

Reducing the call on the budget by enabling a higher private contribution to the costs of ageing

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S&P projected sovereign ratings

COUNTRY	2005	2010	2020	2030	2040
Australia	AAA	AAA	AA	BBB	Spec
Canada	AAA	AAA	AAA	AAA	AA
Japan	AA	A	Spec	Spec	Spec
USA	AAA	AAA	BBB	Spec	Spec

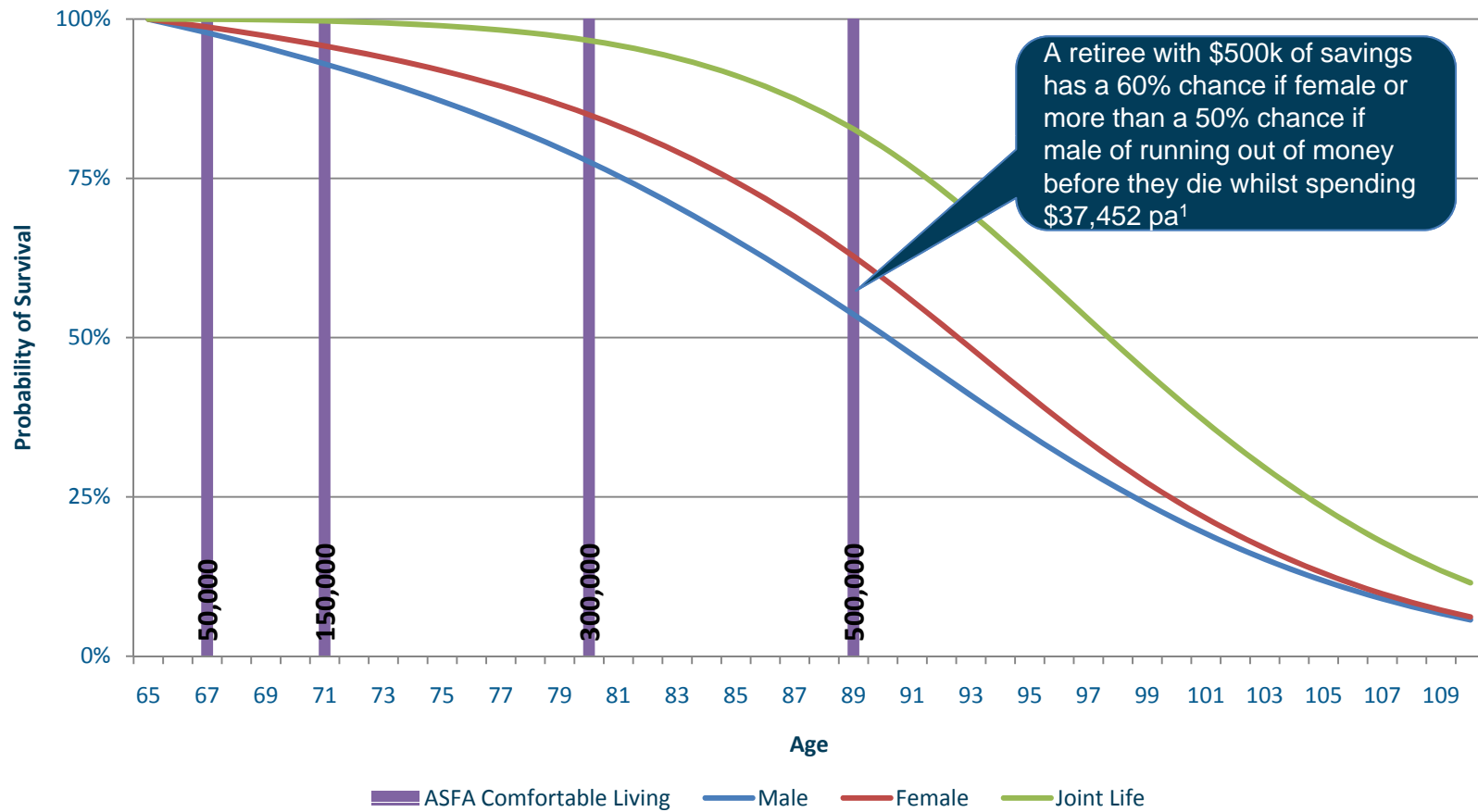
Source: Standard & Poor's, Global Graying: Aging Societies and Sovereign Ratings, 27 June 2006.

Expected duration of allocated pensions

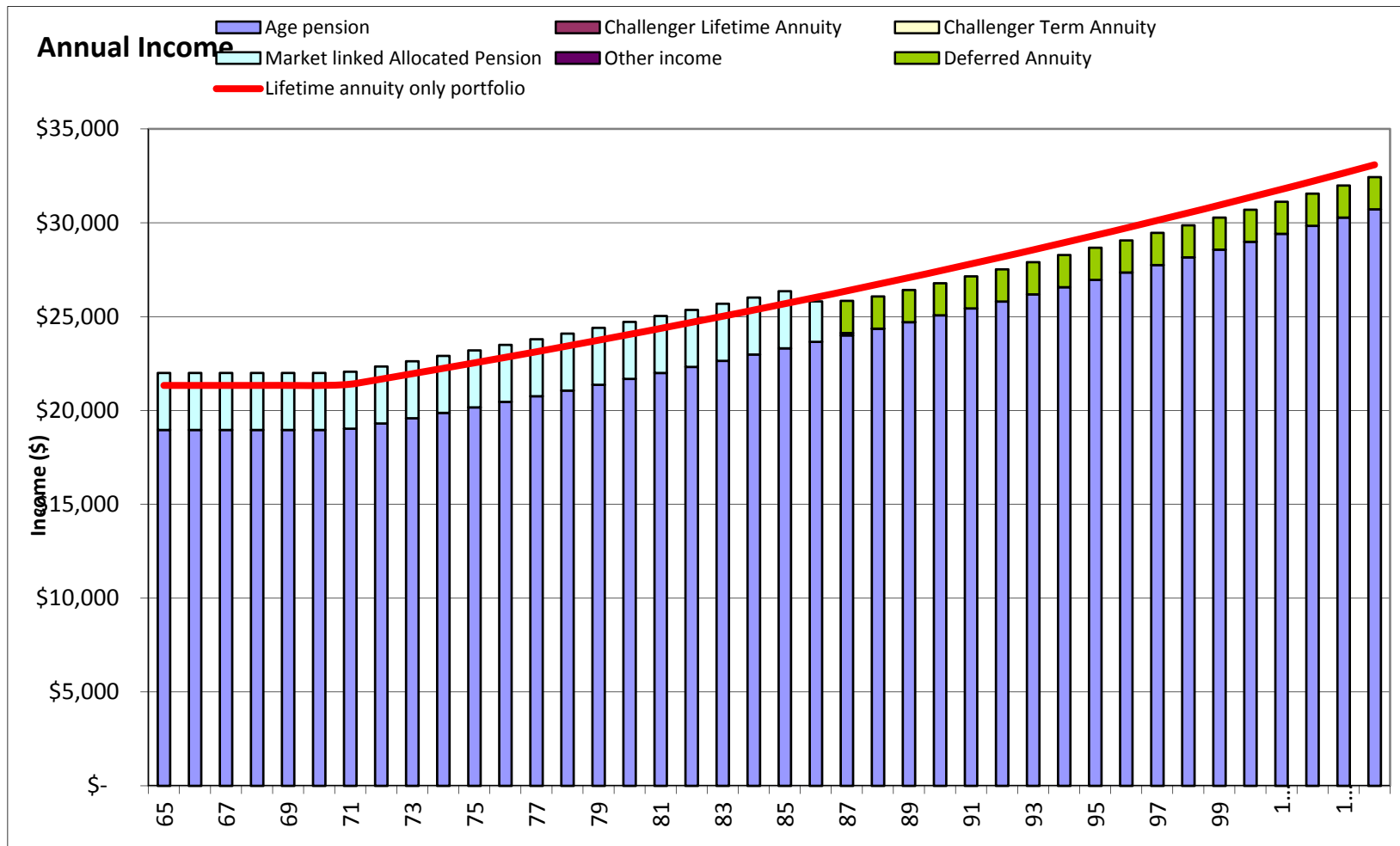
Starting Balance	Target Income	Age 65 retiree	
		% of Simulations	Age
\$500,000	Modest	0%	na
\$500,000	Comfortable	100%	89
\$300,000	Modest	0%	Na
\$300,000	Comfortable	100%	80
\$150,000	Modest	0%	na
\$150,000	Comfortable	100%	71
\$50,000	Modest	19%	81
\$50,000	Comfortable	100%	67

Source: Towers Perrin, Retirement Income Modelling Results, 5 March 2011

Small and Larger Retirement Asset Balances All Likely to Run Out Prior to a Retiree's Death



Use of deferred lifetime annuity for retiree with a \$50,000 starting balance



Source: Challenger Limited

Indicative pricing for single premium lifetime aged care loan product

12 month reducing bequest

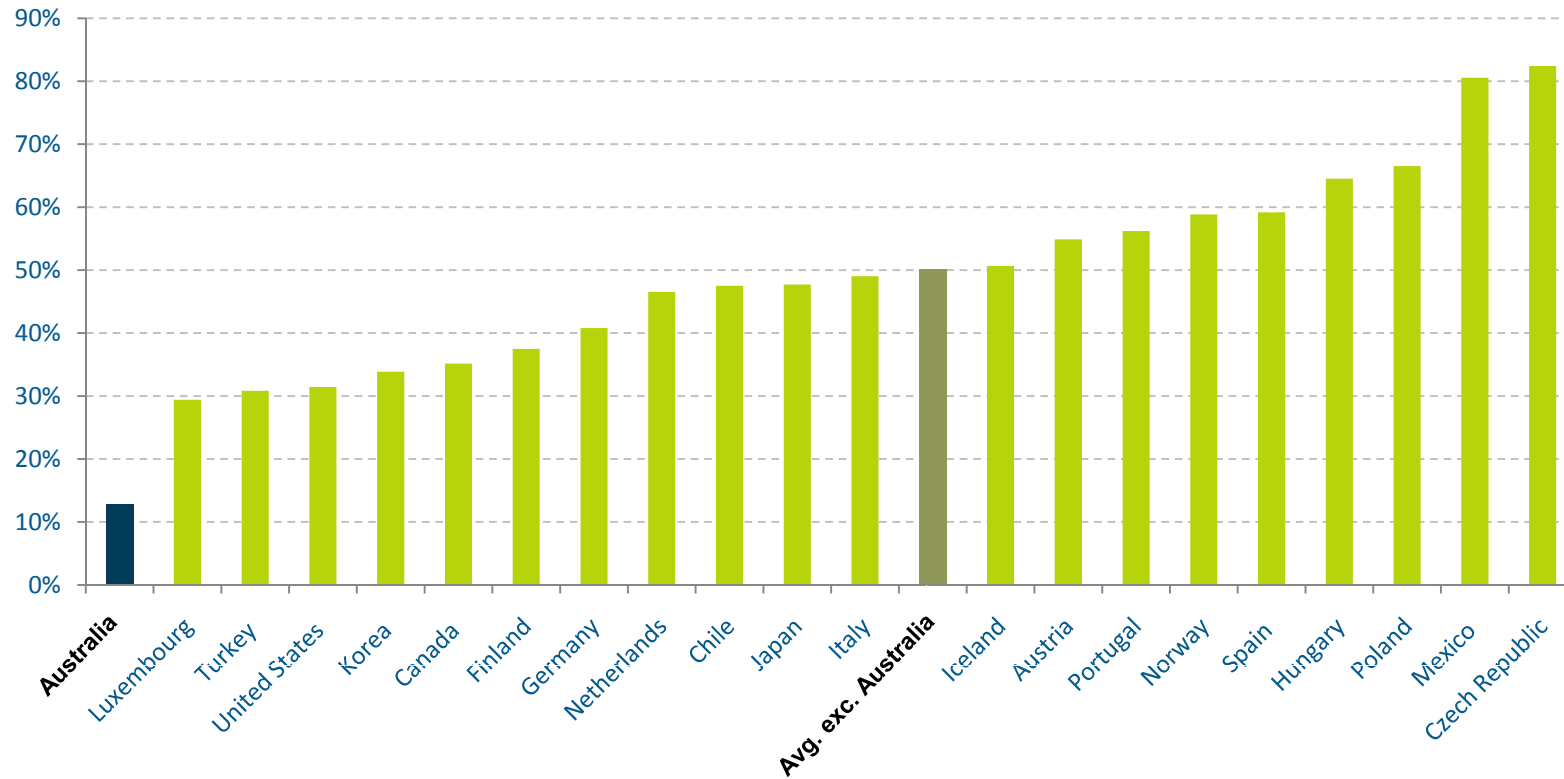
Age	Bond	Male % (LE years)	Female % (LE years)
75	\$1,000,000	74% (2.18)	67% (3.55)
85	\$1,000,000	77% (1.77)	70% (3.08)
95	\$1,000,000	79% (1.37)	74% (2.31)

Age	Bond	Male % (LE years)	Female % (LE years)
75	\$200,000	67% (2.18)	61% (3.55)
85	\$200,000	69% (1.77)	64% (3.08)
95	\$200,000	71% (1.37)	68% (2.31)

Source: Challenger submission to Productivity Commission Inquiry into Caring for Older Australians, 21 March 2011

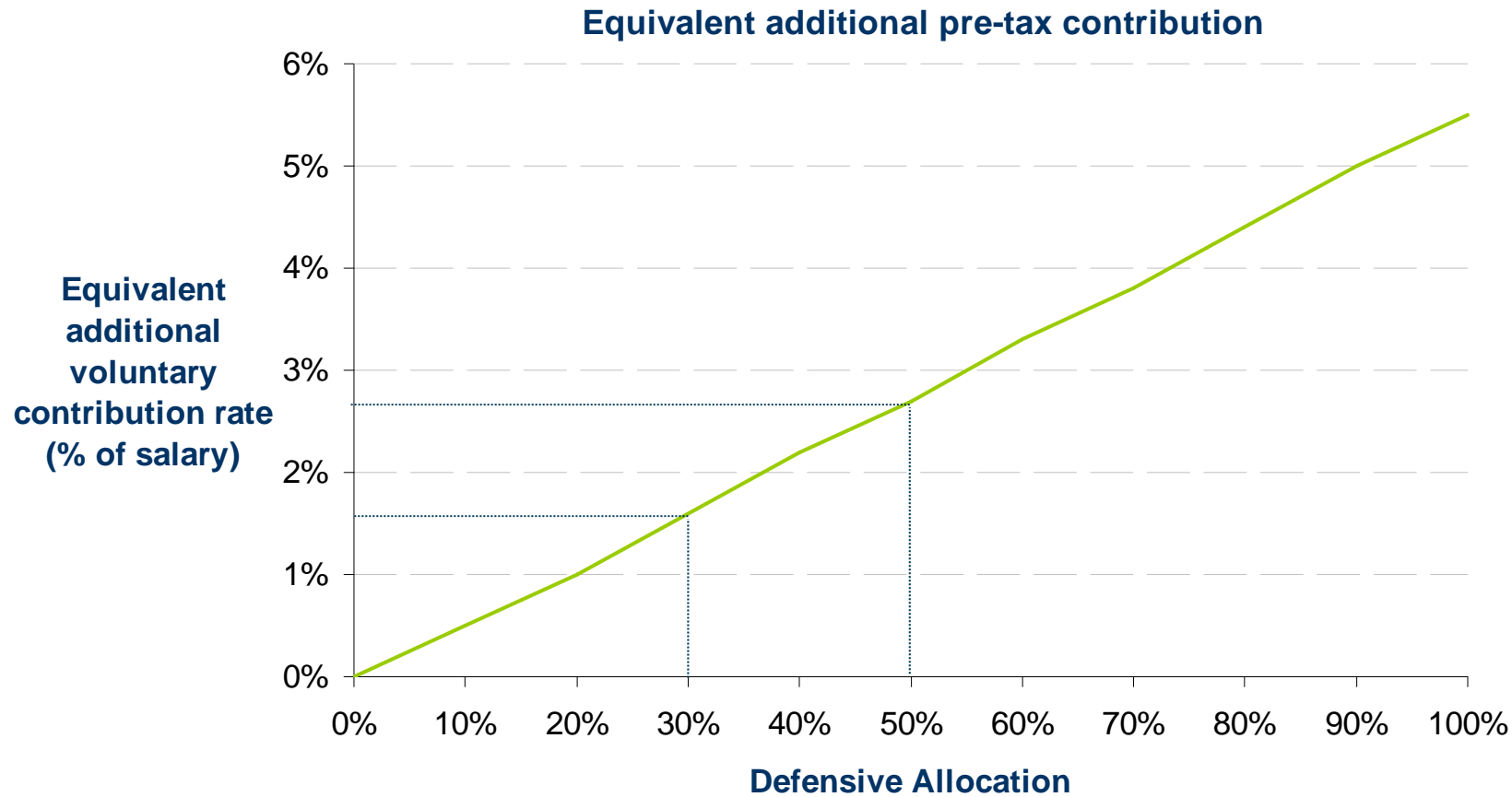
Australia's low allocation to fixed income in super

Pension Fund Asset Allocations for Selected OECD Countries



Source: OECD Global Pension Statistics (2009 data) July 2010, Issue 7

Value of guaranteed income streams in accumulation and retirement



Results of actuarial investigations on partial annuitisation

Using an annuity as the defensive component of an asset allocation:

- Reduces the risk of retirement income falling below adequacy
- Provides superior investment performance to a non-annuity strategy across the range of market outcomes, asset allocations and fee levels
- Reduces the call on non-superannuation assets for retirement income and therefore assists in achieving estate planning objectives

Table 5: Core scenario results – impact of purchasing an annuity

Initial Balance (\$)	Target Income (\$)	Adequate Income (\$)	Strategy	Pr (Inadequacy)	Remaining account balance at age 90 (\$)		
					Worst	Median	Best
500,000	37,621	19,450	Non-annuity	42%	-167,867	18,682	348,781
500,000	37,621	19,450	Annuity	4%	-121,776	98,179	563,188

Assumptions: Asset Allocation: 70% Growth / 30% Defensive; High Fees.





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