



Super
Consumers
Australia

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

Katrina Ellis
November 2024



A woman with glasses is hugging a young boy on a beach. The woman is wearing a light blue shirt and has her arms around the boy. The boy is also wearing a light blue shirt and is smiling. The background is a beach with waves and a cloudy sky.

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.



Super Fund Calculators

- 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.

Findings

- 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.



	Default income lasted expected lifetime of typical retiree	Includes a budget	Support for people retiring with a mortgage		Default income lasted expected lifetime of typical retiree	Includes a budget	Support for people retiring with a mortgage
	✗	✗	✗		✗	✗	✗
	✗	✓	✗		✗	✗	✗
	✗	✓	✓		✗	✓	✓
	✗	✗	✗		✗	✗	✗
	✗	✗	✗		✗	✗	✗
	✓	✗	✓		✓	✓	✓
	✓	✗	✓		✗	✓	✓
	✗	✗	✗		✗	✗	✗
	✗	✓	✓		✗	✗	✗
	✓	✗	✗		✗	✗	✗
					✓	✗	✗
					✗	✗	✗

In August 2024, Diversa removed their calculator and instead linked to the Retirement Planner hosted by Moneysmart



Representative person used in our assessment

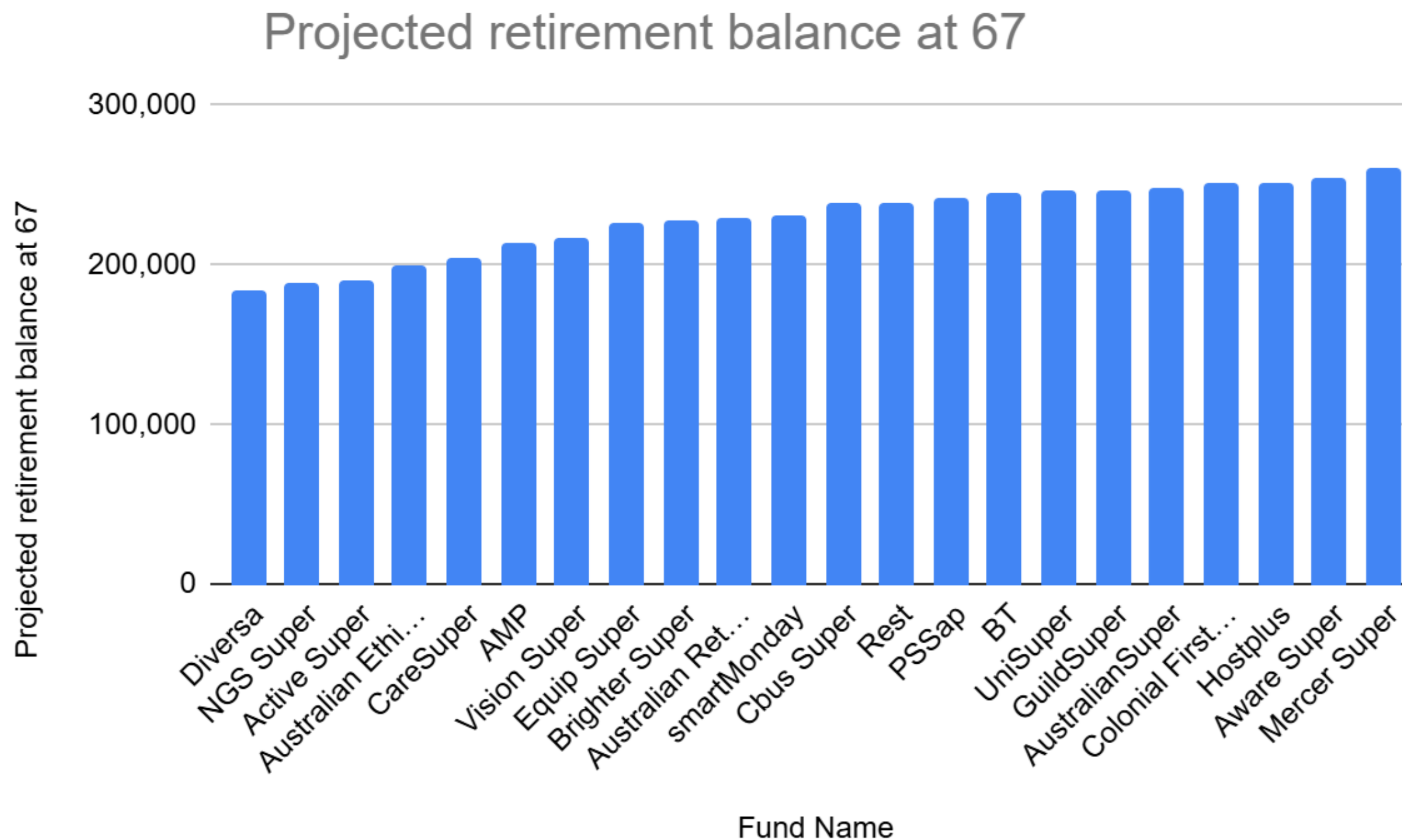
- 50 year old
- Income of \$55,000
- Super balance of \$95,000
- Homeowner
- Planning to retire age 67

Outputs from calculators

- an estimate of balance at retirement
- an estimate of annual income in retirement

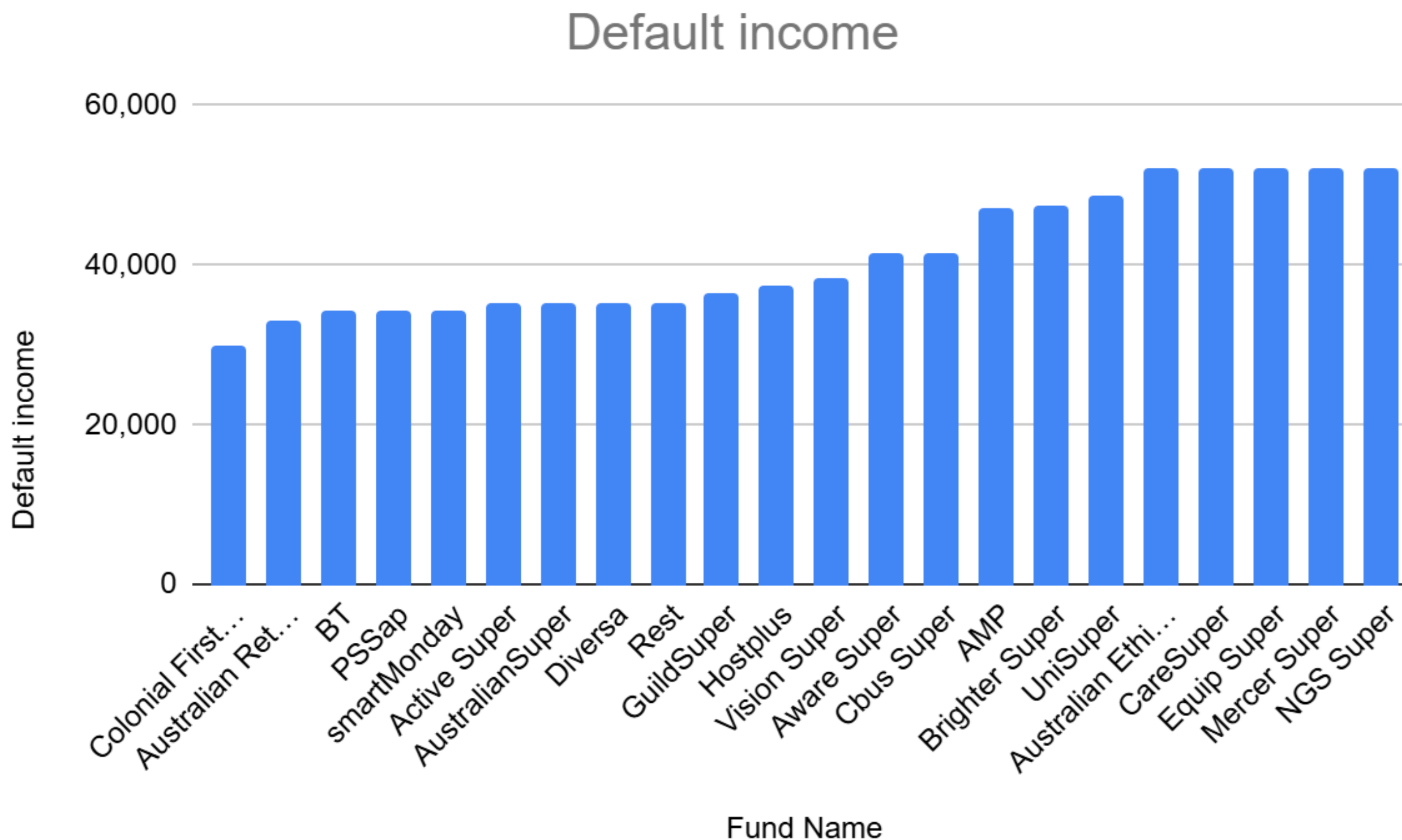


Differences in fees and returns resulted in projected retirement balances varying by 42% across calculators



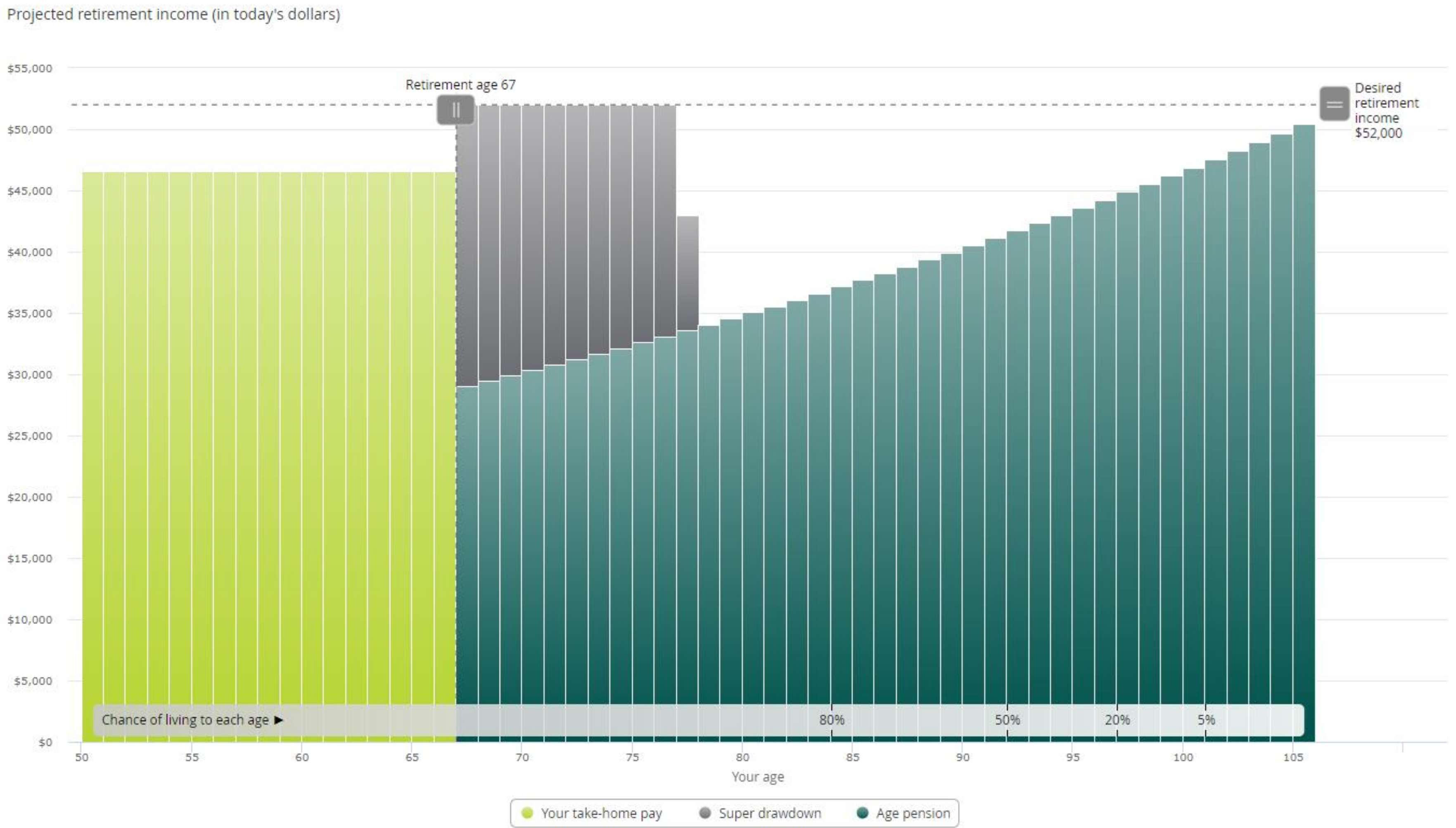


Arbitrary fund assumptions drive a 74% variation in retirement income estimates





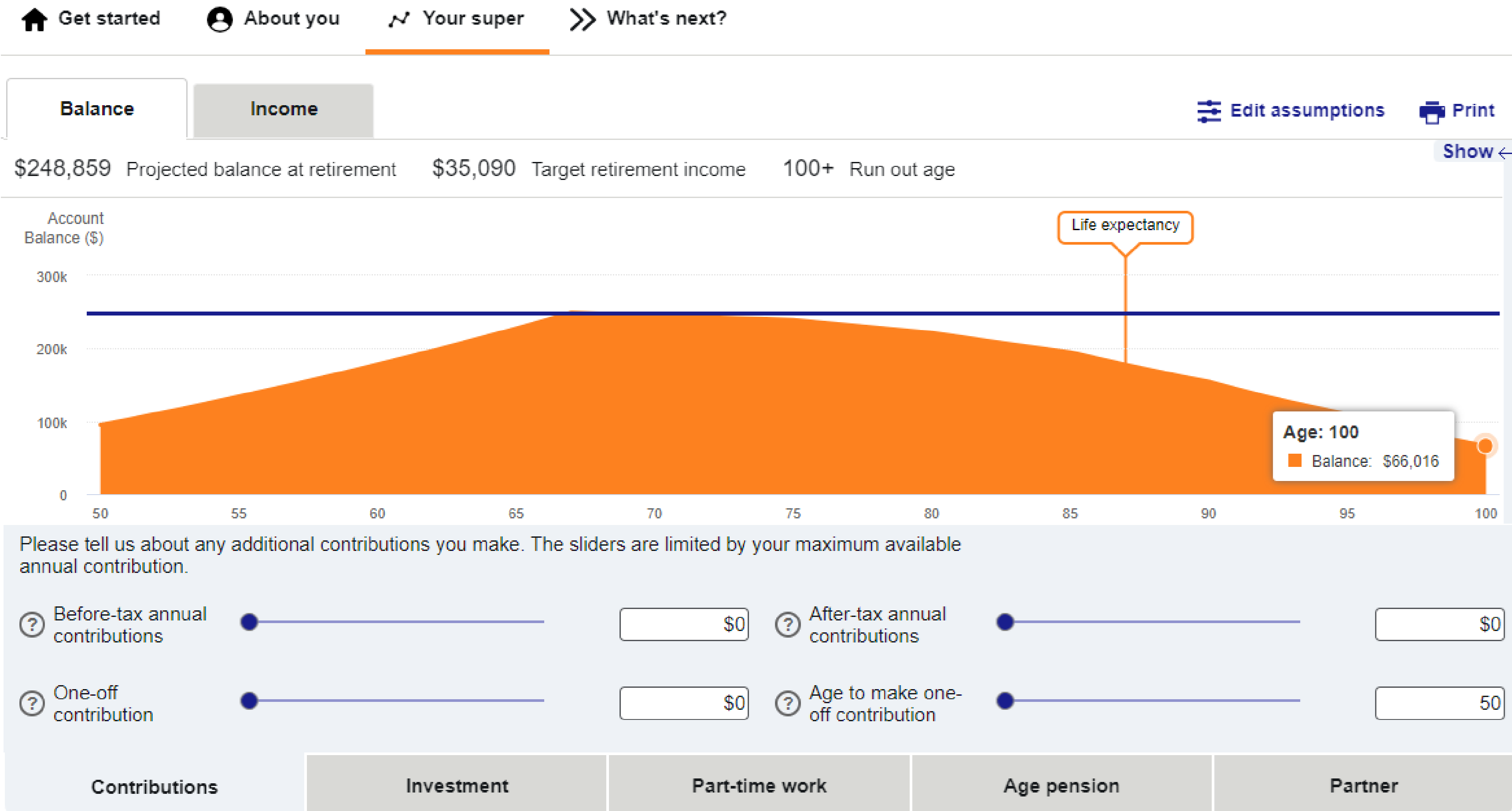
23% showed a default income that was too high and ran out too soon



NGS Super's calculator suggesting a retirement income of \$52,000 that exhausts the superannuation balance at age 77



54% showed a default income that was too low and lasted too long



AustralianSuper's calculator showing a target retirement income of \$35,090 resulting in a significant superannuation balance at age 100

Most calculators didn't help people accurately calculate their spending needs.

- Only one calculator, AMP, had a budget tool to calculate spending needs
- 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
- The remaining 73% of calculators (16 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 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.



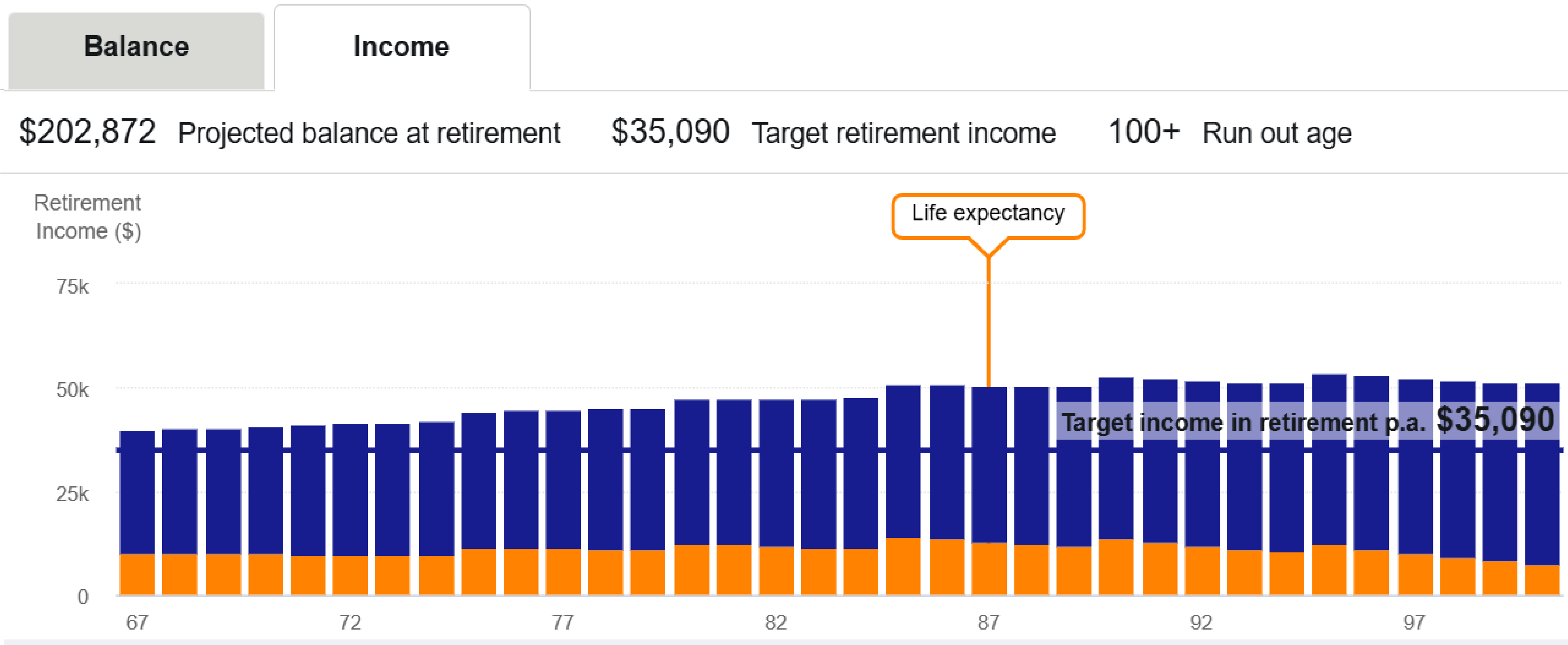
Calculators aren't doing enough to accommodate everyone's situation

- All of the calculators asked about homeownership.
- Renters
 - 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.
- Mortgage holders
 - 16 (73%) calculators failed to ask whether a person had an outstanding mortgage at retirement.
 - One calculator (Aware Super) assumed the mortgage balance would be paid out of the superannuation balance at retirement.
 - Five (23%) calculators suggested a lump sum withdrawal from super to cover the mortgage balance.

Calculators should provide additional support for people who rent or still have a mortgage to help them understand their options as well as any help available.



Calculators did not explain legislated minimum withdrawal rates



AustralianSuper's calculator showing a target retirement income of \$35,090 despite income being higher due to minimum withdrawals



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

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.