# Retirement Income Optimiser

## Preserve choice. Enhance outcomes.

Enabling you to give your clients more options at retirement, without changing how their super works today.

### Keep future retirement options open

Retirement Income Optimiser gives you a way to prepare clients earlier for future lifetime income strategies, without asking them to make an irreversible retirement decision today.

It works in the background of their FirstChoice super account. Investments, contributions and settings continue as normal, nothing locked away. When the time comes, you decide together if a CFS lifetime pension fits their retirement strategy.

# What is an IRIS?

An innovative retirement income stream, or IRIS, is a retirement income product designed to provide an income for life. It can form one part of a broader retirement strategy, alongside an account-based pension and the Age Pension.

The CFS lifetime pension (when available) will meet the definition of an IRIS.

## How does an IRIS work?

An IRIS receives concessional treatment under the Age Pension assets test.

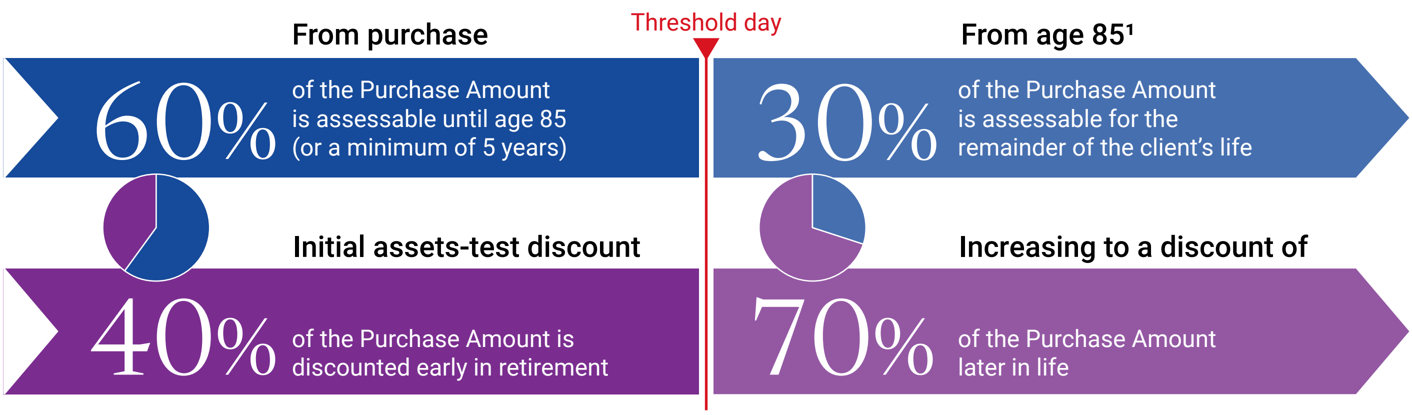
Generally, 60% of the relevant Purchase Amount is assessable until the client reaches age 85, or a minimum of five years, and 30% is assessable after that.

This represents an initial 40% assets-test discount, increasing to 70% later in life, subject to the product meeting the relevant rules and the client's individual circumstances.

An IRIS does not need to replace an account-based pension. At retirement, your client may choose to allocate part of their super to a lifetime pension and transfer the balance to an account-based pension. This can bring together:

- **Income for life** from the lifetime pension
- **Flexible access and market-linked growth** through the account-based pension
- **Potential Age Pension support** where the client is eligible

The allocation remains an advice decision based on the client's income needs, access to capital, risk preferences, estate-planning considerations and Centrelink position.




1 Threshold day is age 85 for lifetime income streams with an assessment day on or after 1 January 2025. Subject to the product meeting the relevant rules and the client's individual circumstances.

# What is Retirement Income Optimiser?

Retirement Income Optimiser is a feature of eligible FirstChoice super accounts. It tracks a separate Purchase Amount in the background while the client remains in super.

Eligible clients in FirstChoice Wholesale Personal Super will have the feature automatically switched on, with the option to opt out at any time. Clients in FirstChoice Employer Super are not automatically opted-in but can request to add this feature to their account.

If the client later chooses to use a CFS lifetime pension, the Purchase Amount is used for the Age Pension assets test calculation instead of the amount actually allocated to the lifetime pension. Depending on the client's circumstances and the rules at the time, this may improve their Age Pension outcome and overall retirement income.[2]

## How is the Purchase Amount calculated?

In broad terms, the Purchase Amount is calculated by tracking the initial balance and net contributions over time and indexing them annually at the Centrelink upper deeming rate.[3]

The longer the feature is applied, the greater the potential difference between the Purchase Amount and the actual account balance (assuming investment earnings exceed the upper deeming rate).

2 This feature allows a members super balance to be assessed differently for social security purposes when the client meets a Specified Condition of Release and chooses to start a CFS lifetime pension. This could impact social security benefits (if applicable) including potentially increasing Age Pension entitlements.

3 The upper deeming rate is 3.75% as at 20 September, 2026. The Purchase Amount is reduced by any commutations, including to purchase an account-based pension. No further indexation applies after they meet a condition of release.

## Case study: **Meet Alison**

**Age:** 47

**Super balance:** $200,000 in a FirstChoice Wholesale Personal Super account

**Super Guarantee contributions:** $12,000 p.a.

**Retirement Income Optimiser?** Yes, the feature is working in the background from age 47 until she retires at age 67

### Alison's Super at 67

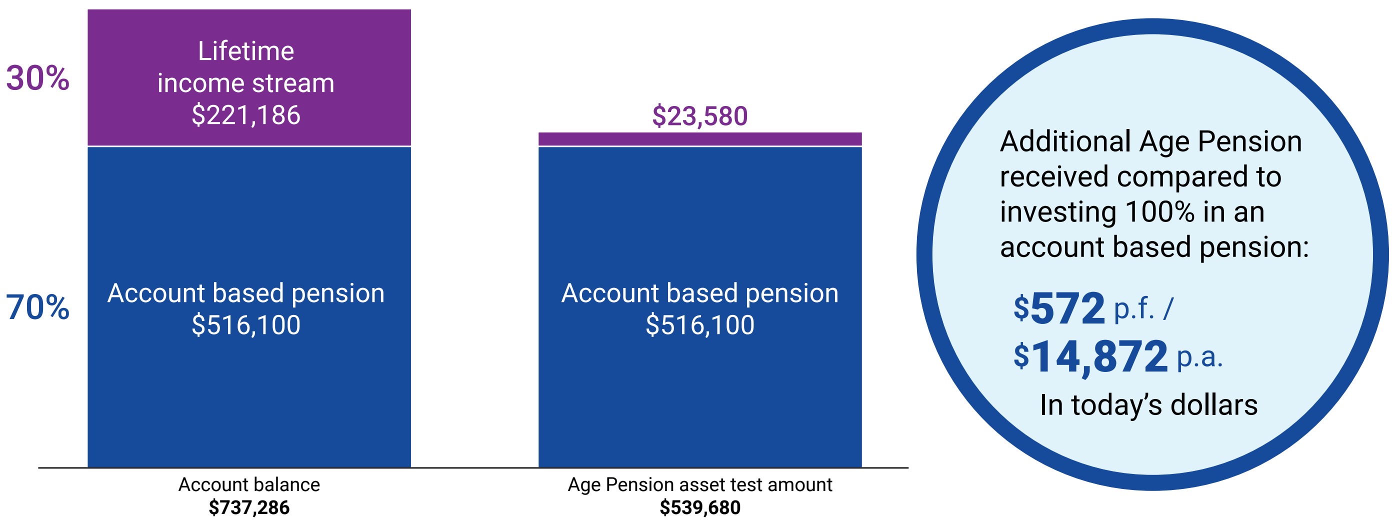
At retirement, Alison's super balance has grown to $737,286 (in today's dollars).

She decides to purchase an account-based pension with 70% of her super balance and allocates the remaining 30% to the lifetime pension.

Due to the Retirement Income Optimiser feature, when Centrelink calculate the assessable asset value of the lifetime pension, only $23,580 gets assessed.

This results in Alison receiving an additional $572 per fortnight ($14,872 in the first year) in Age Pension.[4]

**Alison's Super at age 67 = $737,286**




4 In todays dollars.

## Alison's retirement income projection

**Retirement goal:** $80,000 per year (in today's dollars)

**Retirement income mix:**

- Account-based pension
- Lifetime pension
- Age pension

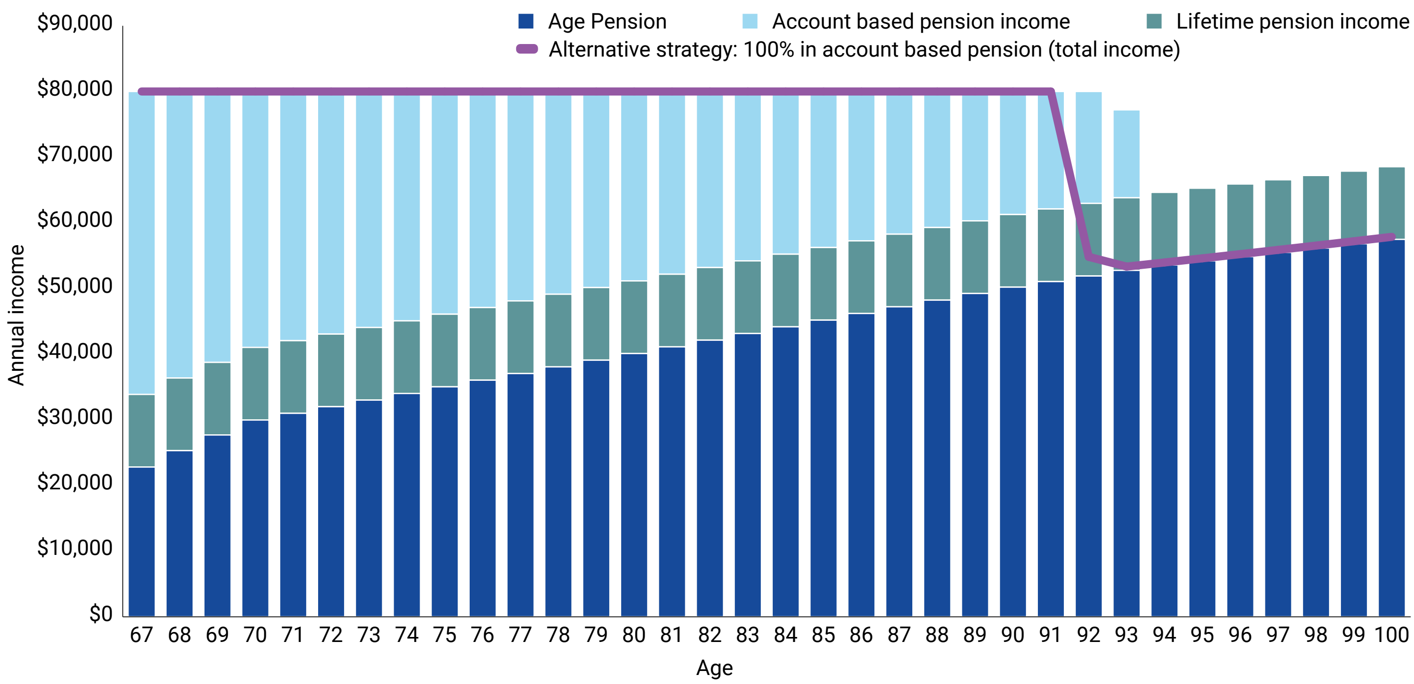
### Will Alison achieve her retirement income goal?

Yes, Alison will meet her income goal until age 92. After that time, her account-based pension runs out but the lifetime pension continues providing an income for life.

### Would Alison have achieved her retirement income goal for as long with a 100% account-based pension allocation?

No. If Alison had invested 100% in an account-based pension, her income in retirement reduces earlier as her account-based pension runs out sooner.

Under this strategy Alison receives a lower Age Pension and no payments from a lifetime pension, so she needs to draw higher payments from her account-based pension. Once the account-based pension runs out, she would rely on the Age Pension alone for her retirement income.




## Assumptions

- All results in today's dollars (assuming CPI 2.5% p.a.).
- IRIS: 5% per annum annual payment indexed to CPI of 2.5%. As the lifetime pension product is not yet available in FirstChoice, this lifetime pension projection is for illustrative purposes only and does not represent the product features or recommendation on the annual payment rate.
- SG 12% on salary of $100,000 indexed at 3.7%
- Earning rate 6.2% (net of tax and fees) from age 47 to 65, and 6.7% p.a. (net of fees) from age 65 in accumulation super and account-based pension
- Assumed upper deeming rate 5% p.a. At age 67, deemed purchase amount $555,400 less account-based pension commutation $516,100 = $39,300. Centrelink assessable asset value = 60% × $39,300 = $23,580.
- Age pension calculation assumes $10,000 other assets and single homeowner
- Additional Age Pension of $572 per fortnight at age 67 compares Age Pension if superannuation 100% assessable in an account-based pension, compared to Age Pension if 30% invested in lifetime pension using the Retirement Income Optimiser feature and 70% in an account-based pension.
- Retirement income projection assumes Alison requires $80,000 p.a. (today's dollar) in retirement
- This image is for illustrative purposes only and does not constitute advice.

# Keep the flexibility your clients have today

### Investment choice stays in place

Clients can remain invested in their selected FirstChoice investment options. Activating the feature does not require an investment switch.

### No additional feature cost

There is no additional cost to keep Retirement Income Optimiser active. Existing account fees and insurance arrangements, where applicable, continue unchanged.

### Super continues to work as normal

Clients can continue making contributions, withdrawals, rollovers and transfers.[5]

### The retirement decision stays with you and your client

No capital is locked away, and no lifetime pension decision is required today. You can assess the option against your client's circumstances when they meet a specified condition of release such as retirement.

5 Transactions may affect the future Purchase Amount

# How Retirement Income Optimiser can support your advice

## While your client is still in super

### Works in the background

The feature tracks the initial balance and net contributions, indexed annually at the Centrelink upper deeming rate, to determine a future Purchase Amount.[6]

### Keeps the account flexible

No capital is carved out or locked away. The client remains invested in their selected FirstChoice options.

### Creates an earlier planning opportunity

You can introduce future lifetime income and Age Pension considerations before the client needs to make a retirement income decision.

## When your client reaches retirement

### Choose whether to use the option

When the client meets an eligible condition of release[7], they can choose whether to commence a CFS lifetime pension immediately upon meeting a condition of release, or defer the lifetime pension payments until a later date.

### Choose how much to allocate

The client can decide how much to place in a lifetime pension and how much to transfer to an account-based pension.

### Assess the whole strategy

The value of the feature will depend on the client's balance, withdrawals, Age Pension position, chosen allocation and the rules applying at the time.

Access to capital and estate planning are also important considerations, as lifetime pensions include restrictions to accessing capital, either through voluntary commutations or on death.

6 If this deemed Purchase Amount is lower than the account balance used to purchase the lifetime pension, the resulting assessable asset value may also be lower. The Purchase Amount is based on the initial balance and net contributions indexed annually at the Centrelink upper deeming rate and may be lower than the actual account balance used to purchase the lifetime pension.

7 Assuming the CFS lifetime pension, expected 2027, is available and the option to defer income payments is available.

## CFS Retirement Advantage™

Retirement Income Optimiser is one capability within CFS Retirement Advantage, an ecosystem of retirement solutions, specialist expertise, education, tools and implementation support designed to help advisers deliver better retirement experiences.

### Find out more

For more information, please visit the CFS website or speak to your BDM.