Confidence for Life

A retirement advice framework

Prepared for Generation Life

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Contents

Foreword

Accurium have been engaged by Generation Life to examine their lifetime income product "LifeIncome" with a goal to aid advisers in understanding this product and in identifying for which clients an investment in LifeIncome could materially improve a client's retirement income outcomes.

Executive Summary

A retirement strategy with LifeIncome should be investigated for advised retiree clients with total assets above the Assets Test limit with a conservative to growth risk profile. Our research has shown significant improvements in retirement income strategy outcomes using LifeIncome for this cohort.

Research has been conducted into the retirement income outcomes of advised retiree clients if an investment in Generation Life's LifeIncome product is included as a part of their retirement strategy. Our goal was to identify advised retiree cohorts for whom an allocation to LifeIncome would deliver an increased confidence that retirement spending would last for life, compared to that achieved in a strategy with an account-based pension alone.

Advised retiree cohorts have characteristics, such as higher wealth and education, which are correlated to longer life expectancies and so these clients are likely to live longer than the Australian average. To account for this longevity risk, retirement outcomes were tested to the top quartile of life expectancy, the age which 25% of Australians are expected to live beyond. This is the '25% age' and is suggested as a minimum retirement planning timeframe for healthy advised clients to appropriately allow for longevity risk.

Actuarial modelling of 672 retirement strategies across 96 household cohorts was undertaken to stress-test the strategies through 2,000 simulations of market returns and inflation. A retirement strategy score was calculated for each scenario as the proportion of simulations in which the household's target income was sustainable to the 25% age, this is a measure of the confidence that retirement income will last for life.

We found that retirees with total assets above the Age Pension assets test limits up to amounts exceeding the Age Pension assets cut-off limits, with a conservative to growth risk profile, experienced significant improvement in the retirement strategy score by incorporating LifeIncome in their portfolio. Broadly, the higher the allocation to LifeIncome and the more conservative the client's risk profile the greater the uplift.

A significant increase in the retirement strategy score, of at least +10%, was found across a wide range of client cohorts. The 'best' performing scenario considered was a 67-year-old couple with $1.1million in assets invested in a conservative risk profile with a 50% allocation to LifeIncome and a 2.5% LifeBooster rate. Our modelling showed that this LifeIncome strategy provided a +41% improvement in retirement confidence compared to the same scenario without LifeIncome.

Increased entitlement to the Age Pension, particularly at the start of retirement, was a key factor. For example, strategies considered for a couple with $800k in assets benefited from an increase in their year one Age Pension of up to 68% as a result of investing in LifeIncome.

Framework for including LifeIncome in the products investigated for a client's retirement

Use the following as a guide for which retiree clients may experience significant benefit from investing in LifeIncome. Find the closest cohort to your client's scenario in the table below, if that cohort showed significant or good improvement it is recommended to investigate a strategy which includes LifeIncome for that client.

<table>
<tr><th rowspan="2">Risk profile</th><th colspan="4">Couple household assets</th><th colspan="4">Single household assets</th></tr>
<tr><th>$500,000</th><th>$800,000</th><th>$1,100,000</th><th>$1,400,000</th><th>$350,000</th><th>$550,000</th><th>$750,000</th><th>$950,000</th></tr>
<tr><td>Conservative</td><td rowspan="2">Good improvement</td><td rowspan="3" colspan="3">Significant improvement</td><td rowspan="4">Small improvement</td><td rowspan="2" colspan="2">Significant improvement</td><td rowspan="2">Good improvement</td></tr>
<tr><td>Balanced</td></tr>
<tr><td>Growth</td><td rowspan="2">Small improvement</td><td rowspan="2" colspan="2">Good improvement</td><td rowspan="2">Small improvement</td></tr>
<tr><td>High Growth</td><td>Good</td><td>Significant improvement</td><td>Good</td></tr>
</table>

Whilst a lifetime income product may not suit every client, this research shows that a partial allocation to a lifetime income product should absolutely be part of the range of financial products considered by financial advisers when evaluating retirement strategies as part of the advice process.

Why consider recommending a lifetime income product?

When constructing a retirement portfolio, financial advisers routinely assess a mix of product types and asset classes to meet a client's needs. Lifetime income products offer distinct benefits that could enhance a client's retirement outcomes.

A lifetime income product is a financial product designed to provide a regular income stream for the rest of a person's life, no matter how long they live. Unlike an account-based pension (ABP), which can run out if markets perform poorly or withdrawals are too high, lifetime income products offer an efficient source of guaranteed income by pooling longevity risk across a group of investors. Together, a lifetime income product and ABP can manage risk and diversify the income sources of a client's portfolio.

For more background on lifetime income products see Appendix 1.

A retirement product worth investigating

When providing advice on the matter of retirement, considering a lifetime income product ensures the requirements under the Corporations Act Section 961B, to conduct a reasonable investigation into the financial products that might reasonably meet a client's retirement objectives and needs, is met.

Lifetime income products have come a long way from the products available a decade ago. There is now a range of lifetime income products available via financial advice, each offering a range of features that enable advisers to tailor the product for a client's strategy, including investment-linked income, reversionary options, death benefits and withdrawal values.

Lifetime income products are not a replacement for ABPs or other investment products for retirement. Used together, a combined portfolio can balance flexibility, access to capital, growth potential, and income sustainability, whilst managing risk. Research has consistently shown that including a lifetime income product within a client's portfolio improves retirement outcomes for a wide range of client cohorts[1].

Whilst a lifetime income product may not suit every client, a partial allocation to this product class should absolutely be part of the range of products considered when evaluating retirement strategies as part of the advice process.

Longevity risk is real, especially for advised clients

Longevity risk is the uncertainty around how long an individual will live, and so how long retirement income needs to last. The life expectancy of an Australian retiree can be calculated as the number of years a person is expected to live 'on average' from their current age. More than half of Australian retirees are expected to live beyond their life expectancy[2]. A retirement income estimated to last to life expectancy means accepting less than a 50% chance that income will last for life!

It is important to recognise that most published life expectancies are based on the expected mortality of all Australians. However, different cohorts of the population can have a materially different life expectancy. Research has shown socioeconomic status and income brackets are positively correlated with lifespans[3]. Clients who seek financial advice have been found to have higher household incomes and be more educated than the overall Australian population[4] and so it is reasonable to expect they will face longer lifespans, on average, than the population life expectancy. For advised clients in reasonable health, planning for retirement to last well beyond life expectancy, it is not just prudent, but essential to ensuring their retirement planning horizon is appropriate for their expected longevity risk.

We would recommend the 25th percentile age as a sensible starting point for healthy advised clients, this is the age which only 25% of the Australian population is expected to live beyond and may be closer to an advised client's life expectancy than the population average.

To provide even greater confidence a client's retirement strategy will last long enough, consideration could be given to planning to age 100. For a couple retiring today aged 65 there is an 11% chance[5] one person in the couple will live beyond age 100, providing very high confidence in this retirement planning horizon.

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[1] Association of Superannuation Funds of Australia, 2024. *Account-based pensions and annuities: Investment choices*. https://www.superannuation.asn.au/account-based-pensions-and-annuities-investment-choices/, accessed 1 Sep 2025.
[2] Australian Government Actuary life tables 2020-22 with 25-year mortality improvements
[3] Huang, F., Hui, F.K.C. and Villegas, A.M., 2025. *Towards Fairer Retirement Outcomes: Socio-Economic Mortality Differentials in Australia*. Presented at the All-Actuaries Summit 2025, 12 June.
[4] Australian Securities and Investments Commission (ASIC), 2019. *REPORT 627 Financial advice: What consumers really think*. https://download.asic.gov.au/media/5243978/rep627-published-26-august-2019.pdf, accessed 1 Sep 2025.
[5] Australian Life Tables 2020-22 with 25-year improvement factors

Rule of thumb for identifying the 25% age for a person around retirement age is to increase life expectancy (calculated allowing for mortality improvements) as follows:

Couples	Single Female	Single Male
+ 3 years	+ 5 years	+ 6 years

Lifetime income products can play a valuable role in addressing the longevity risk faced by advised clients. Research has shown owners of an annuity say they worry less about running out and worry less about day-to-day expenses[6]. The benefit of this peace of mind should not be understated for retirees.

It is worth noting that where a client has an expectation of an impaired life expectancy, for example a material health concern or illness which could reasonably result in a lower lifespan, then a lifetime income product may not be suitable for them.

Age Pension Income and Assets Test Advantages

Most lifetime income products offer the option to access concessional treatment for Age Pension means testing. Where this is available the means test treatment is generally[7] as follows:

Assets Test	Income Test
60% of the purchase price is an assessable asset, reducing to 30% from age 85, or after five years whichever is later.	60% of the income payment is assessable income.

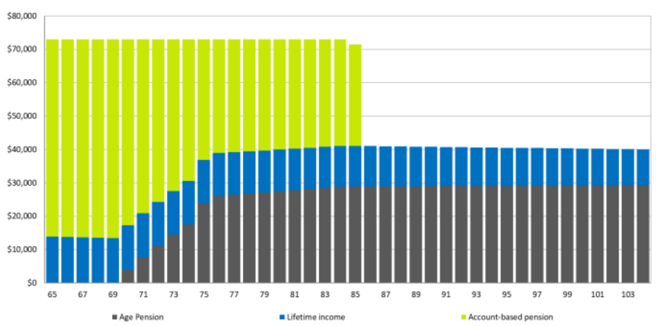
Assuming most advised clients at retirement are Assets Tested[8], this discount can be incredibly valuable in increasing Age Pension entitlements or enabling higher wealth clients to become entitled to an Age Pension. Additional income from the Age Pension reduces the amount needing to be withdrawn from other investments and is not correlated to investment market returns. This provides sequencing risk benefits for the portfolio, protecting other assets from being drawn on to fund spending under poor market conditions.

Later in retirement as asset levels reduce, clients may become Income Tested. Growth in lifetime income payments over time could lead to income above the Income Test limits, reducing Age Pension entitlements compared to if there was no lifetime income product in the portfolio. In these scenarios the lifetime income payments generally more than make up for the reduced Age Pension.

With a lifetime income product, if other savings were to run out, a client would receive the Age Pension plus the lifetime income payment each year, compared to solely the Age Pension.

A 'layering strategy' is where an investment in a lifetime income product aims to provide a client with a total income, in conjunction with the Age Pension, which meets the household's 'needs' such as expenses for groceries, healthcare, utilities etc. This provides flexibility to manage remaining assets to maximise growth and income for discretionary spending knowing that 'needs' are secure for life.

Illustration of a layering strategy



[6] BlackRock, 2024. *Annuity owners value the benefits of lifetime income*. https://www.blackrock.com/us/financial-professionals/practice-management/defined-contribution/insights/annuity-owners-value-lifetime-income-benefits, accessed 1 Sep 2025.

[7] Means test assessment of asset-tested income streams (lifetime) Section 4.9.3.35 of the Social Security Guide. Assessment may be different for some lifetime income products, in particular if purchased prior to attaining a condition of release with super monies or prior to Age Pension age with non-superannuation monies.

[8] For retiree clients who have ceased working and where assets are primarily invested in deemed financial investments then, at the start of retirement when wealth may be at its largest, assessable assets are more likely to be above the Assets Test limits and lead to a reduced Age Pension under the Assets Test than the household's assessable income exceeding income test limits leading to a reduced Age Pension under the Income Test.

Diversification Through Income Certainty

Lifetime income products behave differently from other investments, designed to efficiently convert capital into guaranteed income for life. For clients who intend to consume some, or all, of their savings in retirement for the purpose of retirement income, they can be a powerful tool offering diversification for how a portfolio produces income for retirement and an efficient use of capital.

To plan for a retirement strategy to last longer than life expectancy given the longevity risk faced by advised clients means they need to save more or spend less to be confident that income will last for life. However, providers of lifetime income products can take advantage of the fact they are insuring thousands of lives and price to the average lifespan of the insured lives. Put simply, this means the capital required is based on that needed to deliver the product features for the average lifespan. However, income payments continue to be paid even once that capital, if it had been invested as an individual and not in a lifetime product, would have run out. All else being equal this can translate to a client having higher confidence that their target retirement income will be sustainable for life if their portfolio includes a lifetime income product.

Lifetime income products guarantee payments for life, and innovation in product design has resulted in a wide range of income options available, for example the amount of payment could be fixed, linked to inflation, or move up and down with returns on chosen investments. There are also options such as increasing starting payments with a trade-off of lower growth over time, deferred start payments, and reversionary income payments.

Understanding Generation Life's LifeIncome product

Lifetime income product rules and features vary considerably between providers. Below we offer an overview of the key features of LifeIncome to assist advisers in understanding this product and the impact for including in a client's retirement strategy[9].

Product overview

Launched in May 2022, with additional product enhancements brought to market in June 2023, LifeIncome is an investment-linked lifetime annuity offered by life insurance company Generation Life. It pays an income guaranteed for life, where payments increase or decrease annually based on investment performance. Starting income is based on age and gender, and the product features selected.

LifeIncome is available exclusively through financial advisers. Investment can be made by an individual only, and a client can invest with superannuation money where a relevant condition of release has been met, such as retirement or attaining age 65, or with non-superannuation money.

LifeIncome receives concessional treatment for social security means tests meaning only 60% of the investment amount[10] and 60% of the annual income is assessed for the Assets Test and Income Test, which can be valuable for a wide range of advised clients.

Key features and considerations

Guaranteed investment-linked income for life: LifeIncome provides a guaranteed income for life, with the annual amount linked to the performance of chosen investment options. This combines the security of a lifetime income with the flexibility to select exposure to market risk.

There is a choice of 29 professionally managed investment options, across a range of asset classes and diversified options, and investors can switch investment options at any time. Payments will go up or down each year based on the returns of the chosen options. An adviser can assist a client select options to balance their risk appetite for year-to-year volatility in payments against long term expected growth in payments. LifeIncome does not offer deferred payments, or a fixed or inflation-linked payment option.

One challenge with lifetime income products for advisers can be implementing portfolio construction but the choice of investment options in LifeIncome makes this easy.

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[9] The information provided is a general in nature and based on the product disclosure statement dated 12 November 2024 available on the Generation Life website https://generationlife-endpoint.azureedge.net/live/attachments/cmccrbvjef4980qektign98v4-generation-life-lifeincome-product-disclosure-statement-26-05-2025.pdf. The information in this report should not be taken as a comprehensive or complete product description nor relied upon for the purpose of giving financial advice. Advisers should read the product disclosure statement and consider their client's personal circumstances prior to advising on this product

[10] Assessable amount under the Assets Test is 60% of the investment amount to age 85 or 5 years, whichever longer, and then 30% of the investment amount is assessable.

Example portfolio construction: consider a client with a balanced '50% growth' risk profile, with $600k invested 50% growth in their ABP, and is considering a $100k investment in a lifetime income product.

- A traditional inflation-linked lifetime income product is generally viewed as a 'defensive' asset. If $100k from the ABP is invested in an inflation-linked lifetime income product (let's call this product A), the client will have $100k in product A and $500k in the ABP (still 50% growth). This results in $350k in defensive assets which is not aligned with the client's risk profile. The adviser needs to adjust the ABP investments to be 60% growth so that the client's overall risk profile is maintained.
- With LifeIncome the adviser will not need to make any adjustments to the ABP, LifeIncome investment options which provide 50% growth exposure can be selected and so when the client invests $100k in LifeIncome they continue to have an overall risk profile of 50% growth.

With LifeIncome's range of investment options an adviser could also examine using different risk profiles across LifeIncome and the client's ABP to assess if, for example, taking less (more) risk in LifeIncome investments, and more (less) risk in the ABP, could better manage risk and maximise retirement income.

Income shaping via LifeBooster and LifeIncome Flex: Advisers can tailor the income profile of LifeIncome to target a client's spending needs by strategically setting two key product features:

- LifeBooster is a feature which delivers materially increased initial income payments vs products without this feature. It does this by bringing forward, and building in, future returns into the starting payment. The tradeoff is that future net returns on chosen investment options are discounted by this already built-in return, meaning future payment growth is lower than if the undiscounted net return was used. When combined with the choice of investment options, an adviser can tailor an income profile which balances higher starting payments and future long-term payment growth based on a client's needs.

LifeBooster example
A client with a balanced risk profile prefers that income starts higher and grows at a balanced return discounted by a 2.5% LifeBooster rate, potentially approximating inflationary increases, instead of a lower starting payment with payments growing at a balanced return over retirement, potentially leading to materially higher payments later in life compared to at the start.

- LifeIncome Flex increases initial income payments where a client who has a reversionary beneficiary, for example their spouse, selects for there to be a percentage reduction in income upon first death. This allows an adviser to implement an intuitive income profile where income for a couple starts higher and then reduces for a single person household. It is important to note that if this feature is selected there is no withdrawal benefit available after six months, and the death benefit will reduce in line with the income reduction percentage.

LifeIncome Flex example
A client expects that when the first of them or their spouse passes away the remaining person's income needs will decrease by about 30%. The client elects for their spouse to be a LifeIncome reversionary beneficiary and selects a LifeIncome Flex of 70% because they would prefer a higher starting payment now, and for the payments to reduce by 30% when the first person passes away. Ten years later the client's spouse passes away, and LifeIncome payments are reduced by 30% but continue to be paid for the life of the client.

Longevity protection with access to capital: LifeIncome is designed to be held for life and pay a regular income. However, LifeIncome does pay a death benefit of an amount which starts at the investment amount and declines to zero over a death benefit period. This period is set at commencement based on age and gender using death benefit period tables set by Generation Life and is less than life expectancy. A client can also choose to cease LifeIncome and access a withdrawal value of 90% of the death benefit during the death benefit period, except if they have selected a LifeIncome Flex percentage (see above) in which case withdrawal value after six months is nil. The death and withdrawal benefits are also subject to the capital access schedule (CAS) to ensure LifeIncome meets the requirements for concessional Age Pension assessment. Based on the product design it is expected that the death benefit and withdrawal values will generally be less than the maximum allowed under CAS.

Estate planning strategies: For clients looking for income to continue to loved ones after they pass away, LifeIncome offers flexible features. A client can choose a reversionary beneficiary to whom income payments will continue, for example to their spouse, upon their death, and when investing with non-superannuation money this can include any person, such as an adult child[11].

Estate planning strategies using LifeIncome to meet a couple's reversionary income objectives include:

- 100% reversion provides a continuation of income for the surviving spouse irrespective of who passes away first. One or both can invest in LifeIncome with their spouse as reversionary. Consideration could be given to maximising the death benefit payable in the unlikely event of early deaths by having LifeIncome purchased by the younger spouse who is likely to have a longer death benefit period, subject to accepting that this person would have control of LifeIncome and could remove the reversionary beneficiary without impact their own entitlements.

- If it is desired for income to reduce when the first person passes away, each person could invest in LifeIncome without a reversionary beneficiary. Should the spouse pass away, only the income produced by their own LifeIncome would remain. Where one person has most of the funds to invest in LifeIncome and this main income provider passes away first, this strategy may not provide sufficient income for their spouse. LifeIncome Flex could instead be used to deliver a consistent reduction in total income upon first death. Note that with the Flex option there is no withdrawal value after six months and should the investors remove the reversionary beneficiary e.g. upon divorce, the payments and future death benefit will be reduced in line with the chosen Flex percentage.

An interesting use of LifeIncome with non-superannuation money is to provide an inheritance in the form of an income stream to a beneficiary of the client's choosing, such as an adult child, sibling or friend. The younger the reversionary beneficiary the greater the reduction in the starting payment and so the larger the investment required to deliver an income for the rest of the client's own life with the reversion, compared to using LifeIncome solely for their own retirement income. This strategy is effectively pre-purchasing an income stream for the beneficiary and could be investigated should a client have a strong desire to

- support a beneficiary but do not trust them with, or they cannot manage, a lump sum,
- exert control over how their beneficiary will receive their inheritance, or
- financially support a person with income for the rest of their life.

A key consideration for advisers is that achieving this using LifeIncome is an irrevocable decision, the client would not have flexible access to the additional capital invested in LifeIncome to provide the reversion should they have need of it and once set the reversionary beneficiary cannot be changed. It can be removed but the client would lose the investment made in the future reversionary income payments. If a Flex percentage was chosen and the reversionary beneficiary passed away or the reversion was removed, the client's own income and death benefit would also reduce. This strategy should be used with care but could suit a client with a clear and certain objective to provide for a loved one in the form of an income stream once they pass away.

Remembering that LifeIncome is likely to be complemented by an ABP, and other investments in a client's portfolio, the benefits and limitations of LifeIncome should not be considered in isolation but as part of a client's overall strategy. In our view LifeIncome offers a range of features which make it a flexible and family-conscious solution for retirement planning as a part of the overall retirement strategy.

[11] To nominate a reversionary beneficiary who is not between age 50 and 95 years old, the client will need to contact Generation Life.

Research results

To assist financial advisers in identifying which clients may benefit most from including LifeIncome in their retirement strategy we have undertaken research examining a wide range of client cohorts and scenarios to assess for which clients a strategy including LifeIncome would outperform a strategy without LifeIncome.

Our hypothesis was that LifeIncome, when combined with an account-based pension in an advised client's portfolio, would help manage longevity risk and increase confidence in retirement income outcomes. We expected the uplift to be most significant for households with total assets above the Age Pension Assets Test limits and wanted to examine if other client characteristics or product features had a large impact on outcomes.

To test this hypothesis, we analysed 672 strategies with inputs covering a range of advised client cohorts:

- singles/couples aged 67, 71 and 75
- risk profiles of conservative to high growth
- household savings of $500k to $1.4million for couples and $350k to $950k for singles
- investment in LifeIncome of 20%, 35% and 50% for each LifeBooster rate

Scenarios assumed a client has a retirement income objective which includes consuming savings over their lifetime in retirement to produce retirement income which kept pace with inflation. This research is not targeted at advised clients who have a primary focus on capital retention versus retirement income, and results for clients with this objective have not been examined in this research.

We used Accurium's comprehensive stochastic retirement income model to stress test each scenario through 2,000 simulations of future investment and inflation outcomes to assess the likelihood that retirement income would last for life. We call this the retirement strategy score, and it is an overall indication of success of a retirement income strategy for a household. Results for each client cohort were analysed to calculate the change in strategy score where the scenario included LifeIncome versus without. This allowed us to identify clear characteristics for which clients are most likely to benefit from including LifeIncome in their retirement strategy, and cohorts where inclusion of LifeIncome is not likely to be preferred to an ABP alone strategy.

For information on our modelling methodology and assumptions see Appendix 2.

Overall, across all scenarios modelled, strategies which combined an ABP and LifeIncome generally showed improved client outcomes compared to a strategy with an ABP alone. However, to provide guidance on cohorts most likely to benefit from LifeIncome we have focused on scenarios where there was a significant increase in the strategy score, being an increase of at least +10% at the 25% age for the scenario with LifeIncome compared to the scenario without LifeIncome.

Client cohorts which experienced significant uplift in strategy score using LifeIncome

Our research suggests that couple retirees with total assets above the Assets Test limits up to more than the Assets Test cut-off limit, with a conservative to growth risk profile, would experience significant improvement in retirement strategy score by incorporating LifeIncome. Results showed consistent and significant benefit for couple scenarios, irrespective of age, with $800k, $1.1million and $1.4million in assets. Broadly, the higher the allocation to LifeIncome and the more conservative the risk profile the greater the uplift in score.

The outcomes were similar for our single retiree. Our research suggests that a single retiree with total assets above the Assets Test limit up to beyond the assets cut off limit would experience significant improvement in retirement strategy score by incorporating LifeIncome. Like couples, in general the higher the allocation to LifeIncome and the more conservative the risk profile the larger the uplift in score. Results showed consistent significant benefit for single scenarios with $550k and $750k in assets with a conservative or balanced risk profile.

Where a large uplift in score was achieved, both LifeBooster rate options generally performed well, the 2.5% rate generally outperformed the 5.0% LifeBooster rate which we assess is primarily a function of our assumed spending profile with income requirements increasing annually with inflation.

Increased entitlement to the Age Pension over the forecast, particularly at the start of retirement, was a factor in these outcomes. For example, a couple with $800k in assets received an increase in year one Age Pension up to 68% depending on the investment in LifeIncome, and if that same household instead had $1.1m they would receive an Age Pension entitlement upon investment in LifeIncome vs no entitlement with an ABP alone strategy in the first year.

Average uplift in retirement strategy score – Single female:

		Household assets			
Risk profile	**Growth %**	$350,000	$550,000	$750,000	$950,000
Conservative	30%	4%	15%	15%	8%
Balanced	50%	3%	11%	11%	7%
Growth	70%	2%	7%	7%	4%
High Growth	90%	2%	6%	6%	3%

Average uplift in retirement strategy score - Couples:

		Household assets			
Risk profile	**Growth %**	$500,000	$800,000	$1,100,000	$1,400,000
Conservative	30%	7%	23%	27%	21%
Balanced	50%	6%	17%	19%	15%
Growth	70%	4%	12%	13%	10%
High Growth	90%	4%	9%	10%	8%

As an example, for a **homeowner couple** the Assets Test bands as of 1 July 2025 are as follows:

Full pension Part Age Pension No Age Pension

Expected uplift with LifeIncome:

Household assets: $0 | $481,500 Assets test limit | $1,074,000 Assets test cut-off

The 'best' performing LifeIncome scenario in our research was a scenario with a 67-year-old couple with $1.1million invested in a conservative risk profile with a 50% allocation to LifeIncome with a 2.5% LifeBooster rate. This scenario showed a +41% improvement in retirement strategy score vs the same scenario without LifeIncome.

Client cohorts which did not experience significant uplift in strategy score with LifeIncome

Overall, there were few single or couple scenarios tested where the retirement strategy score with LifeIncome did not exceed the score without LifeIncome. This is to be expected based on the results above because the lowest asset scenario considered for this research, looking at typical advised households, was $500k in assets for couples and $350k in assets for a single.

Our research does however suggest that retirees with total assets below the assets test limits may not experience as significant an improvement in retirement strategy score with LifeIncome. That is not to say the improved certainty and confidence is not meaningful for these clients, but it is not as significant in quantum as seen in other cohorts. For a single or couple retiree with total assets near or below the assets test limits, a high allocation to LifeIncome, in particular when combined with the 5.0% LifeBooster rate, may be detrimental to the retirement strategy score. In these cases, with a relatively large allocation to LifeIncome, and so high starting income payments, the household can become income tested early in retirement, reducing Age Pension entitlements below the full Age Pension received in the ABP only scenario. For these households with greater reliance on Age Pension to support retirement income, an allocation less than 50% or/and the 2.5% LifeBooster rate could be a preferred starting point for using LifeIncome in a retirement strategy.

The tables below summarise the average outcomes for the lower asset households. For each scenario tested we calculated the median of cumulative Age Pension entitlements across the 2,000 simulations. The tables show the average of these results across all LifeIncome scenarios tested for a single female with $350k in assts, and a couple with $500k in assets, and LifeBooster rate of 5.0%.

Average increase in median cumulative Age Pension and average uplift in retirement strategy score across all scenarios tested with 5.0% LifeBooster rate and $350k in assets – Single female:

LifeIncome allocation	**Median cumulative Age Pension increase**			**Uplift in strategy score**
	One year	Five years	Ten years	
20%	8%	2%	1%	3%
35%	9%	1%	-1%	2%
50%	6%	-1%	-2%	-2%

For example, a 50% allocation to LifeIncome, on average produced an uplift in the first year median Age Pension of 6%, but over five years and ten years the median cumulative Age Pension was lower than in the ABP only scenario.

The 'worst' performing LifeIncome scenario in our research was that with a single female aged 75 with $350k invested in a conservative risk profile with 50% invested into LifeIncome with the 5.0% LifeBooster rate selected. The retirement strategy score for this scenario at the 25% age was -4% compared to the ABP only scenario for the same cohort.

The complete tables of retirement strategy score uplift and increase in median Age Pension results from our research can be found in Appendix 3.

The above research outcomes can be useful for advisers when selecting products to compare for a client's retirement income strategy. However, it is noted that each client's circumstance and objectives for retirement will be different. Prior to recommending LifeIncome an adviser should undertake their own assessment of how and if a strategy incorporating LifeIncome would be in the best interest of their client.

Conclusion

Generation Life's LifeIncome offers guaranteed lifetime income with investment-linked flexibility, concessional Age Pension treatment, and strategic features like LifeBooster and LifeIncome Flex that allow advisers to tailor the product to a client's needs.

The research clearly demonstrates that incorporating LifeIncome into a household's retirement portfolio can improve retirement income outcomes for advised clients. It was shown that an allocation to LifeIncome is most impactful for clients with conservative to growth risk profiles and moderate to high asset levels above the Age Pension Assets Test limits. Advisers with clients in these cohorts are strongly encouraged to consider LifeIncome when comparing products for a client's retirement income strategy.

Appendix 1: Background on Lifetime Income Products

Lifetime income products available for retirees today can take various forms, including traditional annuities and newer, more flexible structures introduced under Australia's innovative income stream reforms. Some are backed by life insurers and others are group self-annuitisation offerings. Some products offer a guarantee on the amount of income payment, while others are investment-linked and allow income to vary with market performance. Many also include features like reversionary benefits, deferred start dates, and capital access options, making them more adaptable to individual retirement needs. Further, many lifetime income products are eligible for concessional Age Pension assessment, providing a boost to client Age Pension entitlements.

Upon commencement of a lifetime income product a client will generally exchange a lump sum for the regular income payment to be paid for life. For insured products, life insurers face strict regulation from the Australian Prudential Regulation Authority (APRA) to ensure they establish and maintain reserves for the purpose of meeting the promised financial commitments of paying an income for life to investors.

Think of an existing client who has a lifetime defined benefit pension, for example from being a teacher or a public servant. How do they feel about their guaranteed income for life? These defined benefit schemes are often viewed as incredibly valuable, and indeed most of these schemes are closed to new entrants or now pay a lump sum not a pension at retirement.

A modern lifetime income product is broadly similar in concept to these older style products, except your client purchases the lifetime pension from their savings at retirement instead of it being effectively purchased over their working life based on the terms of the defined benefit scheme.

Legislative change in 2017 provided the foundation for the development of modern lifetime income products. Following these reforms life insurers and superannuation funds began launching new products with features previously not available, including investment linked income, boosted starting payment income profiles, and deferred start dates. In 2019 Government introduced concessional Age Pension means test rules for lifetime income products and in 2022 Government introduced the Retirement Income Covenant requiring superannuation fund trustees to develop retirement strategies to maximise income, manage longevity risk and provide flexible access to savings with a focus on considering if a lifetime income product may form part of this solution.

Identifying which combination of products will best meet a client's needs for retirement is complex because advisers need to investigate how products interact with each other and the Age Pension in the face of key uncertainties around future investment returns and inflation, and an uncertain future timeframe of how long a client will live. Investigating a range of products which may reasonably assist achieve a client's objectives, and selecting an appropriate retirement planning horizon is key.

Lifetime income products are most often used alongside other retirement income sources, such as account-based pensions, non-superannuation investments, and the Age Pension, to create a more resilient and diversified retirement strategy. They are particularly valuable for clients who desire peace of mind that part of their retirement income is guaranteed for life or who want to maximise Age Pension entitlements at the start of retirement.

Appendix 2: Modelling assumptions and methodology

To undertake research on LifeIncome we have utilised Accurium's comprehensive retirement income model to stress test scenarios which include an investment in LifeIncome compared to scenarios without an investment in LifeIncome.

Household scenarios

This research is focused on advised retiree clients and so the scenarios tested have focused on covering a sufficient range of inputs to differentiate client cohorts:

Age	Risk profile	Relationship	Total Assets
67 71 75	Conservative - 30% growth Balanced - 50% growth Growth - 70% growth High Growth - 90% growth	Single female	\$350,000 \$550,000 \$750,000 \$950,000
		Couple (male/female of same age)	\$500,000 \$800,000 \$1,100,000 \$1,400,000

This set of 96 client cohorts are our base household scenarios to assess whether inclusion of LifeIncome in their retirement portfolio would be advantageous.

For single scenarios we assumed a female. The key differences for a male vs a female in the modelling would be the pricing of LifeIncome (generally higher for a male than a female) and the mortality rates used to calculate 25% age (males do not live as long as females on average). Whilst the actual modelling results will be different for males compared to females, the relative benefits of including LifeIncome in the retirement portfolio on the basis used in this research vs using an ABP alone will be broadly consistent between males and females. This was also verified by manually checking some male scenario outcomes. As such in our view it is reasonable for advisers to apply the general guidance in relation to single persons in this report to female or male advised clients.

Couple scenarios assume a male and female couple of the same age planning for retirement together as a couple. Each person is assumed to have 50% of the household wealth at the start of the modelling and be invested in the same risk profile.

Each household is assumed to have the following inputs in all scenarios:

- \$25,000 in personal assets, assumed to remain fixed in real terms over retirement
- All assets invested in superannuation in an account-based pension (ABP)
- The account-based pensions incur a 0.15% per annum platform fee and 0.85% per annum investment fee, and no other fees, and is invested in the target risk profile
- Households are homeowners

The target annual spend for each household is set based on the assumption that the household's primary objective is retirement income, and assets are available to consume to fund retirement income, and spending is assumed to increase annually with inflation. As this research is focused on advised clients, the level of spending is tested to last to the client's 25% age, which is longer than average life expectancy. With the focus of this research on the relative difference in outcomes with or without LifeIncome, a single target spend assumption is used for each household scenario which broadly aligns with the objective of consuming savings and for income to last for life. A single spend assumption per household scenario allows us to assess the change in confidence of achieving that income with or without LifeIncome. For this research we have assumed a target annual spend for each household scenario based on age, assets and relationship status, which is estimated to last beyond the 25% age for a household invested in a balanced risk profile and no LifeIncome using average return assumptions[12].

[12] Using the geometric average of growth and defensive returns calculated over 40 years using the stochastic assumptions from 10e24. See Modelling Assumptions below.

The assumed spend may be different than that which would be calculated if solving for what would provide high confidence of lasting for life and should not be taken as a recommendation or guide for how much income a client could afford to spend.

Assumed spend per annum (increases annually with inflation) for single households:

Household Assets / Age	$350,000	$550,000	$750,000	$950,000
67	$46,000	$51,500	$56,000	$61,500
71	$48,000	$54,500	$60,000	$66,000
75	$50,500	$58,500	$65,000	$73,000

Assumed spend per annum (increases annually with inflation) for couple households:

Household Assets / Age	$350,000	$550,000	$750,000	$950,000
67	$68,000	$76,000	$82,000	$89,500
71	$70,500	$79,500	$87,000	$95,000
75	$73,500	$84,500	$93,000	$103,000

LifeIncome scenarios

A range of LifeIncome scenarios have been modelled to cover the key features a client could select when investing in LifeIncome:

Allocation to LifeIncome	LifeIncome Booster Rate
20% 25% 30%	2.5% 5.0%

A total of 576 LifeIncome scenarios have been modelled incorporating the above range of product features for each of the household scenarios.

LifeIncome is assumed to be purchased at the start of the forecast with an amount allocated from the ABP to LifeIncome. Each person in a couple is assumed to invest the same amount of their ABP in LifeIncome.

LifeIncome pricing was obtained from Generation Life on 19 August 2025. Quotes for a single female assume LifeIncome is non-reversionary. Quotes for couple scenarios for a male and female of the same age assume a reversionary beneficiary of the spouse with LifeIncome Flex 65% selected.

LifeIncome is assumed to be invested in the target risk profile with total fees of 1.19% per annum. This is based on fees which would currently be payable if invested in any of the Vanguard diversified portfolio investment options. A Lifetime Income Protection Provision of 0.35% is included for the first two years.

Death benefit periods assumed in the modelling are based on the Death benefit period table set out in the LifeIncome PDS dated 12 November 2024 for male and females aged 67, 71 and 75.

Modelling methodology and assumptions

Accurium's comprehensive stochastic retirement income model was used to stress test each scenario through 2,000 simulations of future investment and inflation outcomes to assess the likelihood that the target retirement income would last for life. We call this the retirement strategy score and it is an overall indication of success of a retirement income strategy for a household.

Retirement strategy score

The retirement income strategy score for each scenario was calculated at the household's 25% age. The 25% age of a household is calculated as the age to which the individual, or last person in a couple, has a 25% chance of surviving beyond. This is calculated using mortality rates from the Australian Government Actuary 202-22 life tables with 25-year improvement factors.

The 25% age number of years over which the strategy score is calculated are as follows:

Household / Age	67	71	75
Single	28 years	24 years	20 years
Couple	30 years	26 years	22 years

For example, the retirement strategy score for a single age 67 scenario is calculated as the number of simulations where the target retirement income was achieved every year for 28 years divided by 2,000. If the target income was sustainable in 1,000 simulations, then the retirement strategy score would be 50%.

The retirement income strategy score for each of the 672 scenarios is calculated and then the LifeIncome scenario score is compared to the score in the ABP only scenarios for the same household scenario. The change in retirement strategy scores is then analysed to identify which client cohorts are most likely to benefit from including LifeIncome in their retirement strategy. Results can be viewed in Appendix 3.

Modelling assumptions

The model runs simulations on an annual basis assuming the current financial year starts 'today' for people of an integer age today. It is assumed that each person survives for the duration of the forecast.

The investment returns used in the model are not a guarantee or prediction of future investment returns. The investment return assumptions are provided by 10E24 and are generated using the September 2024 calibration of the 10E24 Regime Switching Asset Model. This Model produces 'random' future sequences of possible investment returns for each asset class (cash, fixed interest, equities, property etc). These are carefully generated so that 'as a whole' the simulations represent a full distribution for how 'real world' markets and inflation could perform in the future. The returns for each asset class and inflation are statistically calibrated in terms of average returns, volatilities and correlations with each other.

Defensive and growth investment portfolios are constructed from underlying asset classes as follows:

Growth portfolio	Australian equity	Global equity hedged	Global equity unhedged	Australian listed property	Global listed property	Infrastructure
	40%	20%	25.0%	5.0%	5.0%	5.0%

Defensive portfolio	Australian fixed interest	Global fixed interest	Cash
	40.0%	40.0%	20.0%

A household is assumed to fund their target spend each year from minimum ABP pension drawings, income from LifeIncome (if applicable), and Age Pension entitlements. If this income exceeds the target spend it is assumed the household will spend the additional income. If there is a shortfall in the target spend and there remains a balance in the ABP the remaining required amount is assumed to be taken from the ABP. Spending is assumed to occur uniformly over a year. The annual target spending is assumed to increase annually with inflation.

The ABP balance is assumed to grow each year with investment returns net of fees, less withdrawals taken to fund spending. Each ABP is assumed to be a financial investment, deemed for Age Pension purposes under the Income Test and the value assessable under the Assets Test.

LifeIncome is modelled based on the product rules set out in the PDS dated 12 November 2024.

Age Pension entitlements of the household are estimated based on Centrelink rules, rates and thresholds as of July 2025. It is assumed that Age Pension thresholds increase each year in line with inflation. No other Centrelink entitlements are considered. In calculating Age Pension entitlements, the model assumes that a household falls under the standard rules for calculating couple or single entitlements. Age Pension entitlements are calculated on an annual basis and more complex arrangements such as the work bonus, transitional rules, rental assistance, and couples separated by illness are not considered. The maximum entitlement for the Age Pension is assumed to be the sum of the maximum basic rate, the pension supplement and energy supplement and is assumed to increase each year in line with inflation. Deeming rates are assumed to move each year in line with changes in the cash rate, subject to a floor of 0% on the lower rate and 2% on the upper rate. Where a person is entitled to at least one cent of the Age Pension the model allows for the minimum Age Pension amount in line with current rates.

For simplicity the model assumes no income tax is payable by the household, and earnings on the ABP are tax free.

Appendix 3: Modelling outcomes

Increase in retirement strategy score at 25% age with LifeIncome scenario vs ABP only scenario - single females

		Household Assets	$350,000				$550,000				$750,000				$950,000			
		Risk Profile Defensive Allocation	70%	50%	30%	10%	70%	50%	30%	10%	70%	50%	30%	10%	70%	50%	30%	10%
Age	Life Booster rate	LifeIncome Allocation																
67	2.5%	20%	7%	6%	4%	3%	13%	11%	7%	6%	14%	12%	7%	6%	9%	9%	5%	4%
		35%	8%	7%	5%	4%	20%	15%	10%	8%	21%	16%	10%	8%	14%	12%	7%	6%
		50%	8%	7%	5%	4%	23%	16%	11%	9%	26%	19%	12%	10%	18%	14%	9%	7%
	5.0%	20%	4%	3%	3%	2%	10%	9%	5%	5%	10%	9%	5%	5%	5%	5%	3%	3%
		35%	1%	1%	1%	1%	16%	13%	8%	7%	16%	13%	8%	7%	7%	7%	4%	3%
		50%	-3%	-2%	0%	-1%	18%	14%	9%	7%	20%	15%	9%	8%	9%	9%	5%	4%
71	2.5%	20%	7%	5%	3%	2%	13%	9%	7%	5%	13%	9%	6%	5%	8%	6%	4%	3%
		35%	8%	6%	4%	3%	17%	12%	9%	7%	17%	12%	8%	6%	10%	7%	5%	3%
		50%	6%	5%	3%	2%	19%	13%	9%	7%	21%	14%	10%	7%	13%	9%	6%	4%
	5.0%	20%	5%	4%	3%	2%	11%	8%	6%	4%	10%	7%	5%	4%	5%	4%	3%	2%
		35%	4%	3%	2%	2%	15%	11%	8%	6%	15%	11%	7%	5%	6%	4%	3%	2%
		50%	-1%	-1%	0%	-1%	16%	11%	8%	6%	18%	12%	8%	6%	7%	5%	3%	2%
75	2.5%	20%	6%	4%	3%	2%	11%	7%	6%	5%	11%	7%	5%	4%	7%	5%	3%	2%
		35%	5%	4%	3%	2%	14%	9%	7%	5%	13%	8%	6%	5%	8%	5%	3%	2%
		50%	0%	0%	0%	0%	14%	9%	6%	5%	16%	10%	7%	5%	8%	5%	3%	2%
	5.0%	20%	5%	4%	3%	2%	10%	7%	5%	4%	10%	6%	4%	4%	6%	5%	2%	2%
		35%	2%	2%	1%	1%	14%	9%	7%	5%	12%	8%	6%	4%	6%	4%	2%	2%
		50%	-4%	-2%	-2%	-2%	14%	9%	6%	5%	15%	9%	7%	5%	6%	4%	2%	2%

Increase in retirement strategy score at 25% age with LifeIncome scenario vs ABP only scenario - couples

		Household Assets	$500,000				$800,000				$1,100,000				$1,400,000			
		Risk Profile																
		Defensive Allocation	70%	50%	30%	10%	70%	50%	30%	10%	70%	50%	30%	10%	70%	50%	30%	10%
Age	Life Booster rate	LifeIncome Allocation																
67	2.5%	20%	6%	5%	3%	3%	17%	14%	9%	7%	21%	16%	11%	8%	17%	15%	9%	7%
		35%	9%	8%	6%	5%	27%	21%	15%	11%	34%	24%	16%	12%	25%	19%	14%	10%
		50%	12%	11%	7%	6%	35%	25%	17%	13%	41%	28%	19%	14%	34%	24%	16%	12%
	5.0%	20%	1%	1%	0%	1%	12%	11%	7%	5%	14%	12%	7%	6%	10%	9%	6%	4%
		35%	-1%	1%	0%	1%	19%	16%	10%	8%	23%	18%	12%	9%	15%	14%	9%	7%
		50%	-4%	-1%	-1%	1%	18%	16%	10%	8%	30%	21%	14%	11%	20%	16%	11%	8%
71	2.5%	20%	9%	7%	5%	4%	18%	14%	10%	8%	21%	16%	11%	9%	17%	13%	8%	7%
		35%	14%	10%	8%	6%	28%	21%	15%	12%	32%	22%	16%	13%	25%	18%	12%	10%
		50%	17%	13%	10%	8%	34%	24%	17%	13%	39%	27%	18%	14%	33%	22%	15%	12%
	5.0%	20%	5%	3%	3%	2%	14%	12%	7%	6%	15%	12%	8%	7%	12%	10%	6%	5%
		35%	4%	3%	3%	3%	21%	16%	12%	9%	25%	18%	12%	10%	17%	14%	8%	7%
		50%	2%	2%	2%	2%	21%	17%	12%	9%	31%	21%	15%	12%	21%	15%	10%	8%
75	2.5%	20%	9%	7%	5%	3%	19%	13%	10%	8%	22%	14%	11%	8%	19%	12%	9%	7%
		35%	14%	11%	8%	6%	29%	20%	14%	11%	31%	20%	15%	11%	25%	16%	12%	9%
		50%	17%	13%	9%	7%	33%	21%	16%	12%	37%	24%	17%	14%	31%	19%	14%	11%
	5.0%	20%	5%	5%	3%	2%	16%	12%	8%	6%	17%	11%	9%	7%	15%	10%	7%	6%
		35%	6%	5%	4%	2%	24%	17%	12%	9%	27%	17%	12%	9%	20%	13%	10%	8%
		50%	4%	4%	3%	2%	22%	15%	11%	9%	31%	20%	15%	11%	24%	15%	11%	8%

Increase in median Age Pension entitlements with LifeIncome vs ABP only scenario - single female

Household Assets	LifeIncome Allocation	Age	Average of Increase in Age Pension in year one	Average of Increase in cumulative 5 year Age Pension	Average of Increase in cumulative 10 year Age Pension
$350,000	20%	67	8%	3%	1%
		71	8%	2%	1%
		75	8%	2%	0%
	35%	67	11%	3%	1%
		71	10%	2%	0%
		75	9%	0%	-1%
	50%	67	9%	2%	0%
		71	8%	0%	-2%
		75	7%	-2%	-3%
$550,000	20%	67	34%	15%	7%
		71	34%	14%	6%
		75	34%	12%	4%
	35%	67	59%	25%	12%
		71	59%	24%	9%
		75	59%	22%	6%
	50%	67	85%	36%	17%
		71	85%	34%	13%
		75	85%	30%	8%
$750,000	20%	67	0%	57%	16%
		71	0%	48%	12%
		75	0%	39%	8%
	35%	67		112%	30%
		71		94%	23%
		75		76%	16%
	50%	67	Become entitled	171%	43%
		71		143%	34%
		75		116%	23%
$950,000	20%	67	0%	0%	35%
		71	0%	Become entitled	23%
		75	0%	140%	12%
	35%	67	0%	Become entitled	67%
		71	0%	Become entitled	43%
		75	0%	369%	22%
	50%	67	0%	Become entitled	106%
		71	0%	Become entitled	67%
		75	0%	757%	35%

Become entitled = in ABP alone scenario the median Age Pension entitlements across the stochastic simulations over the period were zero over the period, and with LifeIncome the household did have a non-zero median cumulative Age Pension entitlement.

Increase in median Age Pension entitlements with LifeIncome vs ABP only scenario – couple

Household Assets	LifeIncome Allocation	Age	Average of Increase in Age Pension in year one	Average of Increase in cumulative 5 year Age Pension	Average of Increase in cumulative 10 year Age Pension
$500,000	20%	67	7%	2%	1%
		71	7%	1%	1%
		75	6%	1%	0%
	35%	67	6%	1%	0%
		71	5%	0%	0%
		75	4%	-1%	-1%
	50%	67	4%	0%	0%
		71	3%	-1%	-1%
		75	2%	-2%	-2%
$800,000	20%	67	27%	13%	6%
		71	27%	12%	5%
		75	27%	11%	4%
	35%	67	48%	22%	11%
		71	48%	21%	9%
		75	48%	19%	6%
	50%	67	68%	32%	16%
		71	68%	30%	12%
		75	68%	27%	8%
$1,100,000	20%	67	Become entitled	49%	15%
		71		43%	12%
		75		37%	8%
	35%	67		92%	27%
		71		80%	21%
		75		68%	15%
	50%	67		136%	39%
		71		119%	31%
		75		101%	22%
$1,400,000	20%	67	0%	Become entitled	32%
		71	0%	Become entitled	21%
		75	0%	182%	11%
	35%	67	0%	Become entitled	62%
		71	0%	Become entitled	40%
		75	0%	439%	21%
	50%	67	0%	Become entitled	96%
		71	0%	Become entitled	62%
		75	0%	847%	33%

Become entitled = in ABP alone scenario the median Age Pension entitlements across the stochastic simulations over the period were zero over the period, and with LifeIncome the household did have a non-zero median cumulative Age Pension entitlement.