Phone 02 9577 3333
Email
enquiries@superconsumers.com.au
Website
www.superconsumers.com.au
57 Carrington Road,
Marrickville NSW 2204
ACN 163 636 566 | **ABN** 34 163 636 566

Can We Count on Them?
Assessing the usefulness of Super Fund Retirement Calculators

Sep 27, 2024

ABOUT US

Super Consumers Australia is the advocate for people on low and middle incomes in Australia's superannuation system. Our vision is for an accountable and fair super system that delivers great service and great financial outcomes in retirement. Formed in 2013, we are an independent, not-for-profit organisation and a leading voice for consumers of superannuation products and services.

This research was supported by a philanthropic grant from Ecstra Foundation. Ecstra is committed to building the financial wellbeing of Australians within a fair financial system. We thank the Ecstra Foundation for funding this project.

Introduction

Figuring out how much to save for retirement is one of the most difficult questions that people preparing for retirement confront.[1] People are faced with an array of unknowns: how much super will I have at retirement? How should I invest and spend across my retirement? Will I get an Age Pension? How long will I live? Will markets go up or down? What will my expenses look like as I age?

Many super funds have a retirement calculator on their website, and two-thirds of super funds say retirement calculators are a key part of how they plan to help members with retirement.[2] Survey data suggests that 17% of adult Australians have used these calculators.[3] Our research with pre-retirees suggests this figure may be even higher among those planning for retirement.[4]

A retirement calculator takes a person’s details (age, gender, current superannuation balance) and uses that information, along with the calculator's assumptions, to predict their retirement balance and an annual retirement income. When effective, retirement calculators can provide people with useful guidance to help them plan for retirement. For those with relatively simple finances, a calculator promises to be a lot more accessible and much less costly than seeing a financial adviser. A major strength of calculators is that their results can be personalised based on the information entered and they can respond to the needs of the individual by presenting only relevant information and suggestions.

We reviewed the 50 largest funds to test whether they had a retirement calculator and the usefulness of their offering. Given the importance of retirement calculators in retirement planning, we were surprised to find only 25 super funds had a publically available calculator. Another eight provided a link to the retirement planner hosted by Moneysmart.[5]

Of those funds that had calculators our main findings were:

---

[1] Based on a nationally representative survey of 1,541 Australians aged 45-80 years, undertaken by Fiftyfive5 in 2021 and commissioned by Super Consumers Australia. See Super Consumers Australia, Consultative Report: Retirement Spending Levels and Savings Targets, March 2022, p. 7.
[2] Australian Prudential Regulation Authority & Australian Securities and Investments Commission, Implementation of the retirement income covenant: Findings from the APRA and ASIC thematic review, July 2023, p. 16.
[3] Productivity Commission, Superannuation: Assessing Efficiency and Competitiveness, Final Report, December 2018, p. 251.
[4] Our representative survey of 45-80 year olds found 37% of respondents had assessed how much they need to retire. See Super Consumers Australia, Consultative Report: Retirement Spending Levels and Savings Targets, March 2022, p. 7.
[5] See https://moneysmart.gov.au/retirement-income/retirement-planner

- Most calculators relied on arbitrary assumptions about a person's spending needs that resulted in a retirement income estimate that was not reasonable for the estimated retirement balance of our scenario (either too high or too low).
- Most calculators didn't provide enough support to help people accurately calculate their spending needs.
- Most calculators didn't account for the higher spending needs of renters, or support people who might still have a mortgage at retirement.
- Most calculators didn't explain minimum withdrawals of superannuation.

Based on the findings of the desktop review, fund retirement calculators cannot be counted on to always produce reasonable results.

This begs the question: are super funds best placed to help people with retirement planning? We believe the government has a greater role to play in retirement guidance.

We call on the government to bring together the current government-provided retirement planning resources into an independent, one-stop-shop that people can turn to for free guidance when they need it. This could include retirement calculators, tailorable income projections, and budgeting tools and provide quality, impartial guidance, delivered via digital channels with in-person or phone-based support. This service would enable people to compare the retirement income they could get across a range of funds, and would therefore support more effective decision-making.

Treasury proposed this idea in their recent "Retirement phase of superannuation" discussion paper and we urge the Federal Government to improve the retirement outcomes of Australians by implementing this proposal.[6] Similar retirement planning support has been successfully delivered in the United Kingdom for a number of years via the Pension Wise service.[7] A recent review of the service found that 82% of people who used the self-service tools of the UK website were satisfied with their experience.[8]

Background and research objectives

In this research, we aimed to understand how the calculators work and identify if they are providing sensible suggestions when presented with the same scenario. We did this to assess how useful different calculators were and identify strengths and weaknesses of their approach.

---

[6] Treasury, [Retirement phase of superannuation Discussion paper](), December 2023, p. 11.
[7] See https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise
[8] Katie Hughes, Patricia Pinakova and Jayesh Navin Shah, Pension Wise service evaluation: Experience and outcomes of customers using Pension Wise 2019/2020, October 2020, p 2.

To help understand what may be a reasonable retirement income, we considered evidence on what people want and the obligations that funds must meet.

Funds have an obligation under the Retirement Income Covenant to maximise members' retirement spending over the period of retirement, managing investment, longevity and inflation risk.[9]

In 2021 Super Consumers Australia conducted quantitative research to understand people's approach towards retirement planning and their expected spending needs. Of a sample of 1,500 people aged 45-80, 75% thought their spending would stay the same or "somewhat decrease" in retirement.[10] According to the 2020 Retirement Income Review, "Analysis suggests that retirees have flat or falling spending relative to prices as they age. Regardless of the age cohort examined, retirees show the same trend of declining spending."[11] This observation was coupled with evidence that the typical home owning retiree with this expenditure pattern did not experience elevated rates of financial stress in retirement.[12]

Based on this evidence and the obligations on funds to assist retirees, we hypothesised that a calculator would:

- generate retirement income projections that maximise real (i.e. accounting for inflation) retirement income over the person's expected lifetime,
- generate retirement income projections that would remain constant over time, or fall slightly as the person ages, and
- guide a person to a target retirement income that would maintain their pre-retirement standard of living.

Methodology

Between May and July 2024, Super Consumers undertook a desktop review of the 50 largest funds'[13] public facing websites to identify whether they offered a retirement income calculator. Of these 50 funds, 25 had a publicly available calculator. We included 22 of these calculators in our review.[14] The 22 retirement income calculators were assessed to determine:

- how income projections were calculated,

[9] Superannuation Industry (Supervision) Act 1993 - Section 52AA.
[10] Super Consumers Australia, Consultative Report: Retirement Spending Levels and Savings Targets, March 2022, p. 20.
[11] Australian Government, Retirement Income Review, 2020, p. 487.
[12] Australian Government, Retirement Income Review, 2020, p. 136.
[13] Largest by number of members.
[14] See appendix for further details on the sample.

- what assumptions were used to calculate income projections, for example, the life expectancy and spending needs of the person using the calculator, and
- how income projections and any other information were visually and textually presented.

For testing purposes, we compared the calculators using a consistent scenario: a 50-year old woman with a slightly less than median income ($55,000) and super balance ($95,000) for her age, who is single, owns her own home, and plans to retire at 67.[15] This data was collected and verified as current on July 4 2024. We then undertook a thematic analysis of the calculators to identify their strengths and weaknesses.

Key findings

1. We found large variation in calculator projections

Differences in fees and returns resulted in projected retirement balances varying by 42% across calculators

Although we used the same scenario in all of the calculators, we were surprised at the large difference in the results. The lowest projected retirement balance for our super member scenario at age 67 was $184,251 (Diversa)[16], while the highest was $260,883 (Mercer Super). This constitutes a difference of 42%.

The main reasons for the large difference were the values used by the fund for the investment returns earned, and the administration fees charged. The yearly administration fees ranged from $60 (Diversa)[17] to $532.75 (smartMonday) and the returns from 4.06% (Diversa) to 7.5% (Mercer Super). The wide range of calculated retirement balances is a clear reminder of the impact of different fees and returns on retirement savings.

Arbitrary fund assumptions drive a 74% variation in retirement income estimates across calculators

The main feature of retirement calculators is their projected annual retirement income. It can help a person understand how they can transform their superannuation balance into a retirement income. All

[15] Australian Bureau of Statistics, Employee Earnings and Hours, Australia, January 2022, and Australian Taxation Office, Individuals statistics 2020 - 2021, June 2023, Chart 12.
[16] In August 2024, Diversa discontinued their calculator and linked to Moneysmart's Retirement Planner.
[17] The source of Diversa's fee assumption was not representative of any of the funds they manage. See Section 5 for more detail.

of the calculators aimed to generate a constant level of income.[18] For our scenario, the amount of default retirement income provided by the calculators varied by 74%, ranging from $29,928 to $52,000 a year. This could be the difference between someone struggling to get by, or living in relative comfort.

Surprisingly, most of the variation was not caused by differences in the projected retirement balance (e.g. with higher balances driving higher income). Instead, the disparity was mostly caused by the way the funds chose to calculate the retirement income, with many using arbitrary assumptions about what a person needs in retirement (see Section 3 for more detail).

Figure 1 shows the projected retirement balance and the default retirement income from each calculator, sorted by default retirement income, from lowest to highest. There is no visible pattern across the projected retirement balances - there are both low and high balances that result in lower retirement income, and low and high balances result in the higher retirement income. For example:

- Colonial First State estimates one of the highest retirement balances for our scenario of $251,000, but the lowest default retirement income of $29,928. Mercer Super has a similar projected retirement balance of $260,000, but a retirement income of $52,000. Thus a $9,000 difference in balance is translating into a $22,000 per year difference in retirement income.
- By contrast, NGS Super suggests the same retirement income as Mercer Super, $52,000 a year, even though its estimate of the retirement balance in our scenario is $188,000 which is $72,000 lower than Mercer Super's projection.

[18] Across the industry other spending patterns have been proposed (see Retirement Income Review, pp. 486 - 491) but the calculators did not model these more complex patterns.

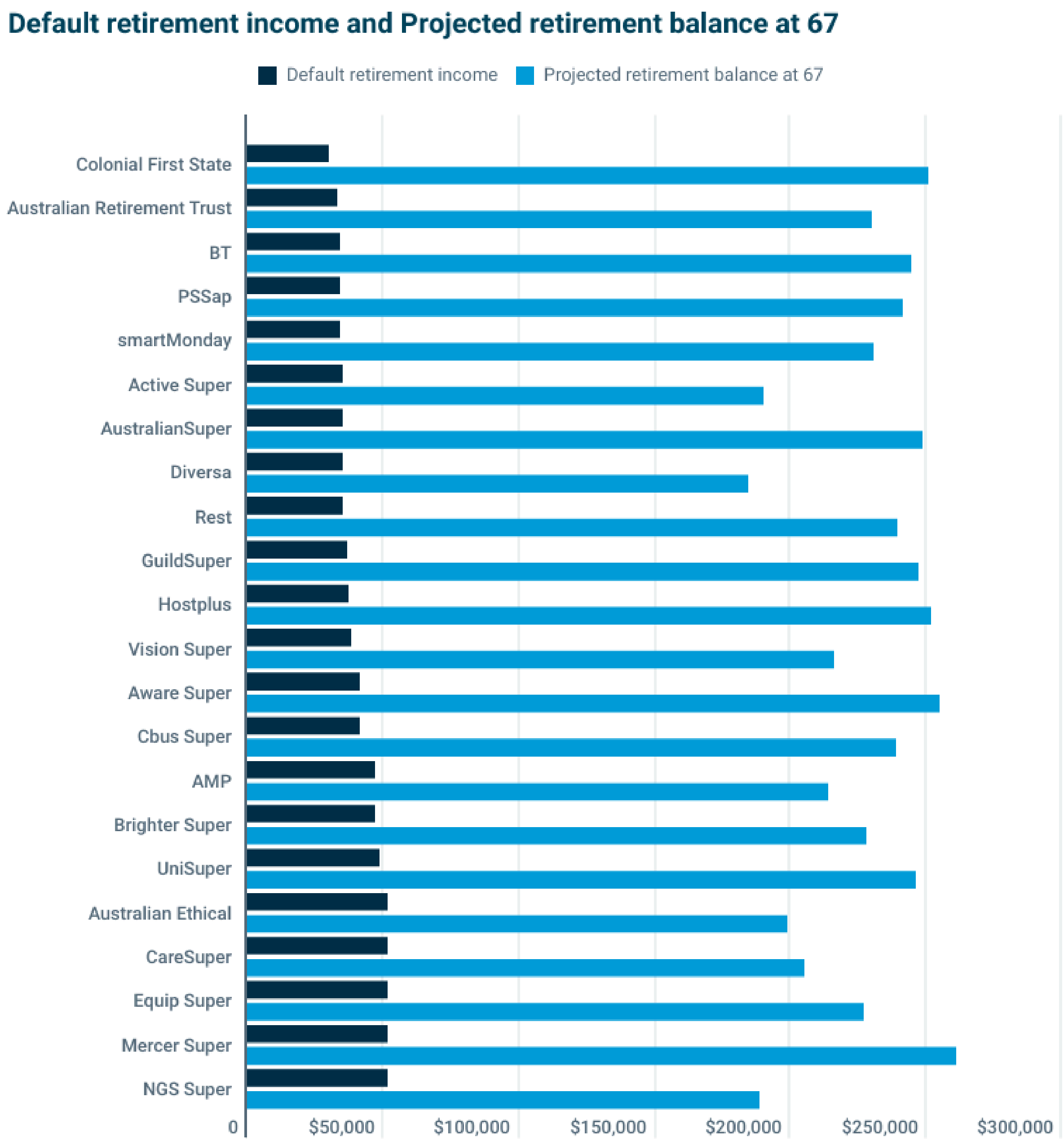

Figure 1 - Default Income compared with projected superannuation balance at retirement.

It is highly concerning that fund calculators have such inconsistent results. A typical person would only use one of these calculators, but could be provided with completely different results if they entered their information into another calculator. It is unreasonable that a person would need to understand the inner workings of the calculator's assumptions to interpret whether the results were relevant to their personal circumstances.

2. Most calculators showed annual retirement income that was too high or too low

For the scenario that we provided, 77% (17[19] out of 22) calculators provided a default retirement income that was too low or too high for the predicted balance at retirement.

ASIC's Regulatory Guide 276 for superannuation calculators recommends that the superannuation balance should be drawn down to zero at age 92.[20] They base this recommendation upon current life expectancy while allowing for future improvements in mortality. This aligns with the Retirement Income Covenant obligation on funds to maximise members' retirement income over the retirement period.[21]

Based on this obligation and guidance, we assert that a reasonable default retirement income presented in a calculator should exhaust the retirement balance between age 85 and 95. This period aligns with a timeframe during which most people will still be alive to enjoy the full benefit of their superannuation. Funds should place limits or restrictions on their default outputs to ensure this result.

Retirement income calculators that produce default income projections that result in a drawdown period longer or shorter than this could push a person towards either unsustainable short-term overspending, or underspending causing unnecessary financial struggles in retirement.

Also, faced with a projection that their life expectancy will exceed their superannuation balance, some people may attempt to save more while working. By itself, this may not be problematic, but if the default projected retirement income is too high it could mean the person is making unneeded sacrifices during their working life in order to save more than they need for their retirement.

For the range of default retirement incomes recommended by the 22 calculators, the amount of time that our scenario's superannuation balance would last in retirement ranged from 10 years to more than 35 years. This represents superannuation running out at age 77 or it lasting past age 100.

---

[19] AustralianSuper, PSSap, Rest, Hostplus, AMP, Australian Retirement Trust, CareSuper, Equip Super, Colonial First State, Active Super, BT, GuildSuper, Australian Ethical, smartMonday, Vision Super, Diversa, NGS Super.
[20] ASIC, ASIC Regulatory Guide 276 Superannuation Forecasts:Calculators and Retirement Estimates, July 2022, p. 31.
[21]Superannuation Industry (Supervision) Act 1993 - Section 52AA.

For our scenario:

- Only 5[22] (23%) out of 22 calculators provided a retirement income which allowed for the superannuation balance to be spent by age 85 to 95,
- 5[23] (23%) calculators showed a retirement income that was too high and ran out too soon, and
- 12[24] (54%) calculators had a retirement income that was too low and lasted too long.

Retirement income calculators should not produce default results that are excessively above or below a median person's longevity.

3. Many calculators showed a default annual retirement income based on arbitrary, one-size-fits all targets

In our sample there were four methods for calculating the default annual retirement income:

- a static standard ('ASFA Comfortable'),
- based upon a percentage of the entered pre-retirement income (replacement rate),
- lasting until a certain age, or
- asking a person to calculate their needed retirement income using a budget.

17[25] (77%) of 22 calculators in our sample used either of the first two methods. 14 of the calculators in this category were rebadged white-label products provided by either Mercer or Gallagher. All of the five[26] calculators provided by Mercer used the 'ASFA Comfortable' standard, while all nine[27] calculators provided by Gallagher used a replacement rate.

These 17 calculators prominently displayed the retirement income and described it as either a "desired" or "target" income. This language may suggest to the person using the calculator that this is an ideal retirement income for them. However, these two methods are problematic because they don't take into account a person's super balance. As discussed in Section 2, this could result in a default retirement income that is too high or too low.

---

[22] UniSuper, Cbus Super, Brighter Super, Aware Super, Mercer Super.
[23] AMP, CareSuper, Australian Ethical, Equip Super, NGS Super.
[24] AustralianSuper, Rest, Australian Retirement Trust, PSSap, Hostplus, Diversa, Colonial First State, Vision Super, BT, Active Super, smartMonday, GuildSuper.

[25] Rest, Hostplus, AustralianSuper, NGS Super, Australian Retirement Trust, PSSap, smartMonday, Mercer Super, Diversa, Australian Ethical, BT, Vision Super, Active Super, CareSuper, Equip Super, Colonial First State, GuildSuper.
[26] Mercer Super, Equip Super, CareSuper, Australian Ethical, NGS Super.
[27] AustralianSuper, Rest, PSSap, Hostplus, BT, Active Super, Vision Super, smartMonday, GuildSuper.

23% of calculators (5[28] out of 22) suggested a default annual retirement income of $52,000 as a target for everyone. This default income target doesn't consider whether a person's retirement balance could sustain this level of income or what a person's spending needs might be. These calculators have used the 'ASFA Comfortable' standard as their default retirement income for everyone.[29] This is not consistent with ASFA's own acknowledgement that this standard is not appropriate for all individuals.[30] The idea that there is one level of income that will deliver 'comfort' in retirement has been discredited by two independent reviews and is not a sound basis for individual consumer advice.[31] Presenting a default level of income to someone who cannot afford it is not good consumer advice. It may lead to financial stress and a lower standard of living while working due to oversaving.

Worryingly, for our scenario the 'ASFA Comfortable' standard was too high. It was not sustainable and resulted in super running out prematurely. For example, Figure 2 shows NGS Super which estimated a retirement balance of $188,516 and showed an income of $52,000, exhausting the superannuation balance at age 77. This is after less than 11 years of retirement and well short of a person's expected longevity. Showing a scenario to a person in which their superannuation is exhausted very early might cause them to worry about running out of super, or fail to adequately smooth their income across their retirement.

[28] Mercer Super, CareSuper, Australian Ethical, NGS Super, Equip Super. All the calculators that used a white label product from Mercer defaulted to the ASFA Comfortable.
[29] See for example the calculator for Mercer Super, https://supercalcs.com.au/ris9/mst/more-information.
[30] ASFA has a target that by 2050 50% of retirees will be able to achieve their comfortable standard, The Association of Superannuation Funds of Australia Limited, Submission to the Retirement Income Review Secretariat — Consultation Paper, February 2020 p. 5
[31] Productivity Commission, Superannuation: Assessing Efficiency and Competitiveness, Final Report, December 2018, p. 228, and Treasury, Retirement Income Review, Final Report, November 2020, pp. 499-500.

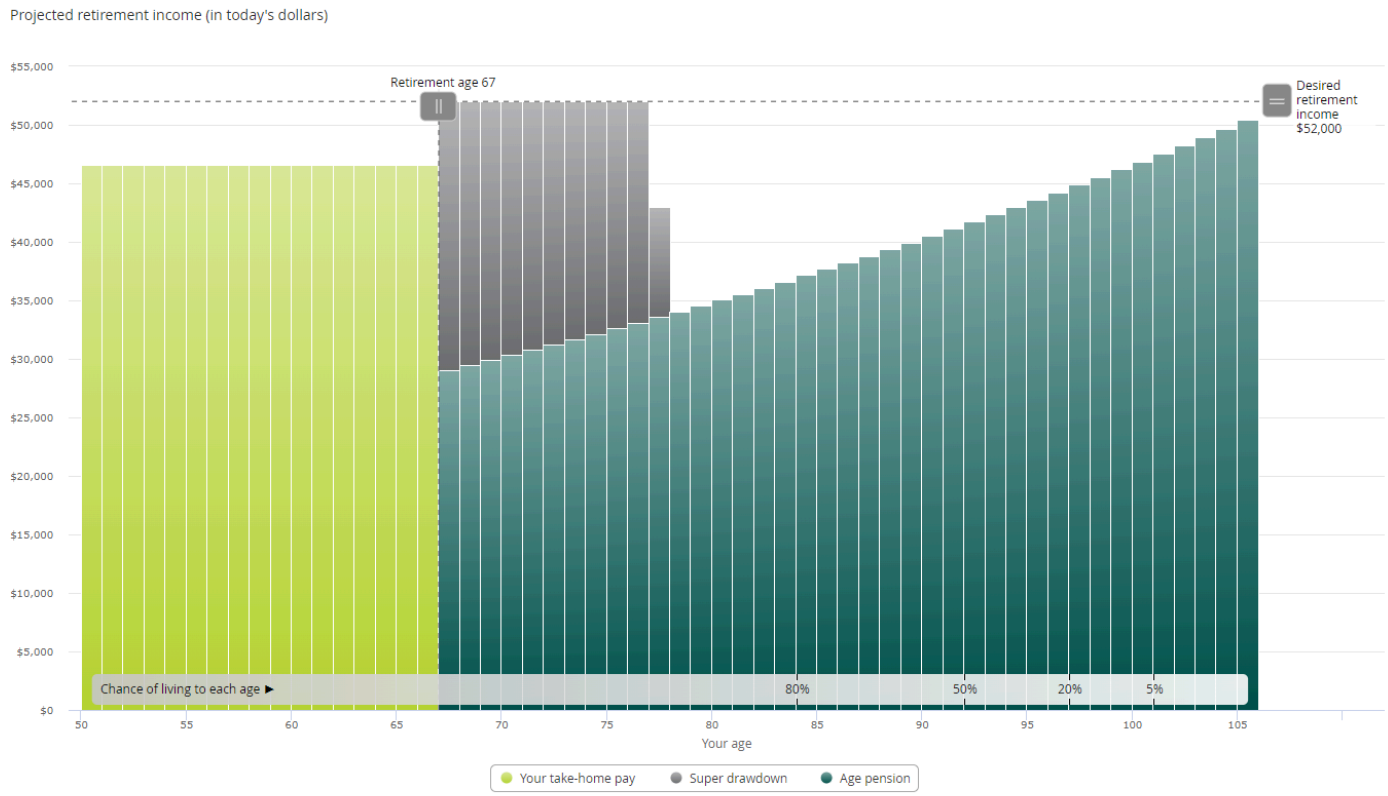

Figure 2 - NGS Super's calculator suggesting a retirement income of $52,000 that exhausts the superannuation balance at age 77. *Collected on July 9, 2024.*

Another **55% of calculators (12[32] out of 22) calculated retirement income as a fixed percentage of pre-retirement income**, known as a replacement rate. Although replacement rates are generally more tailored to an individual's needs when compared to static retirement income targets such as the 'ASFA Comfortable' standard, the assumed level of replacement is still arbitrary. They are based on broad assumptions rather than a person's actual spending needs. People who rent and people who are on lower incomes may need a higher replacement rate, while those on higher incomes may need a lower replacement rate to maintain their spending needs.[33]

The chosen replacement rate used by the calculators in our sample varied from 60% to 80% of the pre-retirement income. There was little to no justification or explanation as to why a specific rate was

[32]AustralianSuper, PSSap, Rest, Australian Retirement Trust, Hostplus, Vision Super, GuildSuper, smartMonday, BT, Diversa, Active Super, Colonial First State. All the calculators that used a white-label calculator from Gallagher used replacement rates.
[33] Australian Government, Retirement Income Review, 2020, p. 35.

selected. The default retirement income displayed by calculators that used replacement rates for our scenario varied from $29,928 to $38,500.

In our scenario, the replacement rate retirement income was too low to spend all savings within a reasonable longevity period. Figure 3 shows the results from the AustralianSuper calculator with a significant amount of super still remaining at age 100.

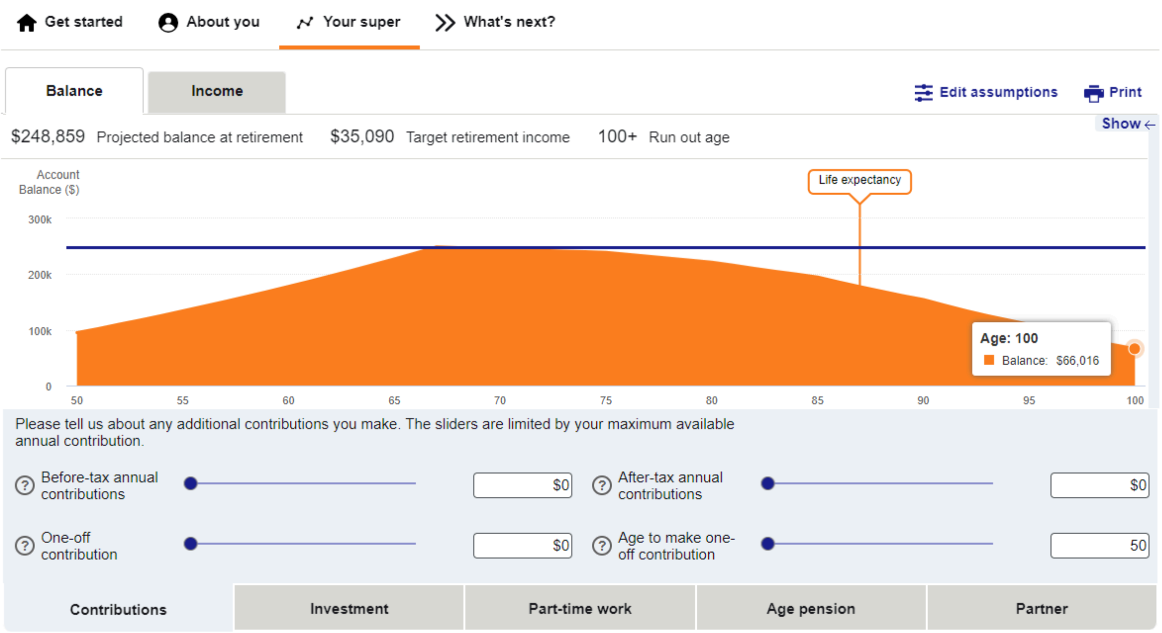

Figure 3 - AustralianSuper's calculator showing a target retirement income of $35,090 resulting in a significant superannuation balance remaining at age 100. *Collected on July 9, 2024.*

All calculators using the replacement rate recommended severe underspending during retirement for our scenario. By comparison, Moneysmart's calculator estimated that our scenario would have a retirement balance of $255,438 and a retirement income of $48,300 until age 92 (25 years of retirement). This is $10,000 to almost $20,000 per year more retirement income than suggested by replacement rates. In our scenario, the Moneysmart approach guides people to a level of spending which is likely to see them far more financially secure in retirement.

Another **18% of calculators (4[34] out of 22) used a constant annual income, payable until a given age based on a set of assumptions**. The given age was typically 92, but Aware Super chose to use 95. This calculation method aligns with the Moneysmart website, and the retirement income varies

[34] UniSuper, Brighter Super, Aware Super, Cbus Super.

with the retirement balance. This approach enables a person to see how much income they can expect from their super, but it doesn't help a person to understand if it will cover their spending needs.

Only one calculator (5%) asked the person to enter a detailed budget to calculate target spending needs. This calculator was provided by AMP. It provided the choice to use either the 'ASFA Comfortable' or 'AFSA Modest' as a starting point for the budget, with the ability for further customisation. Although there are limitations in anchoring to the ASFA standards, we consider this approach provided the most helpful target income as it generated a result that had the potential to be more personalised to the individual's spending needs.

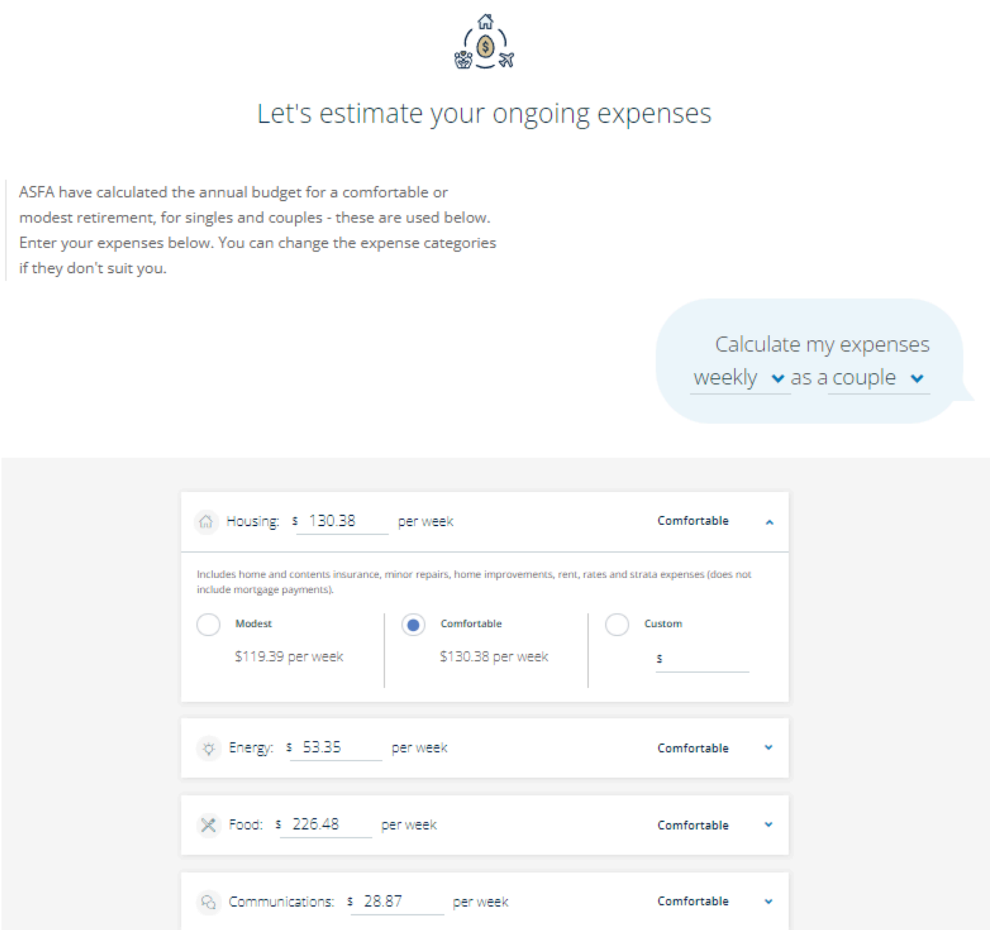

Figure 4 - AMP's budget calculator to help people work out their retirement needs. *Collected on July 9, 2024***.**

The default results presented in these calculators matter. It is alarming that 17 (77%) of the 22 calculators we examined recommended potentially harmful results.

4. Most calculators did not provide any assistance or guidance to help people work out a personal income target that is appropriate for their circumstances

The calculator from AMP was the only one (5%) that attempted to guide a person through typical categories of spending (e.g. telecommunications, energy, groceries) to help them more accurately assess their needs. Another five calculators (23%) provided a budget template within their calculator, but didn't direct people to use it upfront, instead relying on it being discovered through exploration.[35]

The remaining 73% of calculators (16[36] out of 22) missed a major opportunity to incorporate a simple budget template in order to give a significantly more accurate picture of retirement needs for an individual. Three[37] of these calculators (13%) provided limited upfront information or guidance to help people personalise their income target, but didn't include a customisable budget.

Ideally, all calculators would help consumers to assess their spending needs in retirement. This could be done by prompting people to use their own data to compile a budget of what their spending may be, with guidance and examples to give a sense of how much other retirees spend. This guidance could include information about how much retirees actually spend, for example, using the Super Consumers Australia Retirement Savings Targets, which suggest various retirement spending levels based on a distribution of expenditure (low, medium and high) across retired Australians.[38] Calculators could also help people to understand how other benchmarks such as the ASFA standards and replacement rates are determined, so people can assess whether these benchmarks are right for them.

5. Some calculators had out-of-date information or cited inaccurate fees

People should be able to trust that a calculator has accurate inputs for basic assumptions, such as fees charged. This was not always the case.

---

[35] We also noticed that some funds offered, elsewhere on their website, a retirement spending calculator that might help consumers to work out their spending needs, but this was not linked to in the retirement income calculator.

[36] AustralianSuper, Rest, UniSuper, Cbus Super, Aware Super, PSSap, Australian Retirement Trust, Hostplus, Brighter Super, Diversa, Colonial First State, smartMonday, Active Super, Vision Super, BT, GuildSuper.

[37] Brighter Super, Aware Super, and UniSuper.

[38] Super Consumers Australia, Retirement Targets, August 2023.

The assumptions of AMP's calculator were last updated in 2022 and are out of date. The calculator presented the 'ASFA Comfortable' standard as $47,217 a year when it was $51,630 at the time of the review.[39]

Several funds used fees that did not match their PDS:

- Diversa[40] offered a generic calculator for all of the funds for which they are the trustee. They assumed a flat administration fee of $60 a year with no percentage based fee. This was inaccurate for the person in our scenario, who could expect to pay $525.50 a year in fees at one of Diversa's funds.[41]
- BT and Colonial First State used the generic fee assumptions sourced from MoneySmart ($74 with no percentage fee) rather than tailoring them to their product. For our scenario the BT[42] fee was actually $682.50 a year. For Colonial First State[43] it should have been $98 a year.
- Several calculators (CareSuper, Mercer Super, and Equip Super, NGS Super) didn't model an administrative fee cap despite it being in the fee schedule in their PDS. These funds had an administration fee cap that applies to higher balances.The failure to model it reduces the accuracy of their calculators.

6. Calculators did not adequately consider a person's housing situation

The calculators' support for people who didn't own a home or had a mortgage was generally poor.

In 2021, 20.6% of Australians over 55 were renters, a figure which has grown steadily since the 1990s.[44]

Renters must spend more than homeowners to maintain the same standard of living in retirement, due to rental expenses typically climbing in excess of homeowner housing expenses. Previous research by Super Consumers Australia has found that a single retiree renter on a low income aged

[39] ASFA, The ASFA Retirement Standard, March 2024.
[40] In August 2024 Diversa replaced their calculator with a link to the Retirement Planner hosted by Moneysmart.
[41] Based on Slate Super's PDS which has a fee schedule of $60 + 0.49% or $525.50 at the start of our scenario. This would reduce the retirement balance of our scenario by $9459.
[42] Based on the fees for BT Super Invest which are $540 + 0.15% which is $682.50 at the start of our scenario. Reflecting the correct fees would lower the retirement balance by at least $10,521. The maximum administration fee for BT's calculator was $500 so it wasn't possible to fully model it.
[43] Based on the fees for First Choice Employer Super which are $60 + 0.04% or $98 at the start of the scenario. We weren't able to model their actual fees as their calculator did not support a percentage based admin fee.
[44] Australian Institute of Health and Welfare, Home ownership and housing tenure, July 2024.

65-69 will need almost 30 per cent more income in retirement (or to save 110% more) than a homeowner in order to maintain a similar standard of living.[45]

All of the calculators we reviewed enabled the person using the calculator to input whether or not they own their own home. However, none of the calculators used this information to help people consider their eligibility for Commonwealth Rent Assistance payments, or how this might affect their income and spending in retirement. Instead, information about home ownership was only used to inform which asset limit to apply when calculating the Age Pension.

The treatment of mortgages in the calculators was also disappointing. In 2021, 22.8% of people aged 55 and over lived in a home that still had a mortgage on it, an increase of 62.9% since 2011.[46] With more people approaching retirement with a mortgage, calculators cannot assume that everyone owns their own home outright.

16 (73%) calculators failed to ask whether a person had an outstanding mortgage at retirement, and assumed outright ownership. One calculator (Aware Super) prompted a person to enter their mortgage balance at retirement and assumed it would be paid out of the superannuation balance at retirement. Five[47] (23%) calculators modelled whether there would be a balance owing at retirement and suggested a lump sum withdrawal from super to cover this remaining balance. This is one possible approach for retirees, but calculators should also be able to incorporate mortgage payments into a spending budget to enable an individual to see the impact on their retirement income. Funds could provide more consumer guidance to help a person assess which approach is more appropriate for them.

Calculators should tailor income calculations to the needs of the person using the tool and provide additional support for people who rent or still have a mortgage to help them understand their options as well as any help available.

7. Calculators did not explain legislated minimum withdrawal rates

When a superannuation account is in drawdown, a minimum percentage is legally required to be withdrawn each year. These minimum withdrawals can have an impact upon a person's retirement income. This was not well explained by the calculators. This was especially evident among the 12[48] (54%) calculators that used a replacement rate to calculate retirement income because, for our scenario, their default income was lower than the legally mandated drawdown rate.

[45] This calculation is based on retiree spending levels in the 30th percentile and has been adjusted for inflation. Super Consumers Australia, Retirement Savings Targets: Feedback Report, July 2022, p. 9.
[46] Wendy Stone, Margaret Reynolds, Piret Veeroja, Emma R. Power, Francesca Perugia, and Amity James, Ageing in a housing crisis: Older people's housing insecurity & homelessness in Australia, 2023, p. 55.
[47] Mercer Super, CareSuper, Australian Ethical, NGS Super, Equip Super
[48] AustralianSuper, PSSap, Rest, Australian Retirement Trust, Hostplus, Vision Super, GuildSuper, smartMonday, BT, Diversa, Active Super, Colonial First State.

11[49] of these calculators treated the mandated withdrawals as additional income. However, this was not well explained or clearly presented. Instead of showing the higher income mandated by legislated minimum withdrawals, the calculators still presented the lower income suggested by replacement rates as the retirement income. The income that would actually be withdrawn was often hidden on a secondary page that had to be manually clicked to view. By not explaining or highlighting minimum drawdown, a person might not realise their retirement income will actually be higher than the income highlighted by the calculator. Or they may be confused as to why this is the case.

For example, Figure 5 shows Rest estimated a retirement balance of $239,266 and a retirement income of $35,090. In reality, with an Age Pension of $29,070 (shown as a light blue column) and the minimum drawdown of $11,963 (shown as a dark blue column), our scenario's retirement income at age 67 would be $41,033. Although this is shown via the stacked column being higher than the horizontal line in the chart, the income amount is not stated. Instead the $35,090 "income at retirement" is emphasised.

[49] AustralianSuper, PSSap, Rest, Australian Retirement Trust, Hostplus, Vision Super, GuildSuper, smartMonday, Diversa, Active Super, Colonial First State.

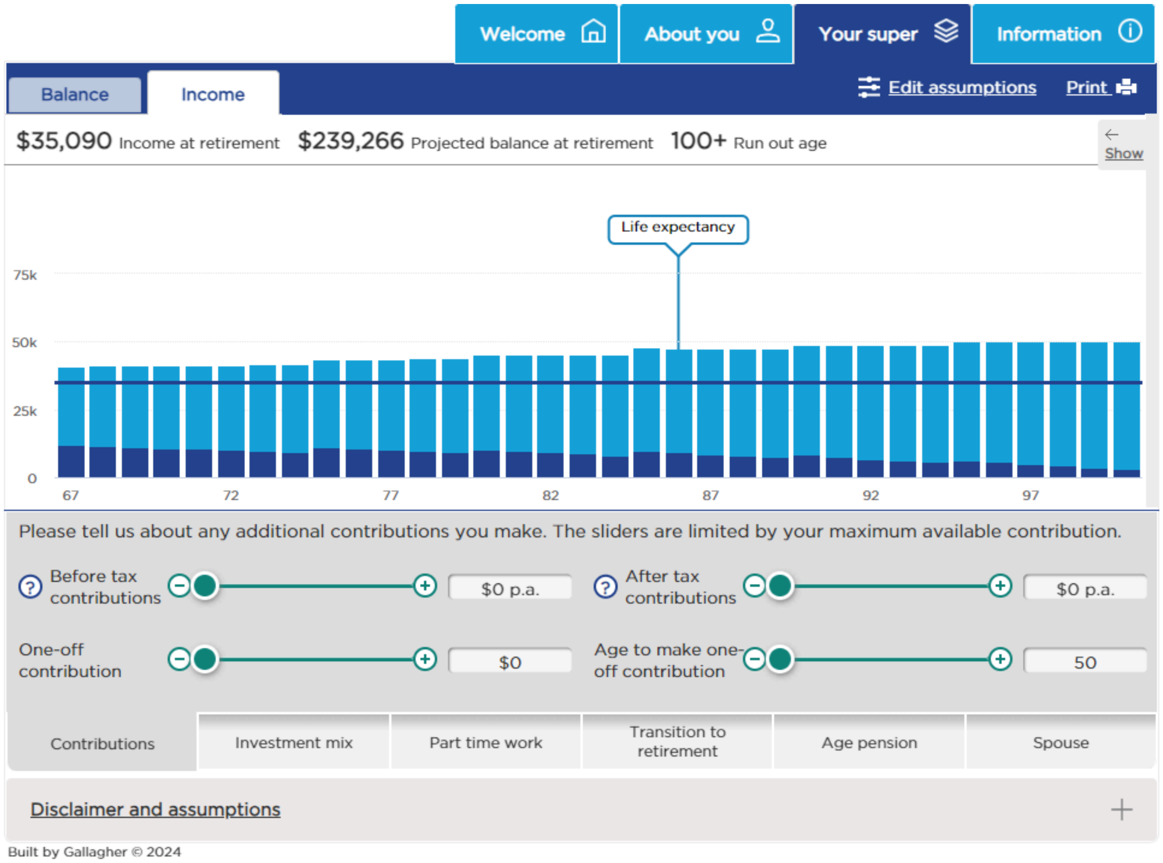

Figure 5 - Rest's calculator showing a mismatch between the prominently displayed "income at retirement" depicted as a horizontal line and the total annual income to be received each year as a stacked column. *Collected on July 9, 2024.*

At the time of data collection, BT's calculator effectively ignored minimum drawdowns, assuming that a person only needed what was suggested by replacement rates. The calculator assumed any excess required to be withdrawn by the minimum drawdown would be reinvested into superannuation. This assumes a very specific, and unlikely, behaviour. The explanation for this assumption was not clear and ignored likely tax implications.[50] This assumption resulted in the superannuation balance growing considerably rather than it being spent down during retirement, as shown in Figure 6. This approach, effectively ignoring minimum withdrawals, is out of step with a fund's obligation to maximise

[50] There are likely to be tax implications with this approach given the contributions would need to be made into an accumulation account which is taxed at 15%, whereas the pension account is taxed at 0%. It is not clear that the calculator properly accounts for these taxes.

retirement income during the period of retirement.[51] In August of 2024, BT changed their calculator to treat minimum withdrawals as additional income.

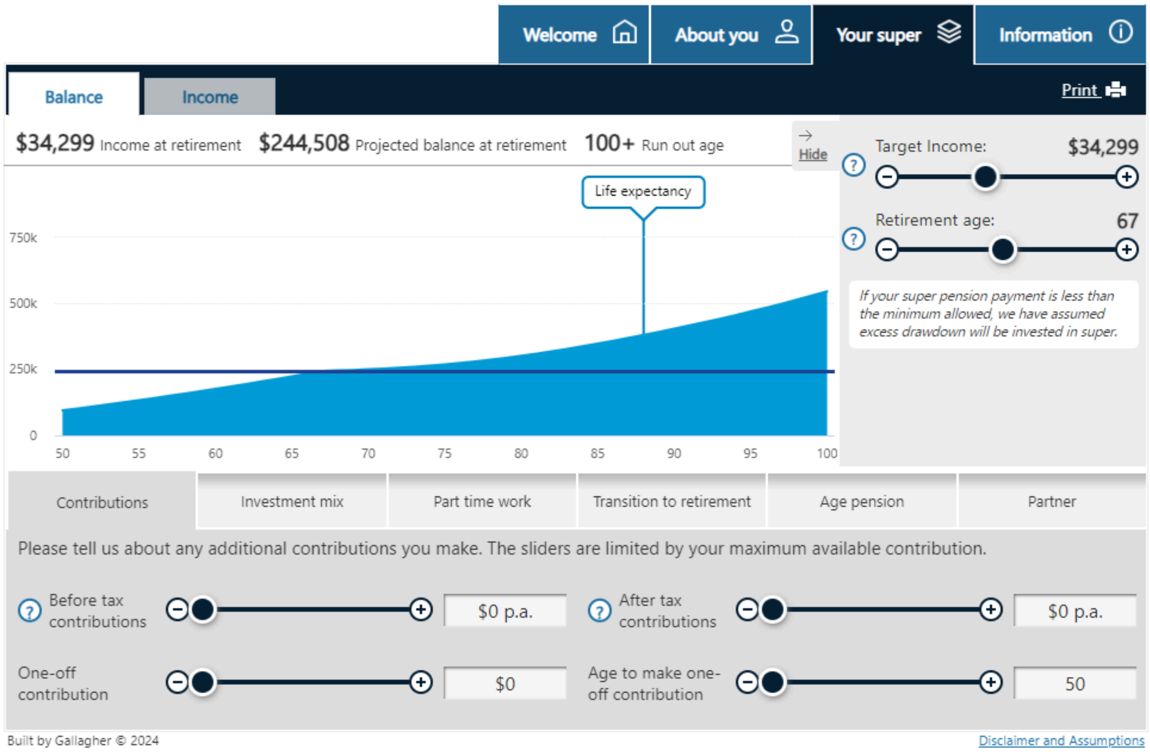

Figure 6 - BT's calculator showing the superannuation balance growing considerably during retirement as it ignores legislated minimum withdrawals. *Collected on July 9 2024.*

Calculators should improve their presentation of minimum drawdowns and clearly explain to people (using interactive elements where reasonable) how the minimum drawdown works and impacts their retirement income. If the retirement income will be higher due to minimum drawdown than the recommended income, then the calculators should highlight the higher amount that will be received.

[51] Superannuation Industry (Supervision) Act 1993 - Section 52AA

8. The way some calculators presented results was unhelpful or confusing

Age Pension not included

Australian Retirement Trust did not show an estimate of the Age Pension by default. This led to the superannuation balance running out at age 74, as shown in Figure 7. With the Age Pension included, the superannuation balance lasted past age 100. This places the onus on a person using the calculator to locate and change the setting to get a more reliable estimate of their retirement income. Not including a major income source by default has a high potential to mislead people.

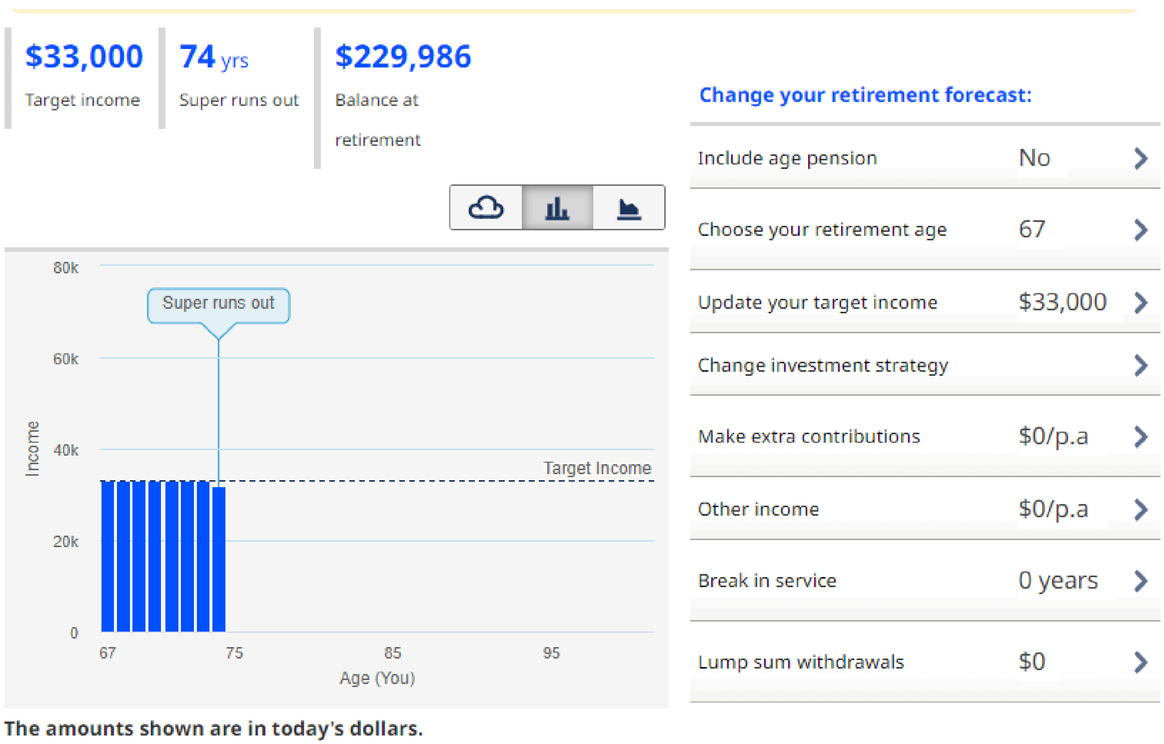

Figure 7 - Australian Retirement Trust's calculator did not include the Age Pension by default. *Collected on July 9, 2024.*

For many people, the Age Pension will play an important role in sustaining their retirement income, and so they need accurate information about it to get a full picture. Not highlighting the way in which the Age Pension helps support people in retirement may lead people to become concerned about their superannuation running out and result in underspending during retirement.

Failed to ask if a person is single or in a couple

Diversa[52] hid the question about having a partner in “Notes, Assumptions & Disclaimer” where it could be easily missed. By default, the Diversa calculator assumes a person is in a couple. A single person who misses this setting would get a very inaccurate result due to the incorrect Age Pension calculation. Important settings that affect the projection should be presented to the person using the calculator in a step by step approach rather than buried in a submenu.

Didn’t show retirement income over time

95% of calculators (21 out of 22) presented a graph showing annual retirement income over time, typically up to age 100. However, Cbus Super simply showed the average annual retirement income figure alongside various benchmarks, e.g. the ‘ASFA Comfortable’ standard (see Figure 8). It did not show how income might change over time as the super balance is drawn down, or how the mix of super withdrawals and the Age Pension evolves.

[52] In August 2024, as this report was being finalised, Diversa replaced their calculator with a link to Moneysmart’s Retirement Planner.

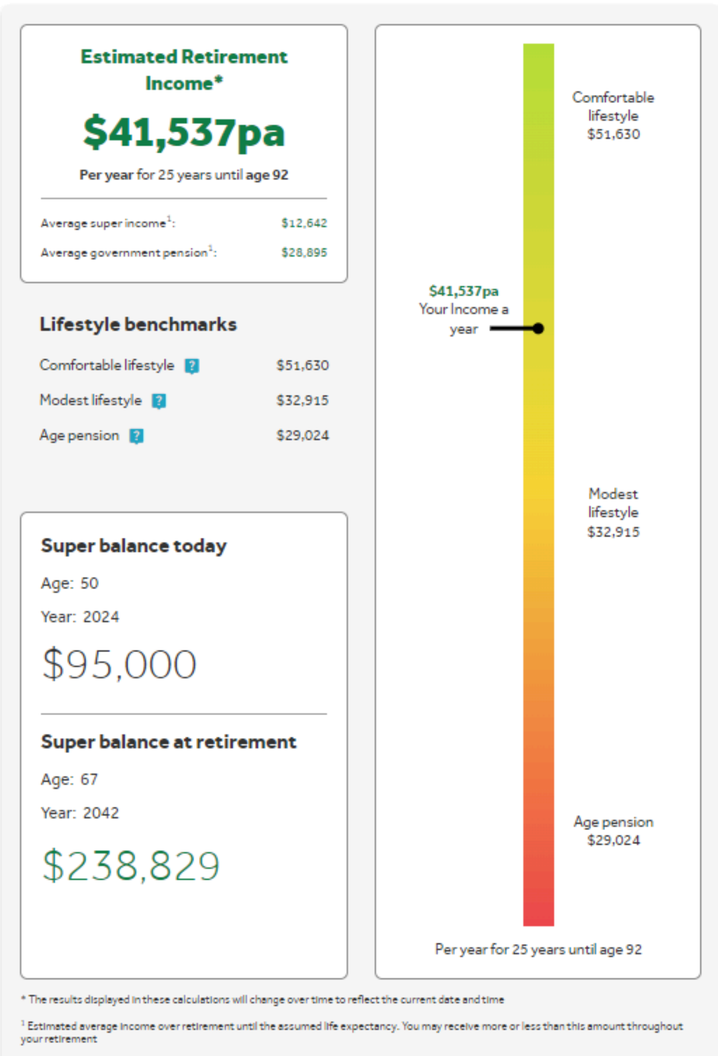

Figure 8 - Cbus Super's calculator showing only an average of the annual income across retirement. *Collected on July 9, 2024.*

Showing only an average income, as in the case of Cbus Super's calculator, presents limited information compared to a year by year display. It is not as intuitive to understand and does not easily highlight the importance of the Age Pension on retirement income. It presents the retirement income until age 92, but doesn't explain that the Age Pension continues to provide support after that age. This may lead a person to become worried about what happens after age 92, not realising that they will continue to receive the Age Pension.

Presenting information about risk and uncertainty

Some calculators attempted to present risk information to the person using the calculator. Seven[53] (32%) calculators used chart overlays to show the probability of living to various ages based on life expectancy estimates (see Figure 9). While this may help some people understand their longevity, this feature and how to use it wasn't well explained. Additionally, probabilities are not well understood by many people and there is a chance the information might be misunderstood or misused.

We welcome the efforts of some funds to incorporate risk and uncertainty into the results, but urge all funds to ensure that all information presented has been rigorously consumer-tested to avoid misinterpretation.

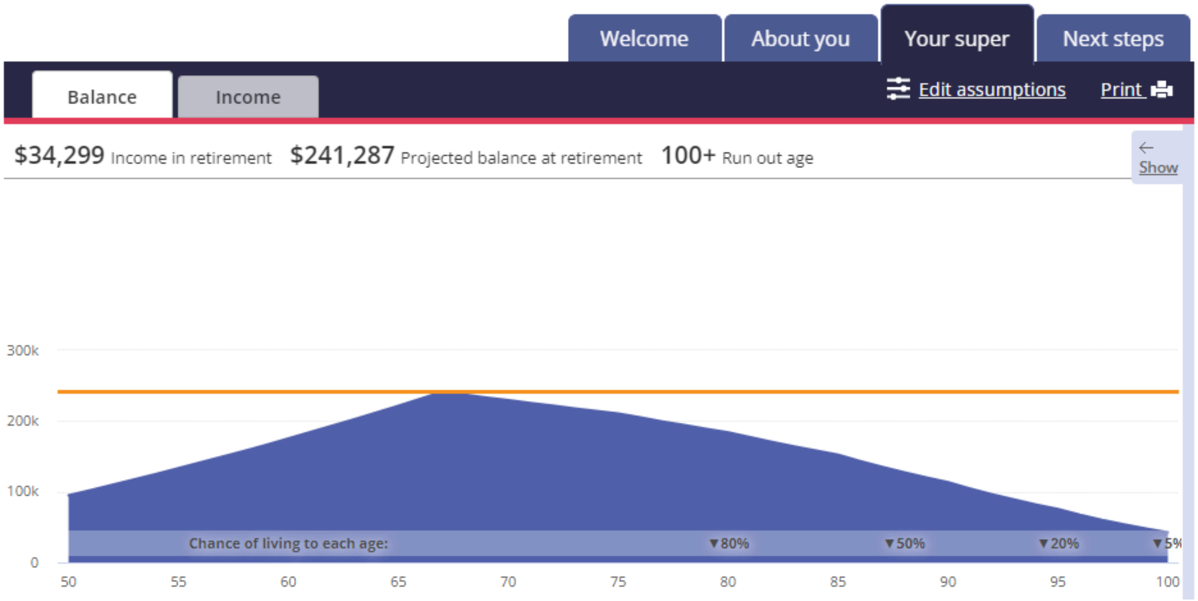

Figure 9 - PSSap's calculator, showing the chance of living to various ages at the bottom of the chart. *Collected on July 9, 2024.*

9. Few calculators provided a tutorial

Five[54] (23%) calculators included a helpful tutorial that explained the basic features of the calculator. The tutorial was the same across these five calculators. Using a person's supplied details, the tutorial provides a guided explanation of what their income might look like in retirement. It highlights sources

[53] PSSap, Diversa, Mercer Super, NGS Super, Australian Ethical, CareSuper, Equip Super
[54] Equip Super, Mercer Super, Australian Ethical, NGS Super, CareSuper.

of income such as the Age Pension and superannuation withdrawals and shows when their superannuation will run out. The tutorial compares the impact of either retiring early or choosing a higher retirement income. It also draws a person's attention to their longevity risk by showcasing their retirement income along with the odds of surviving to a certain age, according to life expectancy estimates.

However, compared to other parts of the tutorial, this longevity feature was not well explained, as it didn't interactively present the consequences of making superannuation last longer (a lower income). The longevity information was simply provided with no guidance or support on how to apply or use this information. More careful explanation may be needed to ensure the presentation of longevity information isn't misunderstood.

An accessible tutorial helps people understand the features of a calculator. It may also encourage a person to experiment with the calculator and understand the impact of adjusting retirement income, rather than anchoring on the defaults chosen by the calculator's designer.

Conclusion

Our findings raise questions about the maturity of super funds' approaches to helping their members plan for retirement

Many of the calculators we reviewed failed to help members accurately work out how much income they would need in retirement, and/or were poorly designed and maintained.

Our main findings:

- Most calculators relied on arbitrary assumptions about a person's spending needs that resulted in a retirement income that was not reasonable for the estimated retirement balance of our scenario (either too high or too low).
- Most calculators didn't provide enough support to help people accurately calculate their spending needs.
- Most calculators didn't account for the higher spending needs of renters, or support people who might still have a mortgage at retirement.
- Most calculators didn't explain minimum withdrawals.

This is consistent with the finding from APRA and ASIC that some funds are not tracking member uptake and usage of calculators, despite the funds pointing to their retirement calculators as an initiative of their retirement income strategies.[55]

We are concerned that funds may not be doing enough consumer testing to understand how people are using their calculators. Consumer understanding and responses to information about uncertain outcomes are particularly sensitive to different presentation formats. Experts have concluded that consumer testing is required to ensure that this information is being presented effectively and is driving better decision-making..[56] Funds should collect user feedback and conduct behavioural research to ensure that their calculators are achieving their goals in helping people to understand retirement.

Super funds' lack of investment and innovation in developing quality guidance tools is concerning. Compulsory superannuation was established to ensure Australians would have enough money to retire. More than 30 years on, funds are failing to adequately support people in answering one of the most basic questions: 'Do I have enough money to retire?' More is needed to drive super funds to improve. Given the compulsory nature of the system, there is also an onus on the Federal Government to assist people in understanding their super and making better decisions about its use. The evidence to date is that many funds are incapable of solving this problem on their own.

Given the disappointing findings in this paper, Super Consumers considers that Australians would be better served by an independent or government retirement guidance service that helps people to compare the retirement income they could achieve in different funds, rather than rely on individual fund calculators. This independent service could build on the retirement calculators that already exist on Moneysmart. Treasury proposed a service like this in the government's retirement phase consultation,[57] and we strongly recommend that it be implemented.

[55] ASIC and APRA, Implementation of the retirement income covenant: Findings from the APRA and ASIC thematic review, Information Report, July 2023, p. 19
[56] For example, Hazel Bateman et al., "As easy as pie: How retirement savers use prescribed investment disclosures", Journal of Economic Behavior & Organization, vol. 121, 2016, pp. 60-76; Hazel Bateman et al., "Risk presentation and portfolio choice", Review of Finance, vol. 20(1), 2016, pp. 201-229; Hazel Bateman et al., "Financial competence, risk presentation and retirement portfolio preferences", Journal of Pension Economics & Finance, vol. 13(1), 2014, pp. 27-61.
[57] Treasury, Retirement phase of superannuation Discussion paper, December 2023 p.11.

Super Consumers recommends that the independent service follow these best practice principles:

1. **Use information about a person's life circumstances to help them work out how much income they will need** in retirement. This should include critical pieces of information, such as whether they have a partner or are a homeowner, rather than imposing default assumptions that someone using the calculator will later need to find and adjust.
2. **Provide useful guidance, benchmarks and examples** to help people to understand their spending needs in retirement. A lot of people find it difficult to predict the costs they will face in retirement, and would benefit from information about what retirees actually spend, at various income levels, and the different types of costs in retirement (such as Super Consumers Australia's Retirement Savings Targets[58]). These include everyday living costs, as well as housing costs such as rent, mortgage repayments, and home maintenance.
3. **Help people to understand how much income they are realistically likely to have** from all available sources. This includes income from superannuation, any partner income, savings held outside of super, and government benefits such as the Age Pension and Rent Assistance.
4. **Help people to understand the calculator's outputs**, including any limitations. The presentation of information should help people understand the level and sources of their retirement income, and to consider the impact of uncertain factors, for example, life expectancy.
5. **Use a step-by-step approach**, with guidance at each stage, to help people understand what information they are being asked to input and any trade-offs they may need to make (e.g. between accessing lump sums and drawing a higher regular income). This is the approach used by the UK MoneyHelper service's pension calculator[59], which steps users through a process of identifying their spending needs and how much could be withdrawn as a lump sum.
6. **Be informed by behavioural research, rigorous consumer testing, user feedback, and ongoing monitoring** of how consumers are using the calculator in practice.
7. **Be maintained appropriately** and kept up to date with changes in key assumptions, such as product fees.

[58] Super Consumers Australia, Retirement Savings Targets, August 2023.
[59] See https://www.moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/use-our-pension-calculator

Appendix

Methodology: How did we conduct the review?

In this review we looked at retirement calculators: interactive tools which take a person's age, income, current superannuation balance and other inputs, and use these to make a projection of their retirement income and/or superannuation balance at retirement (by applying assumptions about investment returns, fees, wage growth and other factors). These calculators go by various names, such as 'retirement planners', 'superannuation calculators', 'retirement income projectors' and 'retirement adequacy calculators'.

We did not review other calculators, such as calculators designed to help people work out income payments when already in retirement, Age Pension calculators and life expectancy calculators. We also did not review standalone retirement budgeting tools, unless they were linked to a fund's retirement calculator.

We looked at the largest 50 super funds by number of members, as recorded by the Australian Prudential Regulation Authority.[60] Of these funds:

- 25 had a retirement calculator available on their public-facing website.
    - Three funds that shared the same Trustee, Diversa, had links to the same generic calculator hosted by Diversa.[61] We included this calculator once in our sample to give 22 distinct calculators.
    - One, Telstra Super, had a calculator that used a stochastic (random) model. We did not include this calculator because we consider the outputs generated by a stochastic calculator are not directly comparable with outputs from a deterministic (non-random) model. For example, a stochastic calculator calculates the probability of a certain outcome which is not a feature of the deterministic calculators.
- One fund (MLC) had a calculator behind a member portal. We did not review this calculator because it was not publicly available.
- 24 funds did not have a calculator on their public website and of these, eight featured a link to Moneysmart's Retirement Planner.

Summary of retirement calculators used in the sample

Tables 1 and 2 below provide summarised information about each of the 22 publicly accessible calculators in our review. In reviewing fund calculators, we collected information relating to:

[60] APRA, Annual fund-level superannuation statistics, June 2023.
[61] In August 2024 Diversa replaced their calculator with a link to Moneysmart's Retirement Planner.

- The information people are required to input.
- The way results are presented.
- How the amount of retirement income was worked out, including if a ‘target income’ or ‘desired income’ was shown.
- The default assumptions, including inflation, wage growth, investment returns, fees and (if applicable) target income, as well as the justification provided for these assumptions.
- Whether the calculator allows people to customise their results by inputting information about their gender, whether they have a partner, whether they rent or own their own home, and whether they plan to work part time or full time.
- The output for our scenario including the default retirement income, the projected retirement superannuation balance, and the age at which the superannuation balance would run out at the default income.[62]
- Whether the calculator was provided or ‘powered’ by a ‘white-label’ calculator from a third-party provider.

For testing purposes, we compared the calculators using a typical scenario to estimate the super balance at retirement and annual retirement income. The figures we have published are for a hypothetical 50-year old female with $55,000 in current annual income and a $95,000 current super balance. This is slightly less than the median annual income and super balance for a 50-year old female.[63] We also assumed that she was a homeowner who was planning to retire at age 67 (the default age prescribed in ASIC’s rules), and if prompted, indicated that she was single. We assumed that she was not planning to work part time, take workforce breaks, make voluntary contributions to her super or take any lump sum withdrawals from her super. For all other characteristics, we used the fund’s default settings.

[62] If the superannuation balance for that year was less than $1,000 we recorded the run out age as one year earlier.
[63] Australian Bureau of Statistics, Employee Earnings and Hours, Australia, January 2022, and Australian Taxation Office, Individuals statistics 2020 - 2021, June 2023, Chart 12.

Calculator outputs for scenario

	Default retirement income calculation method	Projected retirement balance at 67	Default retirement income	Age at which superannuation runs out	Third-party provider
ACTIVE Super	Replacement rate	$190,298	$35,090	100+	Gallagher
AMP	User input required	$214,247	$47,217	83	-
Australian Ethical	ASFA comfortable	$199,014	$52,000	78	Mercer
Australian Retirement Trust	Replacement rate	$229,986	$33,000	102+	-
AustralianSuper	Replacement rate	$248,859	$35,090	100+	Gallagher
aware Super	Fixed end	$254,984	$41,518	95	-
Brighter Super	Fixed end	$227,774	$47,319	91	Towers Watson
BT	Replacement rate	$244,508	$34,299	100+	Gallagher
CareSuper	ASFA comfortable	$204,926	$52,000	79	Mercer
cbus	Fixed end	$238,854	$41,540	92	-
Colonial First State	Replacement rate	$251,000	$29,928	100+	-
diversa	Replacement rate	$184,251	$35,090	100+	-
Equip Super	ASFA comfortable	$226,848	$52,000	78	Mercer
GuildSuper	Replacement rate	$247,340	$36,586	100+	Gallagher
HOSTPLUS	Replacement rate	$251,812	$37,429	100+	Gallagher
Mercer	ASFA comfortable	$260,883	$52,000	86	Mercer
ngs Super	ASFA comfortable	$188,516	$52,000	77	Mercer
PSSap Public Sector Superannuation accumulation plan	Replacement rate	$241,287	$34,299	100+	Gallagher
Rest	Replacement rate	$239,266	$35,090	100+	Gallagher
smartMonday by Aon	Replacement rate	$230,594	$34,299	100+	Gallagher
UniSuper	Fixed end	$246,004	$48,550	92	-
vision super	Replacement rate	$216,165	$38,500	100+	Gallagher

Table 1 - Each calculator's outputs for our scenario. *Data collected on July 4.*

Super Consumers Australia

	Fees match PDS	Includes a tutorial	Includes a budget	Support for mortgage	Supports miminum withdrawal^	Net investment return	Insurance premium	Provider
Active Super	✓	✗	✗	✗	✗#	5.10%	Based on premium tables	Gallagher
AMP	✓	✗	✓	✗	✓	4.78%	$0	–
Australian Ethical	✓	✓	✓	✓	✓	5.90%**	$168	Mercer
Australian Retirement Trust	✓	✗	✗	✗	✗#	6.00%	$214	–
AustralianSuper	✓	✗	✗	✗	✗#	6.50%	$450	Gallagher
aware super	✓	✗	✗	✓	✓	6.45%	Based on premium tables	–
Brighter Super	✓	✗	✗	✗	✓	6.60%	$650	Towers Watson
BT	✗	✗	✗	✗	✗	6.18%	$214	Gallagher
CareSuper	✓*	✓	✓	✓	✓	5.50%**	$640	Mercer
cbus	✓	✗	✗	✗	✓	5.75%	$0	–
Colonial First State	✗	✗	✗	✗	✓	6.18%	$214	–
diversa	✗	✗	✗	✗	✗#	4.06%	$375	–
Equip Super	✓*	✓	✓	✓	✓	5.90%**	$243	Mercer
GuildSuper	✓	✗	✗	✗	✗#	6.46%	$300	Gallagher
Hostplus	✓	✗	✗	✗	✗#	6.50%	$270	Gallagher
Mercer	✓*	✓	✓	✓	✓	7.50%	$400	Mercer
ngs Super	✓*	✓	✓	✓	✓	5.10%**	$1,373	Mercer
PSSap Public Sector Superannuation accumulation plan	✓	✗	✗	✗	✗#	6.00%	$0	Gallagher
Rest	✓	✗	✗	✗	✗#	6.50%	$0	Gallagher
smartMonday by Aon	✓	✗	✗	✗	✗#	5.68%	$853	Gallagher
UniSuper	✓	✗	✗	✗	✓	6.30%	$214	–
vision super	✓	✗	✗	✗	✗#	5.60%	Based on premium tables	Gallagher

Notes

* Administration fee cap not modelled

** Unclear if these are net or gross returns

^ Yes – treated as income, No – ignored

Default income below minimum withdrawal

Table 2 - Further detail about each calculator. *Data collected on July 4.*

Retirement income

The amount of default annual retirement income ranged from $29,928 to $52,000 a year, a difference of 74% (see Figure 9).

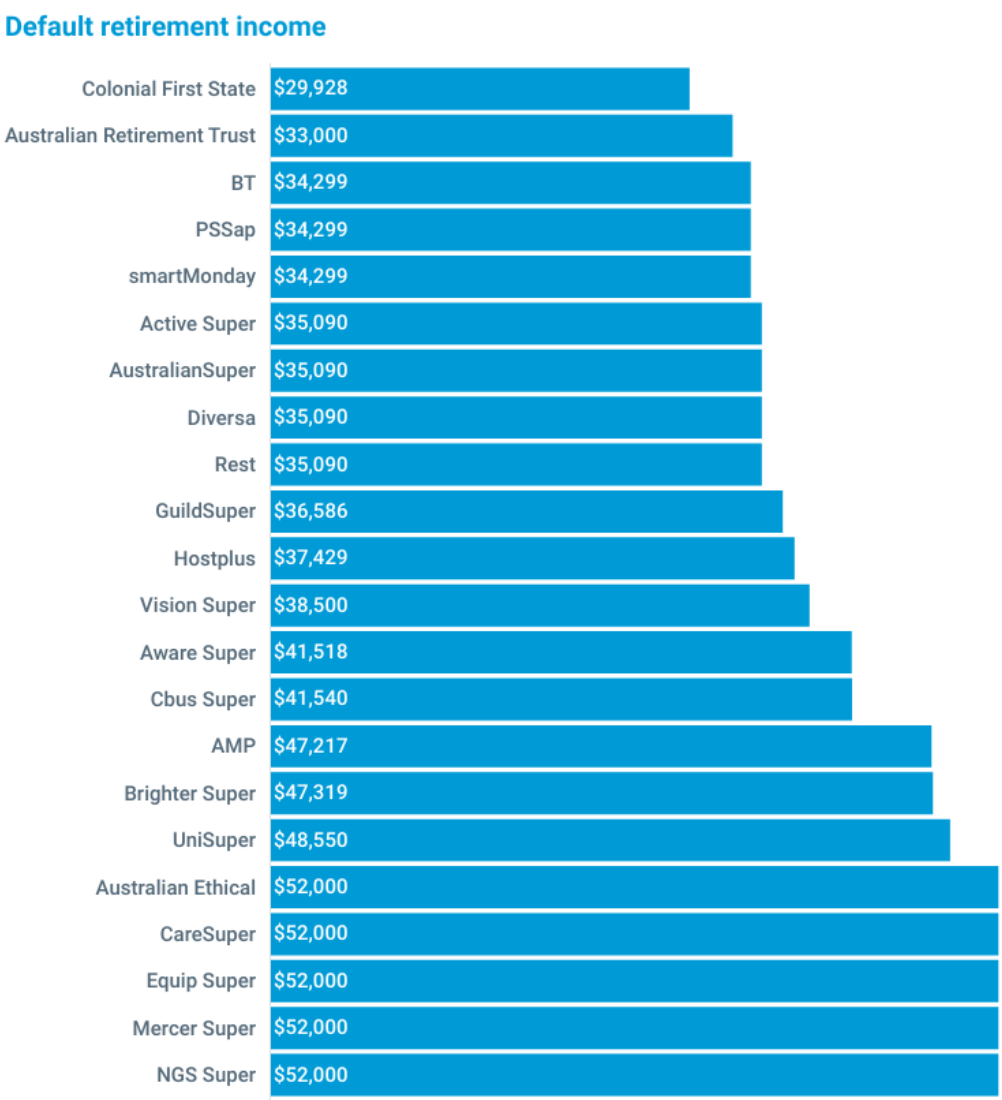

Figure 10 - The level of default annual retirement income provided by each calculator.
Data collected on July 4.

Retirement Balances

The estimated retirement balances varied from $184,251 to $260,883. A variation of 42%.

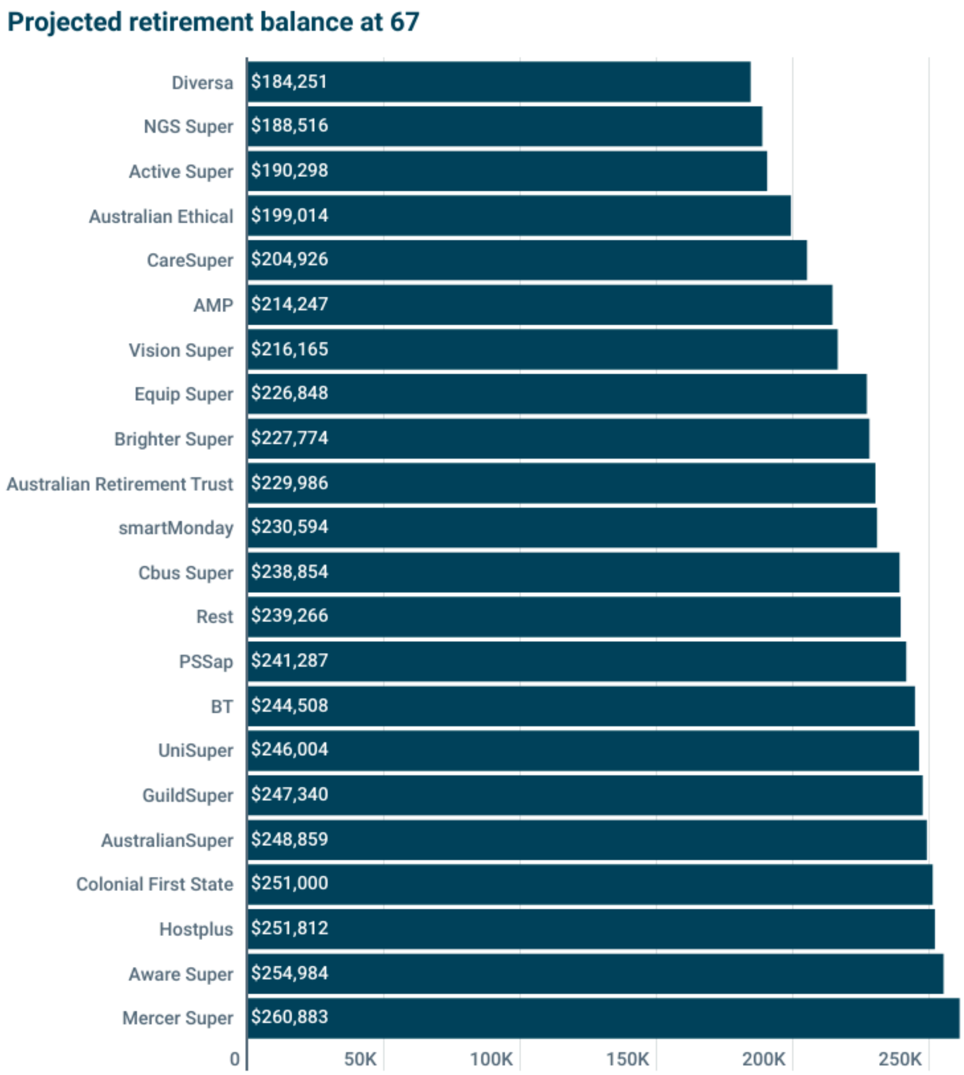

Figure 11 - The estimated retirement balance of each calculator for our scenario.