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Submission: Retirement phase of superannuation

Executive Summary

This document addresses key strategies and considerations for supporting members in managing retirement income effectively. It outlines the actions taken by industry players, including digital advice platforms like **otivo.com**, which democratise access to financial advice.

Digital platforms offer personalised, easy-to-navigate advice tailored to individual behaviours and literacy levels. Otivo.com, in particular, provides critical tools for cash flow management, superannuation optimization, and retirement savings enhancement, helping users tackle challenges like debt prioritisation, investment choice, and longevity risk management.

The expansion of digital personal advice platforms is highlighted as a critical step towards providing members with scalable and cost-effective advice.

The paper also discusses policy development priorities, emphasising the need for a stable legislative framework, simplified product offerings, and enhanced financial literacy programs.

It underscores the importance of regular, personalised communications from super funds to members, comprehensive education programs, user-friendly digital platforms, and flexible product offerings. These initiatives aim to support members in both their working life and retirement, ensuring they are well-equipped to make informed decisions.

Moreover, we advocate for the simplification of complex processes and language in client-facing documents, a reduction in industry jargon and terminology to make information more accessible.

The barriers to product switching in retirement are identified, with solutions such as simplifying the switching process, providing transparent information about fees and penalties, and implementing straight-through processing.

Additionally, the role of government and industry in reducing complexity in the retirement income system is discussed, focusing on stabilising the legislative environment, simplifying product offerings, and enhancing digital tools.

In terms of product comparison, the paper recommends the use of standardised key metrics like suitability, income adequacy, risk management, and cost-effectiveness. The importance of trade-offs and tax implications in decision-making is also highlighted. To make product disclosures more useful, we recommend personalisation, and the use of visual aids.

Finally, the paper explores the concept of a standardised retirement product similar to MySuper for the accumulation phase. It argues for the benefits of such a product, including ease of understanding, cost efficiency, and regulatory compliance. The paper suggests that this product could cater to members with straightforward retirement needs, providing a hassle-free solution for managing retirement savings.

Introduction

Otivo (us, we, our) is licensed to provide financial product advice and deal in a financial product, to retail and wholesale clients. We've been providing Australians with compliant, personalised, online advice for several years under the legislative framework.

We also service super fund clients by building customised superannuation and retirement advice models for members in accumulation and retirement phase.

Providing quality, affordable and accessible personal advice to consumers is a joint goal we share and welcome the opportunity to provide feedback on the proposals.

We have addressed selective questions under all sections and are open to further discussions on these points. Our response is through the lens of a client-led digital, licensed advice provider.

Please do not hesitate to contact us if we can assist further.

Yours sincerely,

Paul Feeney, CEO

Part 1: Supporting members to navigate retirement income

1.1 What actions are industry or other participants in the community taking to address the issues identified in this section?

Digital advice platforms like otivo.com play a crucial role in democratising access to financial advice, making it affordable and accessible to a broader range of Australians, including super fund members (also referred to as **users** in this document).

Since 2016, Otivo has offered personalised, self-navigating digital advice that takes into account human behaviours and literacy levels. This is achieved through targeted questioning to guide advice prioritisation while allowing users to choose their journey.

The platform uses nudges and straightforward recommendations to help users address relevant aspects of their personal advice needs, despite the challenges posed by prescriptive wording required by the Corporations Act 2001.

In relation to the issues identified in this discussion paper, Otivo addresses these challenges digitally through various advice modules:

- Cash Flow Management and Debt Prioritisation: This is crucial for retirement planning and managing estate planning objectives.
- Superannuation Optimisation: Advising on suitable investment options within current superannuation products to potentially increase savings, considering risks like longevity, inflation, market, and liquidity.
- Enhancing Retirement Savings: Encouraging tax-efficient contributions to superannuation based on user-provided data, reducing reliance on government benefits.
- Retirement Income Longevity Analysis: Assessing the achievability of retirement income objectives, considering various income sources and suggesting alternative strategies if needed.
- Protection from Life Events: Offering needs calculations for insurance (Death, TPD, Income Protection, and Trauma) and advising on existing super fund insurance offerings.

These modules, which can be used repeatedly at no additional cost, allow users to explore scenarios like changing retirement age or income to see how retirement income is impacted.

However, such online advice platforms are not widely available, and there's a gap in member education and appreciation for services that typically require fee-for-service face-to-face advisers.

In light of the Retirement Income Covenant (**RIC**), we are exploring retirement income products with longevity protection, like combining an account-based pension with a lifetime annuity, drawing insights from the Australian Government Actuary's *Retirement Income Risk Measure* 2018 paper.

Overall, while platforms like otivo.com are making strides in providing digital solutions, there's a need for broader industry investment in similar tools and educational resources. This would ensure comprehensive support for super fund members in navigating the complexities of retirement planning.

1.2 Of the approaches identified, what should be prioritised and what risks should be considered as policy is developed? What other approaches, if any, should the Government consider?

In prioritising approaches for policy development in the retirement income space, the government should consider what it can control, namely:

- **Stabilising Legislative Framework:** Priority should be given to creating a stable and predictable legislative environment for superannuation and retirement income. Constant changes can lead to uncertainty and reduced confidence in the system.
- **Simplifying Product Offerings:** Simplification of retirement product offerings should be a priority, making them easier for consumers to understand and compare.
- **Enhancing Financial Literacy for superannuation in all life stages:** Invest in programs that improve financial literacy, helping individuals make informed decisions about making the most of their super while working and when retired.

Further questions:

a) What does 'good' look like for how funds support and deliver products to their members in retirement?

'Good' in the context of how funds support and deliver products to members in retirement encompasses a holistic and personalised approach. This includes:

- **Regular, Personalised Communications:** Utilising the data held by super fund trustees can deliver tailored communications that educate and inform members at different stages of their lives - especially near or at retirement, but not limited to that. This goes beyond annual statements to include personalised insights and guidance based on the member's age, contribution levels, investment choices, and retirement goals.
- **Comprehensive Education Programs:** Offering ongoing educational programs and resources that help members understand superannuation, investment options, and retirement planning. These could be in the form of webinars, seminars, online content, and interactive tools. However, the value of financial education increases when it is relevant to the individual's personal situation, as opposed to generic information for individuals to consume.
- **User-Friendly Digital Platforms:** Promote the use of easy-to-use digital platforms that allow members to manage their superannuation, view their investment performance, adjust their investment options, understand their insurance needs and plan for retirement, all in one place.
- **Flexible Product Offerings:** Providing a range of retirement products that cater to diverse member needs and preferences, including different types of pension products, annuities, and tailored drawdown strategies.
- **Proactive Retirement Planning Support:** Proactively assisting members as they transition to retirement with personalised advice and planning tools - particularly older members who may

not be as technologically capable or savvy. This could include retirement income projections, advice on drawing down superannuation, and understanding the interplay with the Age Pension. The guidance and advice provided need to be personalised and reflect their specific situation - general information does not add value to individuals - the advice needs to inform them on what is their next best step in order to be better off.

- **Responsive Customer Service:** Ensuring accessible, responsive customer service that can address individual member queries and provide support where needed. This is crucial for older retirees who might need assistance due to challenges like language barriers or sensory impairments such as hearing or vision difficulties.
- **Transparent Reporting and Communication:** Regularly updating members on fund performance, changes in regulations, and how these might impact their retirement savings and income. Proactive and personalised nudges that can prompt individuals to address any required or recommended changes that impact their situation.

By focusing on these areas, super funds can significantly enhance the support and service they provide to their members, both during their working lives and in retirement. The key is personalisation, education that is relevant to their situation at that time, flexibility, and responsiveness, ensuring that members are well-informed and supported in making the best decisions for their retirement.

b) What basic information do members most need to assist their understanding and simplify decision-making about retirement income?

Based on our experience with user engagement, it is our opinion that members would significantly benefit from:

- **Clear Understanding of Superannuation Purpose:** Members need a straightforward explanation of superannuation's role from its inception to its end purpose in retirement. This understanding includes how superannuation works, its benefits over time, and its importance in ensuring financial security in retirement.
- **Improved Website Navigation and Access:** Enhancing website interfaces to make them more intuitive and user-friendly. This improvement would involve simplifying the layout, providing clear instructions, and ensuring that key information is easily accessible.
- **Interactive, Data-Prepopulated Tools:** Develop and provide interactive tools that are prefilled with individual member data. Such tools could visually demonstrate the impact of various actions, like increasing contributions, switching investment options, or adjusting personal insurance cover within super. For example, a tool that otivo.com uses in its Retirement advice module, shows how a slight increase in monthly contributions could potentially boost retirement

savings. The value in such advice is that the recommendation is based on the individual's personal situation and keeps individuals within the legislated variables for additional contributions.

- **Simplification of Complex Processes:** Streamline and simplify processes that are currently complex and time-consuming. This could include making it easier for members to nominate beneficiaries or change insurance levels through straightforward online forms or step-by-step guides. For instance, an online guided process for nominating a beneficiary that clarifies legal terms and implications can help members make more informed decisions.

In providing these enhancements, it's crucial to ensure that all communication and tools are developed with the average consumer in mind, using plain language and avoiding industry jargon. This approach will help members feel more confident and empowered in their decision-making regarding their retirement income.

Policy suggestion to improve access to affordable advice

- Otivo recommends that individuals be able to pay for personal advice fees from their individual super fund account. We would suggest an annual cap on advice fees paid from an individual's super fund in order to manage the risk of diminishing the growth of an individual's super fund balance.
- Cap could be along the lines of 2% of the members super fund balance to a maximum of \$2,000 pa. Those with balances under \$100,000 would pay less and those with a balance above that have a maximum fee that can be deducted from their super fund. Where fees need to be higher than that the client and the advisers can come to commercial terms.
- These figures are illustrative, but the intent is to ensure more Australians can access advice while not diminishing their super fund balance.
- Standard fee consent by a member. The government should mandate where a member provides such fee consent that the super fund trustee is compelled to honour the request and process such fees as instructed by their members. A standard fee consent instruction / form should be mandated in order to not provide additional complexity for the advice providers.
- Annual fees. We recommend that where a service is ongoing a member should be required to opt-in for the service to continue for an additional year (and every subsequent year). This will ensure members are aware of the fees being paid from their super fund account and hold the provider of the advice accountable for the delivery of their service.

This will enable more Australians to access personal advice, not impact their daily cash flow, while also not diminish their super fund balance.

c) Where can government and industry reduce complexity in the retirement income system, and provide simpler consumer experiences?

To reduce complexity in the retirement income system and enhance consumer experiences, both government and industry can focus on the following areas:

- **Stabilising Legislative Environment:** Frequent changes in superannuation and retirement legislation can create uncertainty and make superannuation less attractive for future retirees. Establishing a more stable legislative framework would help in building long-term trust and confidence in the retirement system.
- **Simplifying Product Offerings:** Encourage product innovation that prioritises simplicity and ease of understanding. This involves creating retirement income products that are easier for consumers to comprehend and compare, helping them make more informed decisions.
- **Clarifying legislation for Trustees:** Advice provision and provide clearer guidelines for trustees on product offerings and member communications. This would enable trustees to be more proactive and innovative without the fear of contravening future legislative changes.
- **Consistent Communication and Education:** Develop standardised, jargon-free communication strategies across the industry to educate consumers about retirement planning and superannuation. This could include unified educational resources and tools that demystify superannuation concepts.
- **Enhanced Digital Tools:** Promote the use of digital platforms and tools that simplify the process of planning and managing retirement income. These tools should be intuitive and designed to help users easily understand their financial situation and the impacts of different retirement strategies.
- **Streamlining Compliance and Reporting:** Work towards reducing the administrative burden on funds through streamlined compliance and reporting requirements. This can free up resources for funds to focus more on member services and product innovation.

By focusing on these areas, both government and industry can play a pivotal role in reducing complexity and enhancing the overall consumer experience in the retirement income system.

d) How might funds utilise guidance, nudges, defaults and other actions to assist members into better solutions for their retirement income? What are the barriers to funds being more active in these ways?

Super funds could actively partner with digital advice solutions offering personalised advice under an AFSL, such as Otivo's. These digital platforms can be customised to satisfy the RIC requirements and other objectives set by super fund trustees. Such partnerships allow for the integration of sophisticated tools that provide members with tailored advice based on Their Individual Circumstances, helping them make informed decisions about their retirement income.

These tools can include interactive calculators for retirement planning, personalised investment strategy recommendations, and simulations of various retirement income scenarios. By leveraging technology and digital advice, funds can offer scalable, cost-effective advice to a broader member base.

However, there are barriers to this approach. Firstly, regulatory complexities can limit the scope of advice provided through digital platforms, necessitating careful compliance management. Secondly, there's the challenge of ensuring these digital solutions cater to the diverse needs and financial literacy levels of all members. Another significant barrier is the potential reluctance of members to engage with digital advice platforms, either due to a preference for human interaction or a lack of trust in automated systems.

Access to personal advice

The government is mandating that super funds need to better understand their members in order to provide guidance and advice that will result in better retirement outcomes. Numerous research papers identify that individuals who have received personal advice are in a better financial position which result in improved retirement outcomes.

Super funds are in a unique position to provide access to affordable advice to Australians. But this can not be achieved via traditional advice models (face-to-face or phone based advisers) alone - digital solutions are needed.

Policy suggestion to improve access to affordable advice

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This will enable more Australians to access personal advice, not impact their daily cash flow, while also not significantly diminish their super fund balance.

e) Data is a critical input for funds to provide better retirement income strategies. What processes are funds undertaking to collect, analyse, and apply data analysis to understand their membership? What barriers are there to better practices, and what policy approaches could help achieve better data use?

In our experience working with large superannuation fund trustees, we've observed that the Privacy Act poses significant challenges in data sharing and usage. Trustees are rightfully hesitant to allow service providers, even those holding an Australian Financial Services (AFS) licence, access to, or collection of, member data. This caution stems from a need to comply with stringent privacy regulations, which understandably prioritise member data security and confidentiality.

However, this caution can create barriers in effectively collecting, analysing, and applying data for improved retirement income strategies. Finding a balance between adhering to privacy laws and leveraging data for better member outcomes has proven complex.

A potential policy approach to address this issue could involve the development of more nuanced guidelines or frameworks. These would clarify how data can be responsibly shared and used within the bounds of privacy legislation, thus facilitating more robust data-driven strategies by funds without compromising member privacy.

Such frameworks could enable a more seamless and secure flow of data, supporting the tailoring of retirement strategies to individual member needs while maintaining the highest standards of data protection.

Part 2: Supporting funds to deliver better retirement income strategies

2.1 Please provide comments on the need to support competition and product comparison across the services and products funds provide in retirement, or the need for greater consumer protection.

Enhancing Retirement Competition and Product Comparison:

- **Transparency and Accessibility:** There's a significant need for increased transparency and accessibility in retirement product offerings. This helps consumers make informed choices by easily comparing features, fees, returns, and risks associated with different products.
- **Short and simple.** The average length of a Product Disclosure Statement (PDS) for superannuation and retirement products in Australia varies. Generally, these documents can range from around 20 to 80 pages, but this can differ significantly depending on the complexity of the product, the amount of information the fund chooses to include, and regulatory requirements. It has been our experience that lengthy and jargon laden documents, including the

Statement of Advice, deter clients from reading these documents, subsequently forgoing any potential financial literacy benefits.

- **Diverse Product Offerings:** Encouraging a diverse range of retirement products fosters healthy competition and innovation, catering to varying consumer needs and risk appetites.
- **Standardised Disclosure:** Implementing standardised disclosure requirements can simplify product comparison, making it easier for retirees to understand and evaluate different options.
- **Technology Integration:** Leveraging technology, such as online comparison tools and platforms, can facilitate more effective and user-friendly product comparison.

Greater Consumer Protection:

- **Regulatory Oversight:** Strengthening regulatory oversight to ensure that retirement products and advice are in the best interest of consumers is crucial. This includes monitoring fees, investment strategies, and marketing practices.
- **Financial Literacy Initiatives:** Increasing investment in financial literacy and education programs can empower consumers to make better retirement decisions and avoid potential financial pitfalls.
- **Protection from Misleading Information:** Ensuring that consumers receive accurate and clear information about retirement products is essential. This involves safeguarding against misleading marketing practices and ensuring full disclosure of all relevant product information.
- **Advice Quality:** Enhancing the quality and accessibility of financial advice, including ensuring advisors are appropriately qualified, well-trained and held to high ethical standards.

We believe these objectives could be achieved by prescribing content in a 1 page product flyer which would be created by product manufacturers and required to be distributed to members to assist their financial literacy at each life stage.

2.2 What role should industry or other groups in the community play to support consumer protections and competitive products and services in retirement? What actions are being undertaken already?

Industry and community groups play a crucial role in supporting consumer protections and competitive products and services in retirement. To this end, several actions are already being undertaken, and others are recommended:

- **Tailored Client Communications:** It's essential for product providers and super fund trustees to deliver communications tailored to different life stages. For instance, educating Australians who

have just started working and receiving superannuation. This approach helps build a foundation of financial literacy and hopefully interest, from an early age.

- **Simplifying Language:** There's a need to reduce jargon and complex terminology in client-facing documents. Many Australians, not having a finance background, find terms like 'Statement of Advice, financial product advice, risk, portfolios and asset allocation' challenging. Simplifying language, using more diagrams and tables, and shortening documents can make financial information more accessible and understandable.
- **Digital Personal Advice:** Expanding the availability of digital personal advice platforms is crucial. These platforms offer cost-effective, scalable advice, making financial guidance accessible to members at any life stage, whenever and wherever it's needed.

Additionally, industry and community groups should:

- **Advocate for Regulatory Improvements:** Work with regulators to continue refining the legal framework around retirement products, ensuring it balances consumer protection with product innovation.
- **Promote Financial Education:** Implement broader financial education initiatives, targeting various demographics to enhance overall financial literacy.
- **Facilitate Collaboration:** Encourage regular collaboration between financial institutions, regulatory bodies, and consumer groups to continuously improve retirement income products and services.

These actions and initiatives contribute to a retirement system that is not only protective of consumers but also fosters a competitive and innovative environment for retirement products and services.

2.3 Of the approaches identified, what should be prioritised and what risks should be considered as policy is developed? What other approaches, if any, should the Government consider?

Taking into account the rise of tech-savvy generations and their preference for casual language, we advocate prioritising enhanced digital access. This involves developing and making digital platforms for personal financial advice more accessible, thereby simplifying engagement with superannuation for consumers across various life stages.

Risks to consider:

- **Technological Disparity:** The risk of a digital divide where some segments of the population, notably older retirees, might not have adequate access to or comfort with, digital platforms.

- **Misinformation:** Ensure safeguards against misinformation in simplified communications and digital advice platforms.
- **Regulatory Compliance:** Consider the complexities and challenges of maintaining regulatory compliance, especially when simplifying financial language and disclosures.

Additional approaches for Government:

- **Regulatory Framework for Simplification:** Develop a regulatory framework that encourages and facilitates the simplification of financial language in communications and disclosures.
- **Enhance Support for Tech Integration:** Encourage the development of user-friendly digital financial tools and advice platforms by offering support or incentives. Super fund trustees stand to gain significantly from this, as well as collaborative efforts between APRA and ASIC, leading to more efficient and effective financial management solutions.
- **Public Awareness Campaigns:** Innovatively reform and reinvigorate public awareness initiatives to enhance understanding and active engagement in superannuation and retirement planning, making these concepts more accessible and relatable to the broader public.

Further questions:

a) What are the key characteristics or metrics for comparing retirement income products and services?

As highlighted in the Conexus Institute paper on *Assessing Retirement Income Strategies 2022*, evaluating forward-looking approaches can be challenging due to the need for time to assess their effectiveness.

However, for a comprehensive comparison, the following key characteristics and metrics are essential:

- **Suitability.** Determine who the product is ideal for and its relevance over various life stages. This involves understanding the target demographic and assessing whether the product aligns with their retirement goals and risk tolerance.
- **Income Adequacy and Sustainability:** This metric evaluates whether the product can provide a stable and adequate income stream throughout retirement, taking into account factors like longevity, inflation, and changing personal circumstances.
- **Risk Management:** Assess how well the product addresses key retirement risks such as market volatility, longevity risk and inflation risk, ensuring the member's financial security is maintained throughout retirement.

- **Cost-Effectiveness and Fees:** Examine the fees and costs associated with the product, determining how they affect the overall value and retirement income. Lower costs can significantly impact long-term retirement savings.
- **Flexibility and Accessibility:** Focus on the product's ability to adapt to the changing needs and circumstances of retirees, including the flexibility in accessing funds, making withdrawals, and altering investment strategies as required.
- **Trade-offs and tax implications.** Trade-offs help in making informed decisions based on personal priorities and circumstances. Different retirement income products can have varied tax treatments, impacting the overall income in retirement. Understanding these nuances helps in choosing the most tax-efficient product, thereby maximising retirement savings.
- **Payout structure.** The payout structure of a product dictates how and when you receive income in retirement. Understanding this helps in planning regular expenses and ensuring that the cash flow meets one's needs. Knowledge of the payout structure also offers insight into the flexibility and control one has over their funds, such as options for lump-sum withdrawals or periodic payments.

b) What approaches could make product disclosure useful for members? How might barriers such as complexity, or individuality of products, be overcome?

- **Simplification of Language:** Focus on using clear, simple language that avoids financial jargon. This makes disclosures more accessible and understandable to a wider range of members, regardless of their financial literacy level.
- **Standardisation of Key Information:** Implement a standardised format for key information in disclosures across different products. This helps members easily compare different options and understand the fundamental aspects of each product.
- **Personalisation and Relevance:** Tailor disclosures to individual member needs and circumstances where possible. This can involve using technology to highlight the most relevant information for each member based on their age, investment choices, risk tolerance, and retirement goals.
- **Use of Visual Aids and Digital Tools:** Incorporate visual aids like charts, graphs, and infographics to explain complex concepts. Additionally, leverage digital platforms to present disclosures in a more interactive and engaging manner, allowing members to explore different scenarios and how they might impact their retirement outcomes.

Addressing these points will help in creating product disclosures that are not only more user-friendly and understandable but also more relevant and engaging for members, thereby enhancing their ability to make informed decisions.



c) What barriers are there for product switching in retirement and are there opportunities to make product switching easier?

- Complexity of Switching Process: Many retirees find the process of switching retirement products complex and daunting, often due to complicated paperwork, unclear procedures, and a lack of understanding of the implications of switching. Simplifying these processes and providing clear, step-by-step guidance can significantly lower this barrier.
- Fees and Penalties: Potential fees or penalties associated with switching products can be a significant deterrent. Transparency regarding these costs and potentially reducing or waiving them can encourage more retirees to consider switching when it's in their best interest.
- Lack of Information and Advice: Retirees often lack sufficient information or professional advice to make an informed decision about switching products. Providing accessible, unbiased advice and comprehensive information about alternative options can facilitate better decision-making.
- Straight-Through Processing (STP): Implementing STP systems can streamline the product switching process. STP allows for the electronic and automatic transfer of information and funds, reducing manual intervention, errors, and processing time. By leveraging technology to automate and simplify the switch, barriers related to time and administrative complexity can be significantly reduced. Super fund trustees may be reluctant to invest in such processes which might increase fund outflows.

Addressing these points offers a comprehensive overview of the challenges associated with product switching in retirement and proposes practical solutions to make the process more accessible and efficient for retirees.

Part 3: Making lifetime income products more accessible

3.2 What actions are industry or other participants in the community taking to assist retirees to better manage the risks for retirement income?

Technology and Tool Development: AFSLs like Otivo are utilising technology to create tools and platforms that assist retirees in managing their retirement income.

Our tools include contribution and retirement calculators, risk assessment modules, and platforms that allow for the monitoring and adjustment of retirement plans.

They are designed to provide retirees with a clearer understanding of their financial situation and the risks they face, enabling more informed decision-making.

3.3 What policy approaches should be taken to support use of lifetime income products to address the risks to retirement income? What risks should be considered?

The Australian Government Actuary paper on *Retirement Income Risk Measure 2018*, provides useful insights to the longevity risks associated with popular product classes, investment options and how risks can be managed using product combinations. Tailoring this type of information to the target market would be helpful to their understanding of retirement income risks and would be provided from an impartial, and exceptionally knowledgeable, source.

Further questions:

a) What product options (or strategies within current retirement products) could better manage risks to retirement income?

We are in favour of a layering approach where an annuity offers a guaranteed income to mitigate risk, topped up by an account based pension (or equivalent) which offers flexibility and estate planning strategies.

We therefore support the government's approach for a 1 page Fact Sheet (page 28) with preference for less jargon and terminology. Using a similar approach per class of product, an account based pension (ABP) for example, with content that the general retiree audience can understand and use to compare against another provider offering an ABP, would be beneficial.

b) What is the role for a 'suggested' product in overcoming low take-up of lifetime income products?

Implementing a mandatory policy for retirees to allocate a minimum percentage of their superannuation to a lifetime, non-commutable annuity could be advantageous. This approach simplifies decision-making for retirees, alleviating concerns such as the fear of depleting their funds. To enhance its appeal, marketing should focus on the positive aspects, like ensuring a consistent income stream similar to a salary, rather than using fear-based tactics. Such a portrayal could lead to a broader acceptance of annuities.

However, it's important to note that this policy might be more favourably received by individuals who are not yet retired, particularly those under the age of 60, who are generally more familiar with superannuation regulations and compulsory contributions. This demographic may be more open to structured, long-term financial planning approaches.

d) Do the barriers to managing longevity risk in the Australian market necessitate Government action? What Government action could assist funds in offering appropriate longevity protection to members?

While we support government backing for bonds, it's crucial that this support is extended to existing industry providers as well. Without such inclusivity, it could create an unfair competitive landscape.

e) Would an industry-standardised product(s) assist funds to develop and offer lifetime income products to their members?

No comment.

- *Should there be a path to more easily transition members to a standardised product?*

Otivo would be supportive of this. Transitioning super fund members to a standard product can offer:

- **Simplicity and Ease of Understanding:** Standard products can be easier for members to understand, reducing confusion and enabling more informed decision-making.
- **Cost Efficiency:** Standardisation often leads to economies of scale, potentially lowering costs for members through reduced administrative and operational expenses.
- **Consistency and Fairness:** A standard product ensures a consistent approach to retirement savings, which can be fairer across the member base, especially for those less engaged or less financially literate.
- **Regulatory Compliance:** Standard products may simplify compliance with regulatory requirements, as they are designed to meet set standards and guidelines.
- **Risk Mitigation:** By adhering to standard benchmarks and practices, these products can offer a balanced approach to risk, suitable for the average member.

We strongly advocate for prioritising personalisation to significantly reduce the likelihood of suboptimal outcomes.

- *Should superannuation funds be required to offer a standardised retirement product, similar to MySuper for accumulation?*

Otivo supports the idea of superannuation funds offering a standardised retirement product akin to MySuper for the accumulation phase. We see value in a 'no frills' option that caters to members with straightforward retirement needs. Such a product could provide a simplified, cost-effective solution for those who prefer a hassle-free approach to managing their retirement savings.

Additional points to consider:

- **Accessibility and Inclusivity:** A standardised product can increase accessibility for members who may be less financially literate or engaged, ensuring they still receive a suitable retirement income solution.

- **Balanced Risk Management:** This product should offer a balanced approach to risk, designed to meet the needs of the average member while providing a stable income in retirement.
- **Regulatory Oversight:** Similar to MySuper, this standardised product would require careful regulatory oversight to ensure it meets certain quality and performance standards.
- **Flexibility for Transition:** Consideration should be given to allowing members an easy transition between the standardised retirement product and more tailored options if their needs become more complex over time.
- **Consumer Education:** Alongside offering a standardised product, there should be an emphasis on educating consumers about their options so they can make informed decisions that best suit their individual circumstances.

By integrating these considerations, superannuation funds can offer a retirement product that not only simplifies decision-making for members but also provides a secure and regulated option for their retirement savings.

- *How should a product vary for individual circumstances of the member?*

- **Risk Tolerance:** Tailor the product's investment strategy to match the member's risk tolerance. For example, more conservative investment options for risk-averse members and more aggressive options for those willing to accept higher risk for potentially greater returns.
- **Needs and Goals:** Design the product to align with the member's income goals for retirement. This could include different payout options like lump-sum, regular annuity payments, or a combination of both.
- **Health and Longevity Expectations:** Factor in the member's health and expected longevity. Products might offer longevity insurance or annuities that provide income for life to mitigate the risk of outliving one's savings.
- **Financial Position and Other Assets:** Consider the member's overall financial position, including debt, other assets and income sources, to create a holistic retirement strategy.
- **Tax Considerations:** Customise the product to optimise the member's tax position, taking into account their income level, tax liabilities, and potential tax benefits or concessions.

- Inflation Protection: Include features to protect against inflation, particularly important for members with a longer time horizon until retirement.
- Estate Planning Needs: Integrate estate planning considerations for members who want to leave a legacy or have specific wishes regarding the distribution of their assets after their death.

By varying these aspects, the product can be tailored to suit the unique circumstances of each member, ensuring that their retirement strategy is personalised and effective in meeting their specific retirement goals.