Appendix 2 for full titles and links to previous research	Some industry participants expressed the view that that annuitisation is a complex choice with long-term impacts that probably requires advice. Some advisers went as far as to suggest that clients should not be permitted to purchase annuities without advice. For clients who did receive advice the adviser played a key role of making clients aware of their options, simplifying complex information, overcoming inertia, etc. Given the complexities, researchers recommended that more people should be encourage to seek advice. However, advisers noted regulatory and other barriers to them advising more clients to purchase annuities, such as the product comparison requirements, and the need for clients to understand their advice. The researchers also recommended that advisers should be encouraged to consistently include annuities as part of their advice to clients and that advisers should not compare annuities to other investment returns.	The current research acknowledges the benefits of advice in the context of annuitisation. However, it also recognises that, despite concerted efforts for them to obtain advice, only a minority of people currently receive personal advice. Those who do tend to have higher incomes and retirement balances, potentially making them less suitable candidates for annuities. The obstacles to more advisers providing advice about annuities could include the adviser's value proposition, their perceptions about the benefits of an annuity versus alternatives, the lack of alignment of annuities with their (typically more wealthy) target clients, and advisers' current business rules and processes. Changing these things might be difficult, but should be considered where possible, along with alternative avenues to provide clients with the advice and guidance that they require.

Ideal customer journey (Report 3, Report 5, Report 6)* * See Appendix1A for full titles and links to previous research	Industry participants suggested that the ideal customer retirement planning journey includes them selecting a superannuation account, engaging with statements and on-line communications, transferring accounts, seeking advice and developing a retirement plan. The earlier they start planning, it was thought, the better. In terms of an advice process, advisers reported establishing current cash flow or assisting clients to create a comprehensive budget. They ask clients questions about their goals, health, family health history and longevity. They try to split expenditures between ‘wants’ and ‘needs’ and then match a product or the Age Pension to their needs. Some ask clients to rate on a scale how important they consider sequencing risk and longevity risk, and this forms the basis of a recommendation. Researchers noted problems with the current approach, including: • That while industry participants acknowledged considerable consumer deviation from the ideal, many strategies seem to sill relate to the ideal journey without attempting to first address the deviations from it. • Problems of advice customers having to complete long fact-find questionnaires causing fatigue. As well as questions being answered inaccurately due to social desirability bias or due to overwhelming uncertainty. Some clients argued that there so many unknowns surrounding retirement that it seems	The current research recognises that consumers do not easily conform to what industry participants consider to be the ideal customer journey (either with or without advice). Arguably, for most people the ‘ideal’ approach described by industry is not at all desirable for them. Do they really want to engage with their superannuation statements? Understandably, asking people to conform to this theoretical ideal has so far had limited success. The current research considers approaches that deviate from theoretical ideals but which align more closely with how clients actually think and behave. Rather than make consumers conform to the industry, the current research attempts to tip the balance more in favour of modifying the industry to conform better to the consumer. This might require discarding commonly accepted beliefs held by some industry participants (such as that consumers must be able to articulate their retirement goals or be able to create a budget in order to make decisions about retirement, or that more engagement, information and knowledge is necessarily better than less). When complexity, information overload and frictions are considered, this is not necessarily the case.

	Previous research methodology/ findings/recommendation	Current approach
	impossible to effectively employ strategies or make decisions. For some this level of uncertainty meant they employed minimal to no post-retirement strategy. "Whatever you've got left, you'll just learn to live with that, you know?"	
Messaging and language (Report 3)* * See Appendix 2 for full titles and links to previous research	Focus group participants reported that language used to describe annuities (and perhaps retirement planning more generally) was difficult to comprehend. Researchers recommended that messaging and language target comprehension, relevance and engagement. They also recommended investigating the use of apps, websites, video and gamification.	The current approach also reflects the importance of language, comprehension and relevance. Jargon, ambiguity, complexity and the client's cognitive effort required to process information all need to be minimised. The ultimate test is the extent to which the language used assists those people for whom it is beneficial, to take action to purchase an annuity. As a result, it might be best for some words to be deleted, some to be changed, and some to be replaced with (or accompanied by) arrows, pictures or videos. Consistent with the recommendation from the previous research, the current research specifically investigated digital content, including websites, and the text, videos, forms, calculators etc that are available on them.

	Previous research methodology/ findings/recommendation	Current approach
Life and economic events (Report 3, Report 9, Report 10)* * See Appendix 2 for full titles and links to previous research	Researchers observed a handful of event- or time-specific effects: • Life events were seen by some industry participants as a reason for deviations from the ideal customer journey. • Annuities were seen by consumers as beneficial following periods of market decline and of falling interest rates. • Challenger was mentioned as targeting marketing to one consumer specifically during her annuity decision-making process (possibly in response to her on-line search activity).	Decision-making research suggests there is a benefit in aligning actions to "trigger events" at which people are most predisposed to make decisions and to take specific actions. Where possible the current research will be cognisant of the timing with which messages are delivered, or the ability of consumers to choose their own preferred timing.

Framing retirement choices (Report 7, Report 12)* * See Appendix 2 for full titles and links to previous research	When people were given a choice of 7 investment options (presented as different choices of 5), where all ABP alternatives were consolidated into one option and all personal investments were grouped as another, but annuities were split into 3 options, people allocated 15-20% to annuities. Researchers concluded that "when given a simple choice, and without an abundance of overwhelming options, attributes and financial jargon, there are Australians who would consider annuities as a fairly significant retirement income strategy as they reach retirement." However, when presented with only two annuity options, but with more complex and detailed information about each, roughly half preferred to make no choice at all. The "no choice" tendency was highest for the Australian video study, while individuals in the "consumption frame" are more likely to be in the choice segment. Individuals in the "simple frame" were more likely to make a choice for or against annuities. "Storytelling", "portfolio" and "investment" frames did not have a significant impact. The "emotional" frame was found to foster a negative emotion towards annuities, with researchers postulating that was possibly due to emotional content being perceived as deceptive or manipulative. As a result the researchers recommended exercising caution with emotional messaging, particularly given that people only admit to rational decision making.	The current research Is aligned with the broad conclusion from the previous research, being that how options are framed and the complexity of those choices can be significant in determining people's choices about annuitisation. However, further detail about each of the different ways the more complex choices were presented to consumers in the previous research is required in order to make meaningful assessments of their applicability to the current research. The previous research tested different framing and presentation options separately. This did not allow for the possibility that some frames suit some consumers better than others, or are more appropriate for different parts of the message. The current research also considers the possibility of using multiple different approaches in combination, allowing them to complement each other and for consumers to choose the frame or mode of information delivery that they prefer.

Retirement income calculator (Report 11)* * See Appendix 2 for full titles and links to previous research	An experiment found low levels of engagement with a retirement calculator, minimal 'play' (ie few people trying multiple scenarios), comprehension problems throughout, and distractions caused by irrelevant aspects of the calculator. More specifically, people were most impacted by the first year income, often ignoring subsequent years (and especially the later years of their life). Researchers found particularly low engagement with the 3rd and 4th output screens that consumers were presented with, which researchers theorised might have been at least partially due to the impact of information overload. Based on these results the researchers recommended: • Being cautious about information overload, including eliminating information that is not necessary, and giving simplified information upfront with more detail available via a click-through. • Identifying and eliminating points of distraction, such as the projection age of 110. They suggested that perhaps users be able to select their own date at which to end the projection. • Avoiding points of confusion. • Having an expert be able to guide people through the calculator, either in person (eg with an adviser) or via voice-overs or video explanations.	The current research is highly aligned with the findings from the previous research, and is able to extend those findings from a theoretical to a real-world context. Where they are publicly available, retirement calculators were examined with the points raised by the previous research in mind, among other decision-making issues that have been identified in other academic research.

APPENDIX 2: ORFORD FOUNDATION FUNDED RESEARCH REPORTS

Referred to in this report as …	Full title	External Link	Optimum Share point Link
Report 1	Research Brief: Retirement planning in Australia — an ecosystem perspective	FINAL_Retirement-Planning-Research-Brief.pdf	Report 1_Research Brief_Retirement planning in Australia — an ecosystem perspective 2018.pdf
Report 2	The Australian Retirement Planning Ecosystem Dynamics, tensions and opportunities	The-Australian-Retirement-Planning-Ecosystem_Qualitative-Report-2.pdf	Report 2_The-Australian-Retirement-Planning-Ecosystem_Qualitative-Report-2.pdf
Report 3	The Customer Journey Through Retirement Planning	1-The-Customer-Journey-through-Retirement-Planning_Qualitative-Report-1V2.pdf	Report 3_The Customer Journey Through Retirement Planning.pdf

Referred to in this report as …	Full title	External Link	Optimum Share point Link
Report 4	Orford Initiative In Focus: How do people make decisions at retirement about organising their financial affairs		Report 4 How do people make decisions at retirement about organising their financial affairs.pdf
Report 5	Orford Initiative In Focus: Australians versus post-retirement products; challenges and opportunities Survey of 930 50+ people on retirement	https://mbs.edu/-/media/PDF/Research/Orford-Initiative-In-focus_decision-making-at-retirement.pdf?rev=cdc316d38dec496787a18a5fd3af666f	Report 5 Australians versus post-retirement products; challenges and opportunities.pdf
Report 6	Orford Initiative Consumer Survey Report — Australian retirement priorities, perceptions, and products	Orford-initiative-consumer—Survey-Report_Australian-retirement-priorities-perceptions-products.pdf	Report 6 Consumer Survey Report.pdf
Report 7	Allocating retirement funds and annuity attribute preferences; findings from 2 choice experiments	Orford-Initiative_Allocating-retirement-funds-and-annuity-attribute-preferences.pdf	Report 7 Allocating retirement funds and annuity attribute preferences.pdf
Report 8	Annuities across International Retirement Contexts	Orford-Initiative_International-Retirement-Systems.pdf	Report 8 International Retirement Systems.pdf

Referred to in this report as …	Full title	External Link	Optimum Share point Link
Report 9	Understanding the annuity experience Interviews with 16 annuitants	Understanding-the-Annuity-Experience.pdf	Report 9 Understanding the Annuity Experience.pdf
Report 10	Providing advice for retirement; a financial adviser perspective	Providing-advice-for-retirement --a-financial-adviser-perspective.pdf	Report 10 Providing advice for retirement a financial adviser perspective.pdf
Report 11	Experiences with a retirement income calculator	Orford-Initative Experiences-with-a-retirement-income-calculator report.pdf	Report 11 Experiences-with-a-retirement-income-calculator report.pdf
Report 12	The influence of message framing on financial decisions for retirement	Orford-Initative The-influence-of-message-framing-on-financial-decisions-for-retirement.pdf	Report 12 The influence of message framing on financial decisions for retirement.pdf
Hazel Bateman presentation	Hazel Bateman on decision states	Summit2024 Bateman Concurrent-Session-4 010524-v4.pptx.pdf	