Submission on Development of the Framework for Comprehensive Income Products for Retirement

July 2017

National Seniors Australia

About National Seniors Australia

National Seniors Australia is a not-for-profit organisation that gives voice to issues that affect people aged 50 years and over. It is the largest membership organisation of its type in Australia.

We give our members a voice – we listen and represent our members' views to governments, business and the community on the issues of concern to the over-50s.

We keep our members informed – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

We provide a world of opportunity – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

We help our members save – we offer member rewards with discounts from thousands of businesses across Australia. We also offer exclusive travel discounts and tours designed for the over-50s and provide our members with affordable, quality insurance to suit their needs.

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Overview

- National Seniors appreciates the opportunity to provide feedback on the Treasury Discussion Paper on developing the framework for Comprehensive Income Products for Retirement (CIPRs). We are supportive of policies to ease transition into retirement, help retirees better manage risks and improve income adequacy. There is considerable merit in a CIPR concept that is offered on an opt-in basis and does not lead to compulsion for retirees.

- We agree that product offerings in the retirement phase need further development. The role of government should be facilitating the development of retirement income products, with discretion for industry super funds to design product features that reflect their membership characteristics.

- Strong regulatory oversight to ensure innovative retirement income products are fit for purpose will be critical. Third party certification would be effective so long as retirees understand it does not imply product endorsement for their situation.

- Importantly though, improvement in retirement benefit choices needs to be complemented with improved support mechanisms for older people to understand their choices. Prescriptive disclosure requirements will not be effective without additional guidance from trustees.

- The proposed regulatory framework does not give enough attention to product delivery. We are concerned about pre-selecting a CIPR as a default without detailed member information and the proposed exemptions from best interest duties for trustees offering a CIPR.

- We question whether a default CIPR offering is the best way to help older people in transitioning to their retirement years. Unlike the accumulation phase where individuals can be grouped into default MySuper products, the design features of a CIPR will need to be more sophisticated and complemented by quality financial advice, recognising that every retirement is different.

- The proposed framework generalizes retiree needs and assumes it is appropriate to design and then distribute what is a very complicated retirement income product without personal financial advice. This approach is disproportionate to the significance of the retirement income decision.

- To increase standards of living in retirement, we believe a CIPR must reflect retiree goals and provide a value for money solution. This will require innovative product design to satisfy the risk management needs and preferences of retirees as well as delivery of CIPRs through advice channels.

Policy rationale

National Seniors acknowledges rationale for developing a framework for CIPR arising from the Financial System Inquiry's Final Report, which is to better manage longevity risks. We recognise the policy intent is to ensure retirees self-insure against longevity risk to avoid depending on the Age Pension as a last resort public annuity. Spending savings during retirement rather than leaving a bequest also seems to be a policy intent.

Concurrently, we note from 1 July 2017 the tax exemption on earnings in the retirement phase will be extended to a wider range of products such as deferred lifetime annuities and group self-annuitisation products. This will positively impact the development of new retirement income products. There is also a role for social security means testing of retirement income streams to incentivise uptake of CIPRs. We believe Age Pension eligibility will remain an influencing factor in the retirement income decision.

National Seniors is strongly of the view that take-up of CIPRs should not be compulsory. We are pleased this is acknowledged in the framework and suggest this remain a bedrock principle.

We see tremendous potential for CIPRs in providing retirees with an expanded range of retirement income products, in addition to account based pensions and annuities. We also recognise that widespread pooled longevity risk could help drive down fees. However, our focus is on net returns to members and whether the proposed framework improves outcomes for retirees above the status quo. We think this is only possible if product delivery occurs with personal advice and there is strong regulatory oversight of the evolving market for retirement income products.

The consultation paper states the proposed framework is not intended to encourage annuities over other products, compel retirees to take up a certain retirement income product or replace the need for financial advice. Yet, key aspects of the framework suggest otherwise:

- the minimum product requirements include partial annuitisation, which will inflate demand for such products
- the offering of a CIPR as a soft default implies endorsement and uses retirees' behavioural bias to drive uptake of a retirement income product with longevity features, and
- the safe harbor exemption for trustees assumes a CIPR can be distributed via direct channels and in doing so, overlooks retirees' best interests.

Overall, the proposed framework appears to prioritise system efficiency (i.e. overcoming unintended bequests and encouraging competition between retirement products) over improving individual retirement outcomes. We believe a CIPR framework should leverage reforms already underway in the financial advice sector. With this in mind, the proposed July 2018 start date for CIPR default offerings appears to be rushed.

Defining a CIPR

The consultation paper describes a CIPR as a mass-customised, composite retirement income product which trustees could offer their members at retirement. National Seniors is concerned the proposed CIPR framework generalises retiree needs when feedback from our members suggests more attention should be given to understanding individual needs at the point of the retirement income decision to improve outcomes. We also disagree with the framework assumption that it is appropriate to design and then distribute what is a very complicated retirement income product without personal financial advice.

Mass-customisation

National Seniors questions the viability of designing a CIPR to be suitable for the majority of members, similar to a default MySuper product. Retirement needs are much more complex and diverse than in accumulation phase.

The framework underestimates the difficulty in designing a mass customized product with longevity protection that would be suitable for the majority of members and is unclear about what 'suitable' would be.

For the majority of home owning retirees with low to moderate balances, the Age Pension effectively manages longevity risks and the role of superannuation would be to provide supplementary income. Typical retirees with superannuation balances of $250,000 and couples with $350,000 or less can achieve adequate income and maximise flexibility by investing fully in an account based pension.[1] Further, retirees with significant assets outside the super system or expecting an inheritance or for other reasons may not benefit from longevity protection. The proposed CIPR framework puts too much emphasis on longevity risk management.

The framework also assumes information already available to trustees will be sufficient for designing a mass customized product. We believe information about assets held outside super is necessary to design CIPRs based on member characteristics and data needs to be considered at the individual and household level. There are likely to be information gaps, which will be costly to overcome and probably requires technology solutions to take individual variations and preferences and efficiently design retirement income products.

There are competing objectives in designing a scalable solution to contain costs and ensuring product suitability. To improve standards of living in retirement, we believe a CIPR must reflect retiree goals and provide a value for money solution.

Principles-based minimum product requirement

The proposed three minimum requirements of a CIPR seem reasonable and in line with the FSI report. This would mean a CIPR would have to provide:

- Minimum additional level of income and/or guaranteed level of income
- Broadly constant real income for life (which National Seniors understands to be net of fees) and
- Flexibility for a certain quantity to be available for lump sum withdrawal.

Provided it is not by compulsion, National Seniors considers a CIPR that provides minimum additional level of income (above account based pension draw down at minimum rates) to be extremely important. This goes some way to addressing retirement income adequacy, which we believe is an unresolved shortcoming of the superannuation objective yet to be legislated.

[1] Australian Centre for Financial Studies (2015). *Superannuation in the post-retirement phase: the search for a comprehensive income product for retirement*.

National Seniors research shows only 45 per cent of older people are confident their super savings will be adequate for retirement income. Even when superannuation and all income sources are considered together, confidence amongst older Australians improves only slightly to 50 per cent.[2]

Older people become even more risk averse after they retire. Nearly 38 per cent of seniors surveyed indicated that they would not tolerate any loss in their retirement savings over a one-year period and only 13 per cent indicated they would tolerate a loss of 5 per cent or more in any one year.[3] The most important financial needs at retirement are meeting their medical expenses, having their income last their lifetime, and making sure their purchasing power keeps pace with inflation.

However, it is unclear the extent to which these retirees would be willing to purchase a product that limits flexible access to their capital in exchange for managing that risk. We are concerned about how the guaranteed component is accounted for in prescribing a minimum income efficiency for CIPRs. The underlying component products for guaranteed income within a CIPR may not be as effective as putting money in a bank account/term deposit.

The utility of account based pensions appears to be undervalued given the inherent bias towards facilitating products that specifically manage longevity risk. Feedback from our members suggests retirees place a high value on flexibility and managing retirement risks through their own spending behaviours.

Drawing down on account based pensions at higher rates may better support the policy intent of improving the standard of living for retirees. This option is also feasible for many retirees without risk of outliving savings. Encouraging higher drawdowns through interactions between tax system and social security systems could achieve retirement income adequacy without the need to sacrifice flexibility and capital for longevity risk protection.

Flexibility is a vital requirement for CIPR. National Seniors considers the types of flexibility important to retirees are availability for lump sum withdrawal to pay for unexpected medical expenses and pay off debts. Protection of capital and flexibility of payment in retirement remains important. We note an increasing proportion of people are retiring with mortgages and having access to superannuation as a lump sum to clear this debt is a sensible approach in these cases. There are also varied patterns of expenditure over a period of 25 years or more in the retirement phase and a lump sum withdrawal is legitimate to respond to these variations, including unexpected health costs.

Assets outside of superannuation is another mechanism for providing flexibility and should remain unencumbered by the proposed framework. National Seniors believes retirees should have full discretion to use their savings as they choose, irrespective of whether it is savings within superannuation or outside superannuation.

Minimum product requirements for CIPRs may help achieve consistency of outcomes for consumers, though we consider comparability of CIPRs would still be challenging.

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[2] National Seniors Australia and Challenger (2016). *Over 50s: still not confident about their retirement income*. National Seniors Australia.
[3] National Seniors Australia (2013). *Retirees' Needs and Their (In)Tolerance for Risk.* A report by National Seniors Australia and Challenger.

Structure of CIPRs

National Seniors believes the regulatory framework should allow for innovative approaches to product design rather than prescribing a specific structure for the CIPR and its underlying component products. This would also help ensure there is no indirect bias toward particular financial products.

Superannuation funds are best placed to determine an appropriate structure for CIPRs. There are likely to be many variations of CIPRs, with the structure evolving over time and more sophisticated technology solutions to reduce cost of customising products to individual retiree preferences. Products are already in the market which combine account based pension with an annuity or pooled investment. We recognse potential difficulty for super funds in balancing product design flexibility and adaptability with streamlining administration.

Number of CIPRs per fund

A single CIPR offering within a fund would put a greater emphasis on reducing administrative costs, but does not remove the need for personal advice. We do not agree with the analogies drawn between the MySuper framework and a single CIPR approach because the outcomes are fundamentally different. In accumulation phase there is compulsion and a homogenous goal to maximise the account balance whereas the outcome in retirement is for savings to provide a particular lifestyle. A single CIPR approach also assumes disengagement with super continues into the retirement phase. Feedback from our members suggests older people nearing retirement are more engaged.

Funds would need discretion to offer multiple CIPRs. We consider variation of CIPR features across funds to be positive, if these variations are a true reflection of the membership characteristics and their retirement needs. Allowing for many CIPRs brings added complexity for retirees, which reinforces the need for product delivery through advice channels and information disclosure that is useful for retirees in exercising choice.

Regulatory settings for trustees

There is a greater role for trustees under the proposed framework. Trustees will be required to pre-select a CIPR for their members to reduce the decision burden of transferring their accumulated savings into a retirement income stream. Trustees will also need to help members better understand retirement risks and support members in choosing the right income product for their retirement needs.

Safe harbour

National Seniors does not support the proposed safe harbour concept in the regulatory framework. A safe harbour would provide a defence for trustees against a legal claim that they had not met their best interest obligations in designing and offering a CIPR.

We believe a safe harbour defence is not necessary. Trustees should be cautious in offering retirement products that trade away flexibility for longevity risk management. A trustee should be able to satisfy best interest obligations in offering CIPRs in the same way as trustee must meet its duties for offering a MySuper product.

Rather than being a barrier to offering of a CIPR, we believe best interest obligations are a critical safeguard for older consumers and trustees are justified in being risk averse. Further, we believe best interest obligations should be sharply in focus for trustees given the significance of the retirement income decision.

National Seniors is concerned about the risks and potential misuse of a safe harbour defence in the framework. It is unclear whether third parties involved with underlying component products of a CIPR would also benefit from the safe harbour.

National Seniors understands the safe harbor under the CIPR framework is not intended to carve out exceptions under financial advice law. While not intended, we believe the proposed approach introduces considerable risks and unduly influences decisions at retirement. The CIPR framework interaction with financial advice needs much further consideration.

Application to some or all trustees

Trustees should have discretion on whether to offer a CIPR to their members. This approach recognises not all trustees will have information necessary to design a CIPR. Also, the cost of designing, administering and offering CIPRs will ultimately be borne by consumers. If offering a CIPR, all trustees should have to comply with the same regulatory requirements and as previously stated, we do not consider a safe harbor provision to be necessary.

The implications of obliging trustees to offer CIPRs after a transitionary period should be carefully examined. For example, we are concerned about how a trustee could reconcile potential low take-up of CIPRs while demonstrating compliance against their express obligation to offer a CIPR. The compatibility of an express CIPR offering with other trustee obligations and changes to these over time, as well as changing demographics of fund members also warrant consideration.

If eventually there is an express obligation, we believe this would imply government endorsement of CIPRs and requires government guaranteeing the underlying component products. National Seniors highlights this runs contrary to the policy intent of greater self-reliance given the possibility of product failures.

Ensuring products meet the minimum requirements

National Seniors prefers regulator endorsement or third party certification of CIPRs rather than trustee self-assessment. Allowing product providers to self-assess whether their product meets minimum CIPR requirements would be disproportionate to the significance of the retirement income decision. Even with regulatory oversight, the self-assessment option would be problematic and undermine confidence in the CIPRs. We believe it is important for the regulatory settings to build confidence in CIPRs as the superannuation system matures.

Regulator authorisation

National Seniors would be supportive of APRA having responsibility for authorising trustees to offer CIPR, with the assessment criteria prescribed in the superannuation legislation. This is consistent with current oversight of MySuper products. Regulatory oversight is vital to ensure providers have sufficient capital to support the longevity risk component within a CIPR. We see an ASIC product intervention power as a further necessary safeguard for retirees.

Third party certification

It would be appropriate for actuaries to provide third party certification provided there is independence from product development. We believe independence from product development is important in third party certification so consumers have confidence in CIPRs. It is unclear whether this warrants additional regulation of actuaries.

We note for third party certification, the Actuarial Technical Expert Group proposes three technical tests and a review of the reasonableness of the assumptions.[4] Age pension interactions have been excluded from the technical assessment of constant real income. National Seniors considers this to be reasonable where retirement income *substitutes* the Age Pension, but becomes less relevant in circumstances where retirement income *supplements* the Age Pension. We accept the need for the certification test to be separate from the means testing rules which are subject to change, but remain concerned about how product endorsement is perceived by retirees.

We see potential risk for retirees where endorsement of a product is mistaken as being right for their circumstances. Yet, a CIPR that provides higher income over a retiree's lifetime compared to account-based pension at minimum drawdown rates may not satisfy best interests, depending on the significance of other payments. In the same way, a full guaranteed, indexed income may not be a critical factor in the certification test for retirees with majority of their income from the Age Pension.

National Seniors suggests the certificate issued clearly state what the certification means – that is, a product has met the minimum requirements of a CIPR. We believe the certificate should also clearly state that the assessment excludes Age Pension interactions and flexibility components. This should occur irrespective of whether third-party certification or regulator endorsement is the chosen approach.

We have concerns about how insurance within super interacts with best practice duties. Regulatory oversight of the insurance features within a CIPR are critical to ensure value for money.

National Seniors considers ongoing review and processes for recertification are necessary requirements for CIPRs. We note the Actuarial Technical Expert Group proposes recertification every three years, which seems practical. More importantly, we believe trustees should regularly assess whether their CIPR offering is delivering the outcomes appropriate to members' needs. Where CIPRs no longer meet minimum product requirements, these should be withdrawn from trustee offerings and trustees should have established processes to transfer retirees on a legacy product to an updated, cost-effective CIPR.

Facilitating trustees to offer a CIPR

The regulatory framework should remain neutral between varying retirement income products rather than facilitating CIPRs as a solution. We see the role of government as removing barriers to the development of innovative retirement income products.

National Seniors does not support the offering of a CIPR as a soft default. A default approach assumes a level of disengagement, which is less relevant in the retirement phase. Importantly, the choice of a retirement income product must start with consideration of a person's retirement goals because how they choose to spend their retirement will influence associated living expenses and optimal consumption.

[4] Australian Government Actuary (2017). *Actuarial Certification Test for Comprehensive Income Products for Retirements.*

The regulatory framework needs to better integrate advice channels. We suggest front loading safeguards into the offering of any innovative retirement income product to ensure consumers are protected.

The offering of a CIPR as an anchor for decision

The consultation paper recognises behavioural biases towards default products and proposes a CIPR offering as an anchor or soft default could reduce the decision burden retirees face. We accept there is merit in providing members with a guided choice at the point of retirement. However, we do not agree with the premise for CIPRs being a default offering, which assumes all retirees will generally be better off allocating some of their savings to managing longevity risk.

Not all individuals are living longer and there is increasing variation of outcomes, which are complicated by health conditions and sudden life events. An individual's understanding of how the guaranteed component is provided will be critical. A default retirement product with pooled longevity risk features means those less fortunate will effectively be subsidising those who do live longer. Though this cross-subsidisation is implicitly recognised across the industry, we question how well older consumers, even those who are more engaged with their super, understand the implications.

The framework also ignores potential for retirees to draw income from other assets outside the super system, including through home equity release products. While exceptions are proposed for those with low superannuation balances or retirees with terminal illness, we believe the framework puts too much emphasis on longevity risk management features.

National Seniors is also concerned about members feeling compelled to take up a CIPR, which may not be in their best interests, because it is presented by the trustee as the default and perceived as endorsement.

We believe the framework should facilitate development of CIPRs but not necessarily facilitate offering of a CIPR as a default. Trustees should pre-select retirement products for members in line with their best interests duty. The pre-selection may well be a CIPR or an alternative product such as an account based pension, annuity or other innovative retirement product.

Trustees will have to understand the member's situation, including assets outside the super system, to be able to support decision making. Members must also be willing to share much more detailed information with their super fund. We question how the changing membership will affect trustee design and offering of their CIPRs.

Disclosure

The framework proposes disclosure requirements for CIPRs during the pre-retirement phase (e.g. from age 35) as well as at the point of retirement. National Seniors considers prescriptive disclosure requirements are of limited benefit to consumers in making decisions about their retirement.

Ideally, trustees should be taking initiative to improving engagement outcomes with their members well in advance of the retirement income decision. However, it is not necessary for the regulatory framework to prescribe disclosure requirements pre-retirement, or the types and frequency of engagement trustees should have with their members in the lead up to retirement. We consider this is best determined by trustees, with engagement processes a point of difference between funds and a potential facilitator of competition.

Disclosure requirements when offering a CIPR during the retirement income decision is necessary and will be a key factor in product up-take. There appears to be greater willingness to choose a CIPR over an account based pension when information is presented in a relatively simple manner, particularly text tables comparing the key features in words.[5]

To be effective, disclosure requirements must be accompanied by additional guidance from trustees. Given the volume and complexity of disclosure information for CIPRs, there is risk of detailed disclosure adding to consumer confusion and potential for misinterpretation of the information. We are not convinced that warnings in disclosure documents when offering a CIPR as a default would be sufficient to protect older consumers from commencing a CIPR that is unsuitable.

Trustees will need to take greater responsibility in educating consumers about how to use disclosure information in selecting retirement income products that is appropriate for their circumstances. Information must be meaningful and relevant to consumers. In our view, this is only possible if funds develop innovative disclosure methods based on a better understanding of how their members make decisions as well as offer dedicated advice services so fund members make informed decisions about their retirement savings. We also agree with ASIC's approach to regulating complex products that product issuers should share accountability in ensuring disclosure is appropriate for the needs and sophistication of target clients.[6]

Fostering competition

National Seniors believes maintaining product neutrality between CIPRs and other retirement income products is the best way to foster competition and maximise outcomes for consumers. This product neutrality also needs to be reinforced through interactions between the superannuation regulatory framework and the tax and social security systems. The Productivity Commission highlights that an assessment of efficiency and competitiveness of the market for retirement income products needs to go beyond a simple examination of product diversity and levels of uptake. Individual preferences and circumstances matter and there are policy settings inside and outside the superannuation system at play.[7]

It is unclear whether the current market structure for annuities, which is likely to be used as an underlying component of a CIPR, would be sufficient to enable competition. An evolving market structure may see new entrants, possibly international players, and regulators would need to be assured business models included sufficient capital to back income guarantees.

A key driver of competition will be extent to which the standardisation of CIPRs through minimum product requirements supports comparison of products. Comparing MySuper products is more straightforward than making comparisons between different CIPRs and account based pensions. A comparison metric may be beneficial if it prompts older consumers opting for these products to consider whether the additional features of a CIPR is value for money and relevant to their circumstances.

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[5] Commonwealth of Australia (2017). *Supporting retirees in retirement income planning.* Department of the Prime Minister and Cabinet.
[6] ASIC (2014). *Report 384 Regulating complex products* and *Report 400 Responses to feedback on REP 384.*
[7] Productivity Commission (2016). *How to Assess the Competitiveness and Efficiency of the Superannuation System.* Research Report, Canberra.

Taking up CIPRs through direct channels and financial advice channels

National Seniors does not support the delivery of CIPRs through direct channels, that is an execution only, no advice arrangement. We consider this approach, together with the proposed safe harbor concept, introduces high implementation risk and relies too heavily on disclosure obligations that are ineffective at supporting informed decisions.

Acquiring a CIPR via scaled advice within a fund may help contain advice fees and remove a barrier for some members seeking guidance. The regulatory framework would need to have clear definition and provide for consistent application of scaled advice for CIPRs. Even with these additional provisions, we question whether a scaled advice approach would be appropriate. Critical information about a retiree’s full financial situation should be considered in offering a CIPR as a retirement income solution.

Financial advice channels for CIPR delivery is preferred. Rather than facilitating take-up of a particular product, the CIPR framework should facilitate broad access to quality, independent financial advice that is affordable. Other advice channels, including robo advice, may also be considered.

National Seniors recognises there are still shortfalls in the current advice market and progressing reforms to lift professional standards and ethical conduct will take time to materialise. This requires improving advisor competency to understand new, more sophisticated products and share that understanding in a meaningful way with prospective retirees to give momentum to CIPRs.

The regulatory framework must ensure there is no incentivising for offering CIPRs through advice channels and require upfront remuneration arrangements rather than trailing where possible. Payments made between life insurance companies and superannuation funds also needs to be subject to improved disclosure.

Fees and pricing

As a composite product, a CIPR fee structure is likely to be higher than an account based pension. This means trustees would stand to benefit from higher fees in offering a pre-selected CIPR as default. Together with the safe harbour provision for trustees, the proposed approach introduces significant conflict of interest. Retirees could be locked into a higher fee retirement product with potentially lower net returns and no assurance the product is the most appropriate for their needs.

Regulation of fees may help improve outcomes for consumers if it levelled out fees between default CIPRs and account based pensions, though we query whether this is feasible. Regulating fee structures to support comparison of CIPRs and consideration of the cost effectiveness of additional CIPR features may also assist retirees.

Full fee disclosure will be important, including details of surrender fees, investment management fees and any administrative fees. Even with full disclosure, we anticipate it would be difficult for retirees to understand what they are paying for as the fee structures would vary depending on the features of the underlying component products. Retirees would have to consider the extra fees and weigh up the benefits as well as evaluate the costs of a CIPR relative to other retirement income products.

Other matters

Labelling of CIPRs

The proposed 'MyRetirement' label suggests a 'one size fits all' approach. We are concerned the 'MyRetirement' label may mistakenly signal to consumers that all aspects of their retirement plan will be managed via a CIPR. Superannuation represents around 20 per cent of total household wealth, with housing accounting for around 60 per cent and the remainder comprising deposits, shares, business assets and other assets such as motor vehicles and dwelling contents.[8] Wealthier households held a higher-than-average share of assets in the form of direct equity holdings and business assets, while households with lower net wealth held more in cash and deposits, superannuation and durable goods.[9] These variations pose challenges in designing a default CIPR.

It is unreasonable for a default CIPR to integrate all aspects of a retirement plan into a single product. Investments outside super, social security, family situations, individual priorities and responsiveness to trade-offs between risk and flexibility all need consideration to ensure outcomes for retirees are maximised. This reinforces the need for CIPR delivery to occur through advice channels.

Cooling off periods

The proposed 6 month cooling off period would increase attractiveness of a CIPR as retirees may be more comfortable investing knowing they had scope to reverse their decision. The regulatory framework should provide for advice at the end of the cooling off period to ensure retirees can make informed choices about whether to continue with the CIPR or take their retirement benefit in another way.

Aged care refundable accommodation deposits

National Seniors believes there is scope for the CIPRs to integrate aged care costs. Despite being concerned about meeting aged care costs later in life, almost 40 per cent of seniors had no specific financial plan for aged care, suggesting some aversion to preparing for the end of life period.[10]

We see this as a personalised CIPR offering. It would need to be well designed, with flexibility to provide for both payment by instalments and payment by refundable accommodation deposit. Product flexibility would also need to allow for any changes to social security means testing that impacts aged care fee calculations. Specialised financial advice would be a prerequisite for improving outcomes for retirees investing in CIPRs with integrated aged care features.

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[8] ABS 6523.0 *Household Income and Wealth, Australia 2013-14.*

[9] Ryan, P. and Stone, T. (2016). *Household wealth in Australia: Evidence from the 2014 HILDA Survey.* RBA Bulletin, June Quarter 2016.

[10] National Seniors Australia (2015). *Outlook for Australian seniors' retirement plans? Mostly sunny, with possible late rain.* National Seniors Australia.