INDUSTRY FUND SERVICES
YOUR SUPER PARTNER

Have we been positioning retirement advice all wrong?

Designing Smarter Retirement Pathways for Members

Retirement planning is about more than just financial modelling - it's about helping members make confident decisions in the face of uncertainty. For pre-retirees, the transition from saving to spending can be emotionally and cognitively challenging. That's where understanding heuristics - mental shortcuts people use to make decisions - can make a real difference.

By designing advice using choice architecture, advisers can guide members toward better outcomes without overwhelming them. This approach aligns with the goals of the Retirement Income Covenant, which encourages superannuation trustees to support members with clear, effective retirement income strategies.

In this paper we look at how bias can influence adviser and member behaviour and how choice architecture can enhance the way retirement income options are presented to better support client understanding and outcomes.

To support practical application, this paper also presents three modelled retirement strategies (Certainty, Balance and Flexibility) across simple member cohorts. These have been designed to help members understand how their retirement portfolio can be structured, and what mix of income streams aligns with their financial and personal goals.

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About Industry Fund Services Limited (IFS)

IFS is one of Australia's leading providers of licensee and advice services to the superannuation sector. We proudly support our partner funds in delivering high-quality financial advice and services to over 5.5 million Australians.

Executive summary

2.5 million Australians are set to retire in the next decade. With that, our industry faces a defining challenge: to provide high-quality advice that empowers members to take action, adopt appropriate retirement solutions, and ultimately retire - and spend - with confidence.

Retirees are increasingly seeking a balance between certainty and flexibility. Research and policy indicate that an optimal approach often involves combining account-based pensions with lifetime income streams to meet these evolving expectations. However, current retirement advice tends to focus predominantly on transitioning superannuation into account-based pensions. As a result, retirees are frequently left to self-insure and may limit their withdrawals to only legislated minimum amounts.

This paper, developed in collaboration with Challenger, Australia's leading provider of retirement income, and behavioural science expert Dan Monheit explores the current positioning of retirement income advice and seeks to understand and address this disconnect.

A key reason may lie in our own biases and the way we frame and deliver advice, prompting the question:

Have we been positioning retirement advice all wrong?

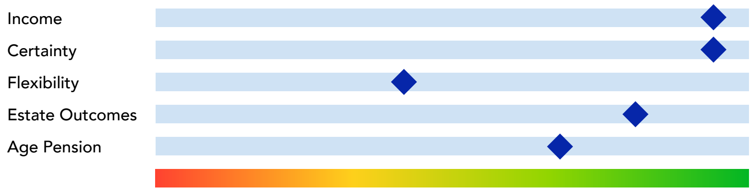
Today, members often complete lengthy fact finds and risk profiles, yet the concept of income certainty is not discussed. Members then receive a tailored retirement strategy that has been broadly developed behind the scenes without their active involvement.

This paper challenges that model. We explore how bias influences both the retirement solutions we present and how we communicate them. More importantly, we explore how advice can become truly consumer-led, having members actively involved from the outset, by presenting them with a limited set of clear, outcome-focused options.

Building on these insights, this paper proposes a simplified framework of retirement income options that members can easily understand. These are grouped into three distinct strategies based on the outcomes they deliver: **Certainty, Balance and Flexibility**.

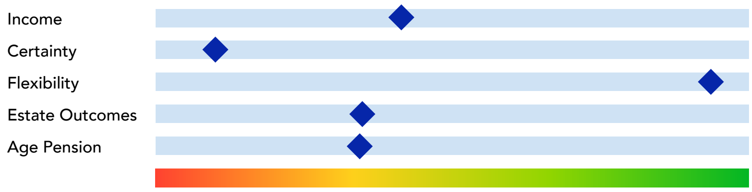
A detailed breakdown of each strategy is provided, modelled across six member profiles.

Certainty
This strategy balances flexibility and certainty, with a greater focus on income.



Balance
This strategy balances flexibility and certainty.

Flexibility
This strategy prioritises complete flexibility.



This approach offers advisers a practical way to enhance the delivery of retirement advice - improving efficiency while constructing comprehensive, outcome-aligned strategies that members can clearly understand and confidently act upon.

By framing advice around a small set of clearly defined pathways, advisers are better equipped to facilitate more collaborative conversations, support members in taking greater ownership of their retirement decisions and build greater engagement and trust throughout the advice journey.

Importantly, these frameworks are designed to complement adviser expertise, helping to deliver high-quality advice while maintaining flexibility to adapt to individual needs and preferences. This approach aligns closely with best interest duties and evolving regulatory standards, supporting advisers in delivering consistent, compliant, and member-focused guidance.

The final section of this paper shares insights from several IFS advisers successfully implementing blended retirement solutions for their members.

A foreword from Adrian Gervasoni

Adrian Gervasoni
Executive Manager Advice Services

There is mounting pressure on the financial services industry to better address the needs of Australians when it comes to their retirement planning and retirement income needs. With more than 2.5M Australians expected to retire in the next 10 years, naturally the superannuation and financial advice sectors are set to play a critical role.

However, the way retirement income is presented to consumers' needs to evolve. Presently, most of the burden of educating members falls on a financial adviser who is trying to achieve all of the following in one interaction:

1. Understand the members' situation.
2. Determine their preferences and goals when it comes to income certainty and capital requirements.
3. Educate the member on retirement income solutions.
4. Narrow the mix of appropriate solutions.
5. Recommend the right mix of strategies and products to help a member retire with confidence.

Whilst the take up of longevity solutions has increased in recent years, for many advisers a preference for Account Based Pensions remains the default.

Research shows that many retirees would be happier in retirement with some level of guaranteed income, so why does this preference for Account Based Pensions persist? The breadth of topics advice must cover plays a part, but several other factors may also contribute:

- **Bias** – Are advisers preferencing a product they are more familiar with or a product which is provided by a connected organisation (e.g. their employer)?
- **Advice process** – Approaching each member as unique from one another (on the basis that the regulatory environment demands this) might allow adviser knowledge gaps and biases to play a greater role in the advice process.
- **Framing** – Superannuation funds present capital values. Unfortunately, we have a retirement system built around wealth, not income. Similarly, advisers do not frame their retirement conversations around guaranteed income. Even if they do, this may be the first time members would have heard of such a concept.
- **Client pushback** – Do we need to reconsider how advice positions longevity products? Do we present too many choices?
- **Perceived product complexity** – Are these products considered complex or unfamiliar, potentially making it harder for advisers to explain and position with confidence?

In this paper we explore heuristics and choice architecture to help us determine how we might go about retirement income positioning in a very different way. We also draw from our past experiences (including our failures), industry expertise and consumer research to seek an answer to the question:

How do we best position retirement income choices that help our members take action, retire with confidence and feel secure in spending their retirement savings?

We explore how we can define retirement propositions for cohorts (common groups of consumers based on critical attributes). Through a diligent approach to choice framing we can help put the consumer in the driver's seat to make informed decisions with the support of advice, but not be entirely reliant on the adviser. Importantly, we want to move the conversation from features and benefits (relating to retirement products) to one that focuses more so on consumer preferences (relating to certainty and flexibility) and importantly help the member retire with confidence.

Understanding heuristics and the impact on members

Dan Monheit
Behavioural Science expert, author, and podcast host

Understanding the hidden complexity of investment decisions

For financial advisers, one of the biggest challenges isn't just selecting the right investment products or options - it's helping members feel confident in making decisions about them. Investing is a high stakes, complicated and deeply emotional process. And while we like to think of ourselves as rational decision makers, the reality is that most of our choices are driven by emotions, biases and the context in which they're presented.

This is where behavioural science comes in. Behavioural science is the study of how people actually make decisions, not how we think they should. It has shown us, time and again, that our decisions are shaped by mental shortcuts, or heuristics. These are common, predictable and often invisible quirks in our thinking that help us make decisions quickly but don't always lead to optimal outcomes.

The inescapability of heuristics

We rely on heuristics constantly. They help us navigate a world filled with overwhelming amounts of information by allowing us to make quick judgments. Most of the time, they serve us well - without heuristics, everyday life would be exhausting. But in certain situations, particularly those that involve complexity and long-term consequences, these shortcuts can lead us astray.

Nowhere is this more evident than in financial decision making. Our brains evolved over millions of years to solve problems related to survival, finding food, avoiding predators and securing social alliances. These instincts favour immediate rewards and risk avoidance, which can conflict with the delayed gratification and calculated risks required for sound financial decision making. The ability to optimise an investment portfolio or plan for retirement is, evolutionarily speaking, an extremely new challenge. We're simply not wired to instinctively make great financial decisions. Instead, we fall back on heuristics, which can sometimes lead us to choices that feel comfortable in the moment but are suboptimal in the long run.

For financial advisers, the key isn't to fight heuristics but to understand them, because they are always influencing member decisions, whether we acknowledge them or not. Rather than expecting members to behave as purely rational economic actors, advisers should consider how they can embrace the role of choice architect, helping guide decisions in ways that align with their members' best interests.

Key behavioural biases that shape investment decisions

There are hundreds of cognitive biases that shape human decision making, but some are particularly relevant to the conversations financial advisers have with members because they directly impact how people perceive risk, make choices about the future and respond to financial advice. Here are a few that can significantly impact investment decisions.

1. **Choice Paradox** – We love the idea of choice, but in practice, too many options lead to overwhelm, paralysis and regret. Research by Sheena Iyengar and Mark Lepper (2000) showed that when consumers were offered six jam flavours, they were far more likely to make a purchase than when they were offered 24. For financial advisers, this means that presenting a carefully curated selection of investment options, rather than an exhaustive list, can help members feel more confident and decisive.
2. **Default Bias** – Humans are creatures of habit. Given the choice between actively making a change or sticking with what's already in place, we tend to do the latter, even when the change is in our best interest. Richard Thaler and Cass Sunstein's research on "nudging" - the practice of subtly guiding choices without restricting options - demonstrates that simply changing the default option (e.g., auto-enrolling employees into retirement plans)

can significantly improve outcomes. Advisers should consider how their framing of recommendations, including default options, impacts member decisions. Likewise, they should reflect on their own default tendencies in how they present or recommend products, ensuring they are serving the member's best interest rather than simply following habitual patterns.

3. **Temporal Discounting** – We massively overvalue immediate rewards and undervalue future benefits. This is why people struggle to save for retirement - an abstract, distant gain pales in comparison to something they can enjoy today. A famous study by McClure et al. (2004) found that when choosing between $20 today or $30 in a month, most people took the $20, despite the fact that waiting one month would result in a 50% return on their money. Clearly, this is an irrational choice, but one that reflects our difficulty in valuing future rewards appropriately.
   To counter this, advisers can make future benefits feel less abstract and more tangible, using visualisation techniques, storytelling or even 'pre-experiencing' the member's future financial state. Additionally, they can look for ways to bring future benefits forward through interim goals, such as short-term savings milestones or phased investment rewards, to help members stay engaged and motivated.
4. **Loss Aversion** – Losses loom larger than gains - about twice as much, according to the work of Kahneman and Tversky (1979). In one of their seminal experiments, participants were given a choice between a sure gain of $500 or a 50% chance to win $1,000. Most chose the sure gain, even though the expected value was the same. When faced with a choice between a sure loss of $500 or a 50% chance to lose $1,000, most opted for the gamble, demonstrating how we are more willing to take risks to avoid losses than to achieve equivalent gains.
   In retirement planning, this plays out when members are reluctant to exchange a visible lump sum for an annuity or guaranteed income stream. Even if the income offers more stability, parting with a known balance can feel like a loss. Advisers can reframe this not as giving something up, but as locking something in, emphasising the peace of mind, security and consistency that comes with guaranteed income.
5. **Choice Framing** – The way options are presented can significantly influence decisions, even when the underlying choices remain the same. For many members, financial decisions are already daunting. When complex language, unfamiliar products or long lists of features are added, it can push them toward inaction or overly cautious choices.

Advisers can help by stripping away noise and presenting options clearly, while still highlighting the key trade-offs involved. Research by Eric Johnson and Daniel Goldstein (2003) on decision environments shows that when choices are framed in a way that aligns with people's underlying preferences - not in response to overwhelming information - they're more likely to make confident, informed decisions. A well framed choice is one that simplifies complexity without dumbing it down, helping members focus on what matters most to them.

The role of choice architecture

Ultimately, financial advisers cannot avoid influencing member preferences. Every aspect of an interaction, from the order in which options are presented to the way risks and rewards are framed, shapes outcomes. By understanding behavioural biases and being intentional in how choices are structured, advisers can help members navigate the complexities of investing with greater clarity and confidence.

Rather than assuming that members will arrive at rational, optimal decisions on their own, advisers should embrace the responsibility of guiding them through a landscape where psychology and economics intersect. A well-designed choice architecture doesn't manipulate - it empowers, ensuring that decisions are made with awareness, confidence and a clear path to financial wellbeing.

Understanding member needs at retirement

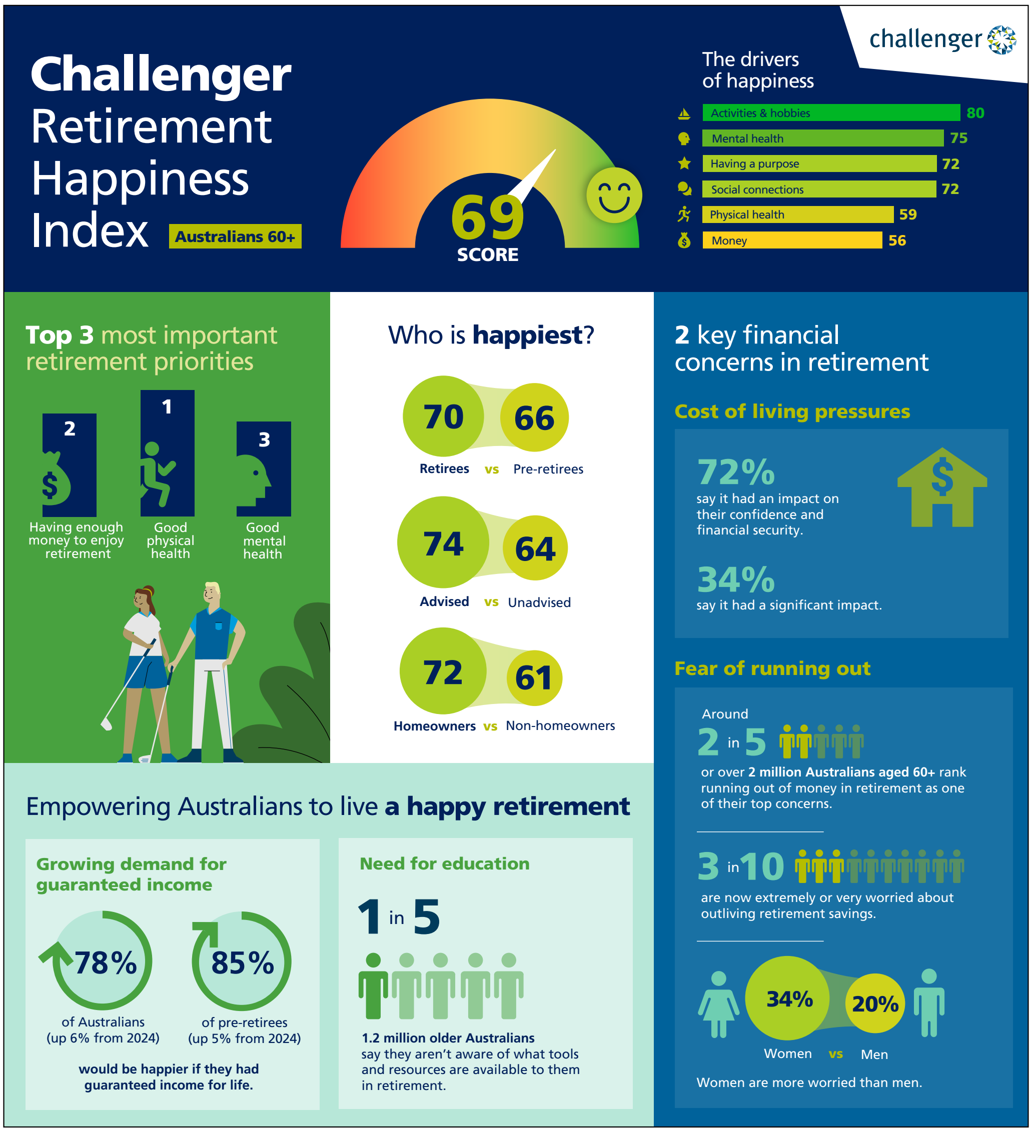
Before we can understand how best to present retirement income options to members, it's important to understand what their holistic goals and concerns are. Let's look at what is known about Australian retirees.

What do Australians want their super to provide in retirement and what does good advice need to address for retiree members?

Research conducted on behalf of Challenger by YouGov shows that the demand for financial security in retirement is growing – with 85% of pre-retirees seeking greater certainty about their financial future.

In total, 78% of Australians say they'd be happier with a guaranteed income for life.

Similar research in the US[1] found that income, not wealth, is the outcome that matters most for financial security and peace of mind.



1. Jeffrey R. Brown, 2014. "Income as the Outcome: How to Broaden the Narrow Framing of U.S. Retirement Policy," Risk Management and Insurance Review, American Risk and Insurance Association, vol. 17(1), pages 7-16, March.

Recent research from National Seniors of Australia[2] shows that retirees are looking for three key outcomes: regular income to cover the basics, income that lasts a lifetime and the ability to access savings when needed.

To put simply, they are seeking a balance between certainty and flexibility.

Given this, it's worth considering whether the historical lean towards an Account Based Pension on its own fully reflects the evolving needs and preferences of today's retirees. As member expectations shift, so too should our thinking, ensuring advice is both relevant and responsive. Quality advice calls for a considered strategy that strikes the right balance between flexibility and certainty.

What does quality retirement advice look like?

It's about more than choosing products. It's about delivering a complete strategy that aligns with each individuals' financial goals, lifestyle aspirations, and need for both flexibility and long-term security.

The Retirement Income Covenant (RIC) sets out three core objectives or financial goals that need to be met:

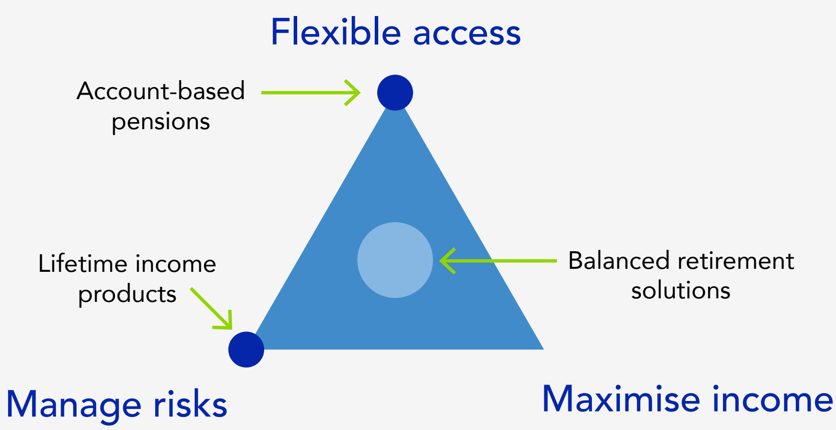
- Maximising retirement income.
- Managing key retirement risks (notably longevity, market and inflation).
- Maintaining flexible access to funds.

Advice strategies therefore need to encompass these objectives, which can be difficult to do with an account-based pension only strategy. Treasury's consultation paper on retirement best practice (released August 2025) further emphasises these points.

The need to broaden retirement income advice beyond an Account Based Pension is also supported in Mercer's 2024 paper, *Principles of Retirement Annuitisation*. The paper clearly demonstrates that retirement portfolios that blend account-based and lifetime income streams can better meet these objectives and achieve enhanced retirement outcomes.

Yet in Australia, most retirees rely solely on account-based pensions from their super fund. As advice professionals, we have an important opportunity to lead the conversation. By shifting the focus from what is simply familiar, we can help members achieve retirement outcomes that are not only sustainable and secure, but truly aligned with their long-term goals.

Figure 1: Desired features of retirement income solutions[3]



2. Source: National Seniors Australia and Challenger Partnership in Research, March 2023.
The second annual *Challenger Retirement Happiness Index*, developed in partnership with independent research provider, YouGov, surveyed a nationally representative sample of 1,633 Australians aged 60 and above in February 2025. Current as at 10 April 2025 and is general information only. It does not take into account your objectives, financial situation or needs and is not intended to constitute personal financial product advice and may not be appropriate for you. Challenger Life Company Limited ABN44 072 486 938, AFSL 234670 is the issuer of the Challenger annuities.
3. Source: *Guidance on best practice principles for superannuation retirement income solutions. Consultation Paper.*

Bringing it together for the member

As members transition from accumulation to retirement, their financial priorities shift significantly. While the focus during accumulation is on growing wealth, in retirement the primary objective becomes generating and maintaining income for life (along with the confidence to spend it). Advisers need to help members shift their focus from the 'nest egg' they've built, to the retirement income that lump sum can provide.

In presenting members with a holistic retirement income solution, it's not just about what options are provided to retiree members - it's also about how those options are introduced, compared, and contextualised. This is where Choice architecture comes into play.

Choice architecture refers to the way in which choices are presented to individuals - the structure, order, and context surrounding decision-making. In financial planning, particularly when dealing with retiree members making critical decisions about their income strategies, the design of these choices can significantly influence outcomes, even when all options are technically sound.

This concept becomes especially relevant in retirement income planning, where members often face complex trade-offs between products like account-based pensions (ABP) and lifetime pensions (LTP). Each option carries different implications for income stability, longevity risk, access to capital, and Centrelink entitlements.

This is where the adviser's role as a choice architect becomes pivotal. Below we match the heuristics with suggested choice architecture to help you present information that allows members to easily process it.

Member heuristics or mental shortcuts

Heuristic	Considerations for choice architecture
Choice paradox – too many options tend to overwhelm	• Simplify the decision-making process by presenting 2-3 high level strategies aligned with the members goals • Use visual comparisons and simple language
Default bias - This can lead to a default or more familiar option being selected (for example a focus on capital rather than income)	• Create a guided pathway presenting a small number of curated options • Choose the first scenario you show to members wisely. • Where possible present a starting point with a mix of options.
Temporal discounting – members place disproportionate value on immediate income or capital access over long-term security	• Reframe discussions around future lifestyle security, not just current income • Use relatable milestones (e.g. What happens to your income if you're 85 and markets have dropped again) • When discussing long term benefits frame them in terms of the satisfaction members can receive today, knowing their future needs are being addressed
Loss aversion - people feel the pain of losses about twice as strongly as the pleasure of gains.	• Instead of emphasising the reduction in capital flexibility, highlight the removal of risk and freedom from market stress.
Choice framing - the way options are presented can significantly influence decisions.	• Strip away noise and present options clearly • Frame choices around member centric goals • Frame outcomes as gains rather than trade offs

Member focused retirement income strategies

The retirement profiles in this document, similar to IFS's 'Profiler IQ' (risk profile), are designed to help members understand how their retirement portfolio can be structured, and which mix of income streams best aligns with their financial and personal goals.

Many superannuation members share similar needs as they approach retirement. Common concerns include meeting income goals, managing longevity, inflation and sequencing risks, access to capital, and estate planning.

While bespoke advice can be necessary, many members would benefit from a clear set of tools that first identify and then address their common priorities. With the principles of heuristics in mind, we have developed a structured 'choice architecture' of three modelled retirement strategies, designed to simplify retirement decisions and associated trade-offs for members, support objective recommendations and help financial advisers structure their meetings to determine suitable retirement income strategies.

The three modelled retirement strategies compare member outcomes against core member retirement needs.

The three models are **Certainty, Balance and Flexibility**.

The models cover a range of account-based and lifetime pension allocations, each with trade-offs to consider. Account-based pensions offer greater flexibility, whilst lifetime pensions provide greater certainty and peace of mind, by ensuring a guaranteed layer of income for life.

We contemplated modelling a fourth option, that contained 100% lifetime pension, however, we considered this impractical. Whilst some members may be drawn to the absolute income certainly this would provide, it would not be suitable for most members and not recommended by financial advisers.

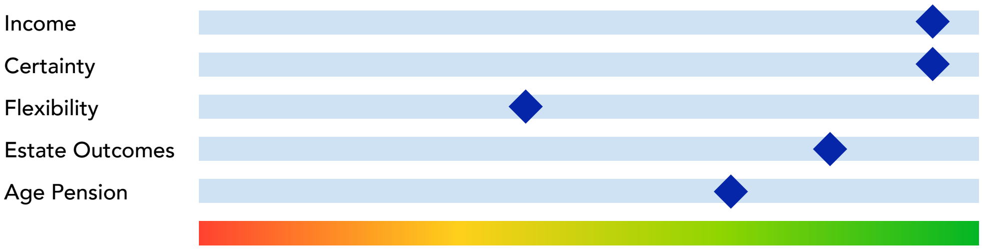
Choosing an income stream is not a binary decision as members can benefit from a combination of both.

Each of the three retirement strategies are shown on a sliding scale demonstrating the extent to which 5 key considerations are achieved by each model.

The scales can be used to assist a member in identifying a simple starting point for their retirement strategy and as noted above, help members understand how their retirement portfolio can be structured, and which mix of income streams best aligns with their financial and personal goals.

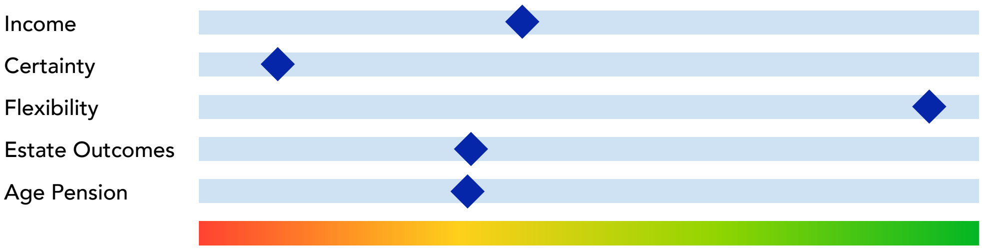
The scales are supplemented by a detailed table which provides a breakdown of the inputs and considerations for each of the three models.

Certainty



Balance

Flexibility



	Certainty	Balance	Flexibility
About the strategy	This strategy balances flexibility and certainty, with a greater focus on income.	This strategy balances flexibility and certainty.	This strategy prioritises complete flexibility.
Retirement Income	Generally, provides the highest level of total income across retirement and highest income safety net.	Generally, provides a lower level of total income across retirement and a lower income safety net.	Generally, provides the lowest level of total retirement income and does not address longevity or inflation risk.
Certainty	Generally offers a higher probability of meeting retirement income goals, greatest confidence to spend.	Generally offers a lower probability of meeting retirement income goals, greater confidence to spend.	Generally offers the lowest probability of meeting retirement income goals, impaired confidence to spend.
Flexibility	70% of the portfolio able to be accessed for on-demand withdrawals. 30% may offer a withdrawal value during the withdrawal period.	85% of the portfolio able to be accessed for on-demand withdrawals. 15% may offer a withdrawal value during the withdrawal period.	100% of the portfolio able to be accessed for on-demand withdrawals.

	Certainty	Balance	Flexibility
Capital Preservation (estate outcomes)	Generally offers the highest portfolio value at life expectancy (slowest balance reduction).	Generally offers a lower portfolio value at life expectancy (slower balance reduction).	Generally offers the lowest portfolio value at life expectancy (fastest balance reduction).
Age Pension Assessment	Partial asset test exemption	Partial asset test exemption	Deemed
Income Stream Type	70% ABP 30% LTP	85% ABP 15% LTP	100% ABP

Practical application

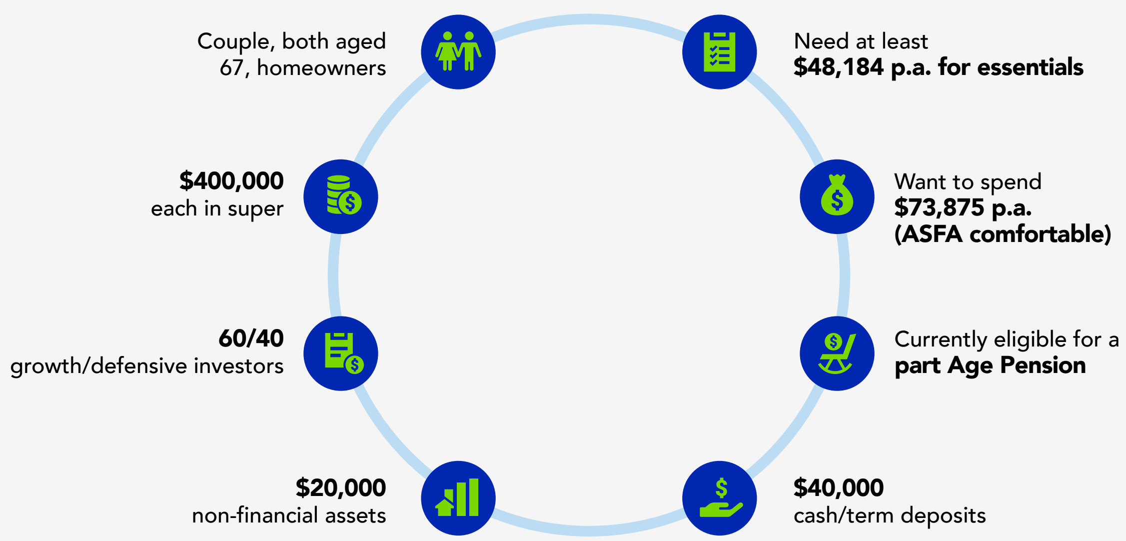
To support practical application of these strategies for different members, we created six profiles based on super balances and household status (single or couple). For each profile, we've prepared detailed case study outputs.

Below is an example showing how the three models apply to 'Profile 4' (a couple with a combined super balance between $400,000 and $1,200,000).

Please refer to the 'Additional Information Guide' for detailed outputs for this scenario along with complete modelled case studies for all other profiles. All profiles assume a 60-40 risk profile.

Profile	1	2	3	4	5	6
Super Balance	Less than $200,000	Less than $400,000	$200,000 to $750,000	$400,000 to $1,200,000	Over $750,000	Over $1,200,000
Single/ Couple	Single	Couple	Single	Couple	Single	Couple

Profile 4



	Certainty*	Balance*	Flexibility*
Income			
Total income generated across retirement	$2,146,162	$2,078,756	$2,007,619
Certainty			
Minimum level of guaranteed income for life (CPI)	$58,273 pa	$51,655 pa	$45,037 pa
Probability achieves income need	100%	100%	81%
Probability achieves income goal	92%	86%	78%
Flexibility**			
Ability to access lump sums	Yes	Yes	Yes
Estate Outcomes			
Projected portfolio value at life expectancy	$353,124	$296,048	$219,554
Age Pension			
Improved age pension entitlements	Yes	Yes	No
Portfolio Construction			
Income Stream Type	70% ABP 30% LTP	85% ABP 15% LTP	100% ABP
Asset Allocation^	ABP 85% growth 15% Defensive LTP 0% Growth 100% Defensive	ABP 70% growth 30% Defensive LTP 0% Growth 100% Defensive	ABP 60% Growth 40% Defensive LTP n/a

* Challenger Retirement Illustrator 18/6/25 RIC250618000117 and RIC250618000135 67-year-old male/female member couple. $400,000 each in super income streams, $40,000 cash, $20,000 non-financial assets. Assumes returns of 4.0% p.a. for defensive assets and 8.0% p.a. for growth assets before fees. $73,875 p.a. desired income (ASFA comfortable) including $48,184 p.a. essential income (ASFA modest). Amounts shown are in today's dollars. CPI of 2.5% p.a. See Challenger Retirement Illustrator for all assumption.

** Certainty: 70% of the portfolio able to be accessed for on-demand withdrawals. 30% may offer a withdrawal value during the withdrawal period. Balance: 85% of the portfolio able to be accessed for on-demand withdrawals. 15% may offer a withdrawal value during the withdrawal period. Flexibility: 100% of the portfolio able to be accessed for on-demand withdrawals.

^ Assuming 60-40 risk profile, ABP rebalanced with lifetime allocation to maintain overall 60-40 asset allocation

Insights from IFS advisers

Here is what we learned from advisers across several funds within the IFS network when we asked them to share some of their experiences with member conversations on the topic of retirement income planning.

Some of the advisers were experienced with these strategies, whilst others were newer to incorporating lifetime income streams into their retirement conversations; however, there was agreement across all responses that success lay in providing members with simple education and ensuring that the total strategy aligns clearly with the members' goals.

Adviser Insight: The first step shared by all was to educate members about the variety of retirement income streams available and highlighting that it's possible to have both.

Using relatable analogies can be highly effective, such as comparing an Account-Based Pension (ABP) to a "water tank" and defined benefit pensions to lifetime income streams. This helps members better understand the role each type of income stream plays in their retirement plan.

Lifetime income streams are primarily designed to provide security and certainty in retirement. They utilise a portion of defensive investments within a diversified portfolio, ensuring a stable income in retirement.

Similarly, all advisers shared that it's important to keep the focus on the member's total retirement goals. It is essential to explain how the strategy can enhance their overall retirement outcomes by balancing flexibility (through market exposure) and security (via guaranteed income streams).

Members may have questions regarding death benefits, voluntary withdrawals, or the security of the lifetime income stream provider, but 'product' only comes in at the end, as a tool to help achieve the desired outcome.

Sharing case studies that demonstrate how lifetime income streams fit into broader retirement strategies can further strengthen the discussion, as well as using retirement modelling tools to show members how these solutions apply to their unique financial situations. This approach fosters higher buy-in, as members feel that the recommendations are tailored to their specific needs and provide them with peace of mind.

Common scenarios for lifetime income streams

These strategies can support a wide range of retirement goals, most commonly across the following scenarios:

1. Managing the risk of depleting retirement savings too early, providing greater financial and emotional security.
2. Members seeking more income certainty and improved retirement outcomes.
3. Members who may benefit from immediate age pension advantages.

Adviser Insight: When members face the risk of outliving their savings, several of your peers pose simple but powerful questions. For example, "how would you feel if you ran out of retirement savings and had to live on the age pension?". Most members acknowledge they wouldn't like it, to which introducing the idea of using some of a members' super to create another income source - that won't run out - is usually well received.

Rather than presenting lifetime income streams and ABPs as mutually exclusive, advisers frame them as complementary: ABPs offer flexibility, while lifetime income streams offer security. Phrasing such as, "How about we explore how using both options together could work for you?" helps members view the strategy holistically.

For members near the age pension asset test threshold, advisers often introduce lifetime income streams as part of asset test reduction strategies. Given their 40% exemption under Centrelink rules, this can be a practical and well-received entry point to introducing the strategy.

Evolving perceptions and strategic relevance

As the retirement landscape continues to shift, advisers across the IFS network are increasingly incorporating lifetime income streams into their member strategies.

Some across the network shared that these options were overlooked in the past, in part, due to a prolonged low-interest rate environment, concerns about liquidity, and biases against annuity-style products. Additionally, there was a tendency to view lifetime income streams through a narrow lens, which limited their perceived value within a broader retirement income strategy.

Recent changes in the broader environment have contributed to a shift in thinking.

Adviser Insight: Members aren't just concerned about running out of money, they're planning for the lifestyle they want in retirement. Lifetime income products are uniquely positioned to address this and can offer members both financial and emotional security.

Improvements in product flexibility, more favourable Centrelink treatment, and normalising interest rates have made these solutions more attractive and relevant. This has been supported by a better understanding of their place in a diversified defensive allocation.

These developments, along with a growing emphasis on delivering more comprehensive, outcomes-based retirement advice, have prompted a reassessment of their value. While there can be objections to navigate, they are often driven more by perception than by the substance of the solutions themselves, and in some cases, hesitation can reflect the mindset shift required to consider options outside the fund.

When viewed holistically, it's also important to balance the focus on Centrelink benefits with the broader strategic value these solutions can offer to avoid limiting the strategy's scope.

Moving Forward

Advisers considering lifetime income streams are encouraged to challenge assumptions and engage in deeper conversations with members about their priorities and long-term needs for retirement. Learning from peers with experience in this area can provide practical insight on how to start the conversation effectively.

Ultimately, the focus should remain on the member's total retirement strategy, with lifetime income solutions positioned as one of several tools to support security, flexibility, and confidence throughout retirement.

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