A Projections The Super Report

YOUR RETIREMENT INCOME

shown for a range of investment options (asset allocation) and financial choices

This report was emailed to: team@mprojections.com.au

> for Example report Date: 25/05/2022 11:07

team@mprojections.com.au

Powered by mSmart ABN 30 167 364 552

Summary (p1 of 2)

A Projections

Investment options ...

Basic information given to us:

| Age now | Age at | Fund size at | Yearly |
|---------|------------|--------------|--------------|
| | retirement | start | contribution |
| 30:30 | 67 : 67 | \$30,000 | \$16,000 |

Other information you've given us is summarised on the next page.

Retirement forecasts

| Size of funds at retirement | Projected retirement income for 25 years | Chance of getting this level or more | The future is uncertain. We look at a large |
|--------------------------------|---|---|---|
| \$3,011,000 | \$200,000 | 10% | scenarios that |
| \$1,786,000 | \$123,000 | 50% | See FAQ for more |
| \$1,114,000 | \$87,000 | 90% | |

Current Investment Strategy

This graphic shows the chance of different spending levels (retirement income) lasting for 25 years for the younger person in retirement. Darker colours indicate a higher chance that that level of spending can be maintained, light colours indicate a smaller chance. The current portfolio (65% growth assets) has a 50% chance of lasting 25 years with a spending level of \$123.000 (in red).



The chart shows the possible sizes of the fund over time. Darker colours have a higher chance that the fund will be this much or more, with lighter colours being unlikely to be exceeded. In retirement the spending level is the one with 50% chance of lasting 25 years. The green line shows the amount where there is a 50% chance that the fund size will be larger than that amount.



Summary

Based on the information you gave us, we can show the projected income with a 50% chance in this bar chart, and the source of the income. Remember that 'income' is defined by government to include the proceeds from the sales of assets as well as dividends and interest.



This next chart summarises the chances of maintaining the spending level for 3 investment strategies. Each strategy has its own typical value for a spending level that can be maintained, and range of uncertainty. Generally, though not always, the higher typical values are associated with higher uncertainty. This is discussed in detail later in the document.



What to do?

It is up to the individual to consider the spending levels they want, their own level of uncertainty, what they're comfortable with, and what decisions they'll make to achieve these goals. This can be done by themselves, or in conjunction with an accredited financial planner.

When these decisions have been made then they must be acted on! Make sure you don't miss this important step.

See page 21 for more important information.

The projections include additional income in retirement, which will increase spending levels.

The projections include a reverse mortgage, which increases spending levels.

Contents

A Projections

This report was prepared for: team@mprojections.com.au : Example report Date: Wednesday 25 May 2022 11:07

| Summary | 1 |
|---|----|
| Super Fund Projections - details | 4 |
| Information given to us for this report | 13 |
| Assumptions, taxes, pensions, methods | 17 |
| Frequently Asked Questions | 22 |

INFLATION: All results are presented in today's dollars. This makes the numbers more meaningful – whenever we quote an amount in the future (eg fortnightly income of \$2,000), this should be able to buy the same amount of groceries as it would today. The concept of inflation - and buying power - is built into the answer.

Salaries typically go up faster than inflation, while pension payments only go up with inflation. When projections are made for long periods of time there may be a greater difference between the salary at the time of retirement and the pension, compared to today's difference.

PLEASE CONSIDER: We're making projections over a long period of time. Before taking any action one should consider whether to discuss these results with a qualified financial planner, accountant, or similar professional.

No one can give any assurances as to the money that will be in a Superannuation account when a Member chooses to retire. But by understanding the possible impact of changing the investment strategy on retirement income, the Member will have the opportunity to look at ways to possibly change the likely retirement income in line with needs and goals.

Like you, we're looking into the future and trying to do what's best. We're working on upgrades and new products, that will be free with a subscription. But we don't know everything. If there is something that you'd like to see in a Report, then please contact us at team@mprojections.com.au

You may also like to see the FAQs on our website www.mprojections.com.au

If you still have questions after reading this report, please send us an email: team@mprojections.com.au

Superfund projections 🛛 🐅 Projections

Looking into the future, we can estimate the possible range of fund size at different ages. Sometimes investments can perform well above what is expected, sometimes they'll be lower. The first chart shows the range of values at different ages if the current strategy is maintained for all ages.

For the current strategy there is a 50:50 chance that the super fund size will be higher than \$1,786,000 at retirement. Retirement spending is \$122,694 a year.



Amount of Super Over Time - current strategy

Notes:

Darker colours indicate higher likelihood of the fund size being at least this much. The green line is the 50:50 line - the fund is just as likely to be below this value as it is to be above.

The vertical axis shows the size of the fund in millions of dollars.

The horizontal axis shows the age of Person1,

The maximum fund size usually occurs at retirement, age 67. Before retirement the size tends to increase as contributions continue, and the investment returns are accumulated. After retirement the fund usually declines as money is taken out for living expenses.

The calculations assume asset allocation of 65% in growth assets, and a fund size at the start of \$30,000. Contributions increase in line with the prescribed schedule for the superannuation guarantee charge.

Some details to keep in mind!

The future is uncertain. We tackle that by looking at at large number of future possibilities (scenarios) and showing you that range. We want you to see the good outcomes, and the bad outcomes, and the ones in the middle - the typical values.

There's lots of ways people talk about typical outcomes – expected values, medians (that's the middle values), averages ... We might seem to be complicated, but that's because we're properly recognising that uncertainty. As we're being careful, you might find our values different from most other sites that don't look at many possible values - they just calculate an approximation to these important numbers.

A Projections

Amount of Super Over Time - Growth strategy

For the Growth strategy there is a 50:50 chance that the super fund size will be higher than \$1,849,000 at retirement. The spending in each year in retirement is at a level of \$127,962 until age 100 or when the fund runs out.



With the Growth strategy there is a chance that the fund may perform very, very well for the life of the fund. This is seen in the chart as possibilities that the fund can become very large, and still have a significant size at age 100. The downside is that poor returns could occur, which lead to the superannuation fund becoming exhausted soon after retirement.

Amount of Super Over Time - Conservative strategy

For the Conservative strategy there is a 50:50 chance that the super fund size will be higher than \$1,552,000 at retirement. The spending in each year in retirement is at a level of \$106,479 until age 100 or when the fund runs out.



With the Conservative strategy the likelihood that the fund will perform very poorly for the life of the fund is much reduced. This is seen in the chart as possibilities that the superannuation fund becoming exhausted soon after retirement (the size is zero) do not occur till older ages than the previous charts. The likelihood that the fund can become very large, and still have a significant size at age 100 is much reduced. The set spending level of \$106,479 also will be lower than the previous two examples.

There is always the fundamental tradeoff between the possibility of high fund value and the fund running out earlier than desired in retirement.

A Projections

Where Does the Money Come From?

During retirement, when the spending level is \$122,694 for each year, where does this come from? There are four sources we show: pension payments from the government, superannuation savings, Other (see note below and FAQs), and possible income from part-time work after retirement, or from the salary that one person in a couple may have if the other person retires before them.

We show three charts here, one for the current investment strategy, one for the Growth strategy, and one for the Conservative strategy.

The chart shows the years from the first person to retire, till the older person reaches 100.

Remember: In this report, we assume that today's superannuation guarantee levy, pension rules, taxes and so on, are unchanged. The important point is the comparison between different strategies. Decisions should be made on this comparison, rather than the actual level of the values.



Sources of spending over time - Current strategy

The spending level aimed for is \$122,694 per annum

Over the retirement period, the source of income depends on what's happened in investment markets up till retirement and what happens afterwards. In all three charts we show the sources of income if investment returns are at typical levels averaged over a few years, and with typical volatility - some years are good and some are bad.

FOOTNOTE:: Other income: If non-superannuation assets are available then their drawdown is represented as Other. If the superannuation cap is exceeded we assume the excess is invested outside the super fund. Also, if the minimum super withdrawal is more than the modelled spending level, then the excess is invested outside super. Drawdowns from any reverse mortgage are shown as Other. The model assumes these drawdowns are used first to provide the spending levels in later years.

An Projections

Sources of spending over time - Growth strategy



The spending level aimed for is \$127,962 per annum.



Sources of spending over time - Conservative strategy

The spending level aimed for is \$106,479 per annum.

A Projections

What's the chance of the money running out?

What's the chance of a particular level of spending running out before the first 25 years of retirement? Obviously, the more that's spent, the more chance the Fund will run out earlier than 25 years. What happens in the future is uncertain, so the estimates we make in this calculator look at a range of possible future outcomes and spending levels . The next chart shows the chance of running out before reaching 25 years for different levels of spending.

The darkest colour (on the left of the bar) shows a spending level of \$78,210 p.a. has a small chance (less than 1 in 20 of our projected outcomes) of running out of money in the fund before 25 years.

Chance of maintaining spending levels - Current strategy

If spending is at a level beyond the lightest colour (on the right of the bar, and possibly off the scale), at \$200,000 p.a., then only 1 out of 20 of our projections had the fund last for 25 years.

The red band shows the mid range of spending levels (\$117,817 to \$128,144) that have a roughly equal chance of the super fund running out before or after 25 years of retirement.

Putting it another way, trying to keep spending levels above this range will have a lower chance of lasting for the desired length of time, and spending levels below these values have a better chance of lasting the period.

| hood taini | hood of Itaining | Spending level | |
|---------------|---------------------|-------------------|-----------|
| | 19 in 20 | \$78,210 | |
| | 3 in 4 | \$97,970 | |
| | 1 in 2 | \$122,695 |] |
| | 1 in 4 | \$160,340 | Why we ch |
| | 1 in 20 | \$200,000 | page 19 |

Vhy we chose \$200,000 as a naximum value is explained on age 19

Of course, this is not a set and forget strategy. This analysis shows what may happen if the current strategy was held till age 100. It's prudent to assess the strategy regularly, especially if there have been significant change in circumstances or the investment markets.

Our low-cost subscription enables that review to be done on as often as one likes.

A Projections

We can compare the various standard investment options that are often used by major fund providers in the following chart and table.



For more information on understanding this chart click here to see our website.

| | Growth | Chance of running out of super before 25 years | | | | |
|--------------|----------|--|----------|-----------|-----------|-----------|
| | assets | 5% | 25% | 50% | 75% | 95% |
| Current | 65% | \$78,210 | \$97,970 | \$122,695 | \$160,340 | \$200,000 |
| HighGrowth | 95% | \$71,825 | \$96,228 | \$128,859 | \$196,597 | \$200,000 |
| Growth | 85% | \$73,519 | \$96,729 | \$127,962 | \$182,972 | \$200,000 |
| Balanced | 60% | \$79,105 | \$98,069 | \$121,138 | \$152,573 | \$200,000 |
| Defensive | 45% | \$83,718 | \$97,786 | \$114,236 | \$135,500 | \$171,936 |
| Conservative | 25% | \$88,717 | \$96,584 | \$106,480 | \$114,535 | \$129,909 |
| Lifecycle | variable | \$77,883 | \$98,029 | \$124,246 | \$170,595 | \$200,000 |

The question we're helping to answer here is: If I want to spend a certain amount of money each year in retirement, what's the likelihood it will last for 25 years, and how does this change as I change my asset allocation?

Lifecycle strategy

Projections

The Lifecycle strategy for investments is to have a high exposure to Growth assets when the investor is young (and the fund is usually relatively small), and gradually moving to more Defensive assets as the investor gets older and the fund becomes larger in size.

The strategy adopted in this report is to start at age 30 with Growth assets at 100% then changing by -5% every 5 years, with no more changes past age 85.



For younger investors there may be a significant difference between the Lifecycle outcome and a constant asset allocation. Older investors may not see any significant difference.



The red band shows the mid range of spending levels (Current: \$117,817 to \$128,144 / Lifecycle: \$118,473 to \$130,469) that have a roughly equal chance of super running out before or after 25 years of retirement for the younger person.

The mid-points for spending levels are \$122,695 for the Current strategy, and \$124,246 for the Lifecycle strategy.

Lifecycle strategy



If there is no large difference between the current asset allocation and the Lifecycle strategy then there may not be any discernable difference between the way the fund size may change over time. Though remember that there could be some difference in the level of spending that is being undertaken in the two strategies.

Fund size over time - Current strategy

Spending level is \$122,694.



Sources of spending over time - Lifecycle strategy

Spending level is \$124,245.



11

Lifecycle strategy

An Projections

Indications of where the spending levels come from are given in the following two charts.

Sources of spending over time - Current strategy

Spending level is \$122,694.



Sources of spending over time - Lifecycle strategy



Spending level is \$124,245.

Information used to create this report

If you aren't sure of some of the values we asked for, don't worry too much. The values we've pre-filled the table with are typical values for people saving for their superannuation. These typical numbers will not be accurate for everybody, but they give an indication of what may happen in the future retirement phase for different asset allocations.

Bear in mind that as a subscriber, you can run reports with different inputs to see future possible outcomes.

| Mandatory | Your values | Default |
|--|-------------|----------|
| What is the age of the person being projected? | 30 | 30 |
| What is the salary of Person 1? | \$100,000 | \$80,000 |
| What is the size of Person1's total superannuation investments? | \$15,000 | \$15,000 |
| What is Person1's current annual contributions to superannuation? This should be at least 10% of their pre-tax annual income. | \$8,000 | \$8,000 |
| If Person1 is making additional contributions to their super fund, how much is it? | \$0 | \$0 |
| What annual amount of insurance premium is paid by Person1's super fund? | \$200 | \$200 |
| At what age does Person1 expect to retire? | 67 | 67 |

Questions about a second person

Default

| If there are two people being projected, what is the age of the second person. If no second person, please leave blank | 30 | 0 |
|--|----------|-----|
| What is the salary of Person 2? | \$80,000 | \$0 |
| What is the size of Person2's total superannuation investments? | \$15,000 | \$0 |
| What is Person2's current annual contributions to superannuation? | \$8,000 | \$0 |
| If Person2 is making additional contributions to their super fund, how much is it? | \$0 | \$0 |
| What annual amount of insurance premium is paid by Person2's super fund? | \$200 | \$0 |
| At what age does Person2 expect to retire? | 67 | 0 |

Super Fund details

| Super Fund details | Your values | Default |
|---|-------------|-----------|
| What proportion of your superannuation is in growth assets such as the stock market (here and overseas), and property. | 65% | 65% |
| Will you own your own home at retirement? | Yes | Yes |
| What is the value of that home now? | \$750,000 | \$750,000 |
| What annual administration fee is charged by the super funds? Or if an SMSF, fees charged by accountants, auditors, and financial advisors. | \$74 | \$74 |
| Super funds also charge a fee as a percentage of the size of the fund. What is that percentage? | 0.85% | 0.85% |
| What is the maximum insurance premium as a percentage of the annual contribution? | 10.00% | 10.00% |
| At what age does insurance stop? | 55 | 55 |
| For how long in retirement do you want income from your super? | 25 | 25 |

Additional income in retirement

| What is the anticipated additional income in retirement? | \$15,000 | \$0 |
|--|----------|-----|
| At what age is the extra income starting? | 67 | 0 |
| For how many years do you expect to earn this income? | 5 | 0 |

Breaks in employment

| Breaks in employment | | Default |
|--|---|---------|
| Age at which Person 1 starts the break | 0 | 0 |
| Length of P1's break | 0 | 0 |
| Age at which Person 2 starts the break | 0 | 0 |
| Length of P2's break | 0 | 0 |

Other non-superannuation assets

| Amount of other assets invested now | \$0 | \$0 |
|---|-----|-----|
| Age at which investments will be made into other assets | 0 | 0 |
| How many years will investments be made? | 0 | 0 |
| Amount of each investment | \$0 | \$0 |

| 25 | |
|----|--|
| | |
| | |

Default

Default

| Other large inflows (such as an inheritance) | Your values | Default |
|--|-------------|---------|
| Age at which inflow(s) occur | 0 | 0 |
| Number of inflows | 0 | 0 |
| Amount of each inflow | \$0 | \$0 |

Lump sum withdrawals in retirement

| Age at which lump sum(s) occur | 0 | 0 |
|--|-----|-----|
| Number of years lump sum withdrawals are taken | 0 | 0 |
| Amount of each lump sum | \$0 | \$0 |

Downsizing home in retirement

| Age at which downsizing occurs | 0 | 0 |
|------------------------------------|-----|-----|
| Amount of money allocated to super | \$0 | \$0 |
| Amount allocated to other assets | \$0 | \$0 |

Reverse mortgage / Equity release

| Reverse montgage / Equity release | | Default |
|--|----------|---------|
| Initial amount of reverse mortgage | \$10,000 | \$0 |
| Age at which reverse mortgage is setup | 85 | 0 |
| Reverse mortgage fees on setup | \$5,000 | \$0 |
| Annual drawdown amount | \$5,000 | \$0 |
| Interest rate | 5.00% | 0.00% |

| Legacy amount | | Default |
|---|-----|---------|
| Amount of legacy, or for aged care, including net value of home | \$0 | \$0 |

15

Default

Default

- -

Economic modelling

| Economic modelling | Your values | Default |
|---|-------------|---------|
| What is the annual rate at which real salary increases above CPI? | 1.50% | 1.50% |
| What is the expected annual real return on growth assets? This is the annual return above inflation. | 6.00% | 6.00% |
| What is the expected annual real return on defensive assets? | 2.50% | 2.50% |
| What is the volatility of return for growth assets? | 20.00% | 20.00% |
| What is the volatility of return for defensive assets? | 1.50% | 1.50% |
| What is the correlation of returns? | 20.00% | 20.00% |
| What is the reversion to the mean parameter for growth assets? | 1.00% | 1.00% |
| What is the reversion to the mean parameter for defensive assets? | 1.00% | 1.00% |

Assumptions

16 ★ Projections

Superannuation and Tax

Tax

We assume that you have provided your Tax File Number to your superannuation fund. Otherwise we would have to assume you'd be paying much higher tax rates.

15% tax is deducted from your employer contributions and before tax (salary sacrifice) additional contributions. We assume the amount of additional concessional contributions increases with inflation. There is a limit to the additional concessional contributions allowed by the ATO (Australian Tax Office) of \$25,000. We assume this increases by the rate of inflation each year.

The investment earnings of the super fund are taxed at 15% prior to retirement, and for balances held in a superannuation account in retirement as a result of exceeding the Transfer Balance Cap at the point of retirement.

In retirement, the tax rate on investment earnings is 0%.

Transfer Balance Cap

There is a cap on the amount of superannuation eligible to be transferred to account-based pensions in retirement. We assume the current Transfer Balance Cap of \$1,600,000 is indexed with CPI inflation over time.

Balances at retirement in excess of the Transfer Balance Cap are assumed to remain in a superannuation account similar to the one held up to retirement, the same fees and returns applied prior to retirement are applied to this superannuation account (if applicable) in retirement. The tax on investment earnings on this excess are at the pre-retirement rate.

After tax contributions

The current projection model does not allow for regular non-concessional contributions to be made over the entire working life. If you are interested in gauging the effect of additional regular contributions then you can use the option for additional large payments. Before retirement, these payments are assumed to be used for non-concessional contributions, up to the limit, then invested in nonsuperannuation assets. Funds from sources such as inheritances are treated the same way. After retirement, inflows like this are assumed to be invested in non-superannuation assets.

We assume the amount paid is the same each year, if more than one year's flow is expected, apart from the rise in inflation.

The non-concessional contribution cap is set at 4 times the concessional cap.

Government contributions

The current projection model does not allow for the Government co-contributions. The maximum amount of this co-contribution is \$500 per annum.

Assumptions

17 ★ Projections

Estimated age pension

The calculator assumes the age pension rules, in line with government policy, will increase with CPI inflation. This means the value of pension gradually falls as a percentage of Average Weekly Earnings.

It is assumed you are eligible for the Age Pension if you qualify under the assets test and income test.

If you include your partner's details in the projection, the calculator assesses your Age Pension eligibility as a couple. If you have a partner but do not include them in your retirement projection, the calculator will assess you as a single person for Age Pension purposes and this will give incorrect results.

The calculator assumes that your superannuation savings at retirement will be rolled over to an account-based pension.

In applying the income test to estimate how much Age Pension you will receive, the calculator allows for income on your non-superannuation investments.

The calculator allows for the thresholds in the assets and income tests to increase in line with CPI inflation.

The calculator assumes at retirement the personal assets (car, furniture etc.) at resale value will not have any value.

Drawdowns in Retirement

In addition to any Age Pension, it is assumed you (and your partner where applicable) have retired and have converted any superannuation savings, up to the Transfer Balance Cap, to an account-based pension product.

Any projected superannuation balances above the Transfer Balance Cap at the time of your retirement are assumed to remain in the superannuation account you held prior to retirement which is subject to taxed investment earnings.

The calculator determines the drawdowns from each account required to achieve a steady income in retirement. In the event there is projected to be both an account- based pension account and a superannuation account in retirement[1], the calculator assumes that we draw down the superannuation account before your account- based pension account (subject to minimum drawdown requirements).

The calculator applies the minimum drawdown rules annually to the drawdowns from the accountbased pension each year. This may result in a higher income being paid in some years. The calculator assumes this excess above the steady income is invested and will support the income in later years.

[1] This would happen if at retirement the size of the super fund was larger than the Transfer Balance Cap.

A Projections

Assumptions

Retirement income

The calculator determines the retirement income such that your superannuation fund account will have a 50/50 chance of lasting for 25 years of retirement. The length of time can be selected in Advanced settings.

The age pension (where applicable) will continue to be paid for the remainder of the projection to age 100.

The retirement income from the superannuation accounts, the government Age Pension, and the partner's salary (if applicable) is included in projected results. Income from any other investments is also included.

Results are shown on an annual basis

All calculations are assumed to occur on a yearly basis. The projected total super balance is shown as at the end of the 12 month period starting at the time of the calculation.

Include your partner

Including a second person (if any) will allow a more accurate estimate of the Age Pension entitlement as a couple

The second person should be the younger of the two people projected. Results may not be accurate if Person 1 is younger than Person 2.

If Person 2 is still working when Person 1 retires, then their salary is taken into account in determining the steady amount of income desired.

Investment returns and options

We make the following default assumptions for investment return and earnings tax:

Investment returns are projected for a default "Balanced" asset allocation – i.e., 65% growth assets and 35% defensive assets. This asset allocation can be changed in the Optional Questions block.

An effective tax rate on pre-retirement investment earnings of 10.0% is assumed.

Separate rates of return are set for Growth and Defensive assets, these are combined to give the total return of the fund. We specify default real rates of return, which are the returns above inflation, of 6.0% p.a. for Growth and 2.5% for Defensive assets.

Actual returns will vary significantly from year to year and could be negative in some years, particularly for investment mixes where more is invested in Growth assets. The variability of returns is given by the Volatility. A higher number means the returns are more variable from year to year. You can change the default values in Advanced questions.

Why a limit at \$200,000?

An annual income of \$200,000 is available to only about 5% of Australian families, according to the Bureau of Statistics. We believe that if this outcome were to become achieveable, then one of our basic assumptions - that people don't change their behaviour - would break down. People would most probably retire earlier, reduce contributions, or something else. So how should you consider these numbers? Treat them as a very good possible outcome that you can gladly deal with if it comes off.

Assumptions

Administration fees

We assume that dollar per annum administration fees will be charged and will increase with inflation each year. We make a default assumption for administration fees of \$74 per annum in today's dollars. Investment management fees are charged as a percentage of the fund's size. We make a default assumption for investment fees of 0.85% per annum.

A Projections

We assume that these fees are tax deductible within the fund.

Insurance fees/premiums

In Advanced questions you can enter the insurance premiums that are charged annually to your account. We assume the premium will increase over time as you grow older. The pattern of the rate of increase is typical of actual premium schedules used by insurance companies.

The age at which insurance will not be bought has a default value of 55. This can be changed in Advanced questions.

We also put a cap on the amount of insurance paid in any year. We do this as a percentage of the contribution paid. This is set in Advanced questions.

Defaults for all these parameters have been set at compromise values that will not be accurate for any single individual, but will give a plausible indication of what may happen many years into the future.

Legacy amounts

If you desire to pass an amount of wealth onto your heirs then we make the following assumptions: (i) this amount includes the value of the home, reduced by any downsizing that may have occurred, or reverse mortgage that may be in place, (ii) non-superannuation assets are included, (iii) the assessment on the amount of the legacy is made when the desired number of years of retirement income has passed (default 25 years).

For example, if you want to leave \$1,000,000 to your heirs then the income we mostly quote will have a 50% likelihood that at it will last to age 92 (retire at 67 and want income for 25 years) and \$1,000,000 of assets will be available at that age. The bar charts can be used to see the likelihood of not meeting that goal can be achieved for other spending levels.

20

Models vs predictions

This is a model, not a prediction.

The results from this calculator are based on the limited information that has been provided and assumptions made about the future. The amounts projected are estimates only and are not guaranteed.

This calculator cannot predict a final superannuation benefit or level of retirement income with certainty because this will depend on personal circumstances, unexpected life events, the changing Age Pension and Superannuation rules, volatile investment earnings, tax, and inflation. We hope we've shown this by giving an honest assessment of the potential range of fund size and spending levels.

The calculator looks at a large number of different economic and market outcomes from now till when the youngest person reaches 100 years old. We then combine all these outcomes and show the range of possibilities in various ways.

Even though there is a large range of possible future outcomes, the calculator has been designed to be much better at comparisons of different scenarios than single figures. For example, even though there is a large uncertainty in the size of the super fund at retirement, the difference in fund size as an effect of changing asset allocation, is calculated with much more accuracy.

Consider updating the projections provided by this model regularly, particularly if circumstances have changed.

Do not rely solely on this calculator to make decisions about retirement outcomes. There may be other factors to take into account, such as other possible needs, different financial situations, and investment objectives.

When thinking about retirement, consider advice from a licensed financial adviser.

FAQ

21 ★ Projections

Frequently Asked Questions

- Q. Can I enter assets outside of super?
- A. Yes
- **Q.** Can I enter income from other sources, such as investment income or current super pensions?
- A. Income from non-superannuation assets you specify will be included in calculations. You will need to manually add any current super pension to your estimated income from our model

Q. If I have other income or assets, won't that affect my Age Pension estimate?

- **A.** Yes, they will affect the pension. We include those effects.
- Q. I have a defined benefit super fund, can I use this calculator?
- A. No, this calculator only works for accumulation funds.
- **Q.** Can I change the level of income I receive at some time in the future?
- **A.** This report projects income at a steady rate throughout your retirement. Additional lump sums can be specified to occur for a set number of consecutive years, for example for travel plans, or renovations to the house.

Q. Can I change my retirement income?

A. You can't select your retirement income but you can change your retirement income estimate by changing your retirement age, your personal contributions or any of the fields in the 'Advanced settings' sections.

Q. Why does my super pension increase and decrease over time?

A. The minimum pension you must withdraw each year is calculated as a percentage of your balance, for example at age 65, you must withdraw 5% of the account balance each year.

The minimum percentage will increase at age 75 and every 5 years thereafter until you reach age 95.

As your account balance decreases your Age Pension may increase, which means you would need to draw less super pension to maintain your income.

Q. Are the income figures before or after tax?

- A. Income is estimated before tax although super and Age Pension income is tax free for most people over age 60.
- Q. What rate of return does the calculator use, and can I change it?

A. The calculator defaults to expected returns for a diversified portfolio of Growth assets and Defensive assets. Investment options can be changed in the 'Advanced settings' sections for the fund.

FAQ

A Projections

22

- Q. Can I change the age my super income runs out?
- A. Yes, in the Advanced questions section, you can change the length of time in retirement you want your super income to last.

Q. Is the income estimate in today's dollars or future dollars?

A. All amounts are in today's dollars. A forecast cash flow of \$100 in 50 years should buy the same shopping cart of groceries as it would today.

Q. Will this calculator work for self-managed funds?

A. Yes, however you will need to make sure you include all fees, including accounting and auditing fees. Also make sure the rate of return and asset allocation is appropriate for the fund.

Q. Can I enter a lump sum contribution to super before the retirement age?

A. Yes, we do allow for additional non-concessional super contributions. If you are projecting an example of someone close to retirement you could also change the super balance to reflect the lump sum contribution expected to be made.

> If you require further assistance, contact us www.mprojections.com.au **Email:** team@mprojections.com.au



You can be young without money but you can't be old without it.



23

Disclosure

Arojections

Disclosure

This disclosure is made in compliance with Regulatory Guide (RG) 168: Product Disclosure Statements (and other disclosure obligations) Issued by the Australian Securities & investments Commission on 28 October 2011

Projections, and the discussions around them, are made under the relief from the licensing, conduct and disclosure obligations relating to personal advice for providers of superannuation forecasts under ASIC Instrument 2016/207.

Referral fees:

A referral fee may be paid by mProjections to third parties of no less than \$12.75 including GST. If there are more than one referrer third parties, the total fee may be up to \$25.50. These fee levels assume the recommended retail price of the Report is \$85.00 including GST.

mProjections advises that third parties (or 'Affiliates*') might make the Report available to visitors to their (the third party) web sites or to their social media followers, and that the third party may earn a referral fee in these circumstances.

A third party is any party that:

1. has registered as an Affiliate on the mProjections web site, including any party that has been referred by an existing mProjections Affiliate

2. includes the mProjections link on its web site and makes the mProjections Report available for its clients / members / visitors to purchase, or

3. a party who promotes this Report via social media.

The third party may be a financial services professional business or any other party that makes its web sites or social media available to the public whether or not the web-site or social media is open to selected members or the public at large.

Referral fees are not payable by clients as an additional fee to the cost of the Report: the fees are payable by mProjections to the third party.

Additionally, a referral fee is payable by mProjections to the third party, or b/ where the client has visited the third party and later buys the mProjections Report directly with mProjections. The latter arrangement can occur via the use of cookies in the client's computer and the 'life' of the referral fee arrangement via the cookie. This may continue for up to one year or any other period selected by mProjections and the third party.

The fee will be paid by mProjections to third parties from the fee paid by the buying client, and will be paid within 2 months of the client's purchase.

Affiliate

An Affiliate is a party that joins the Affiliate program promoted by mProjections on its web site.

Not a financial product:

The mSmart mProjections Report is not a financial product and mSmart does not offer any financial products although Affiliates might offer financial products.

Last updated 7 March 2022.

v04.22.04.19

24