

Media Release

Retirees want an additional \$145 billion of guaranteed income

05 February 2024: 4 in 5 (78%) Australian pre-retirees don't feel prepared for retirement, with their preferences for income certainty not linked to their salary, age or super balance, according to research from Capital Preferences supported by Challenger.

The study revealed that retirement income preferences are highly individualised and indicated that readily available data (currently held by a super fund) may misguide super funds and government when cohorting members for the purpose of setting retirement income strategy and fit-for-purpose assistance.

Home ownership and ownership of a guaranteed lifetime income product (GLI) were the top two contributing factors associated with a greater sense of retirement preparedness. Yet for those under the age of 65, two thirds reported they had 'no knowledge' of guaranteed lifetime income products and only 8% of the 55 and older group claimed to be knowledgeable.

Using revealed preferences methodology, it is estimated that over \$145 billion of 55–74 year-old peoples' superannuation¹ should be transferred into a GLI to meet their preferences for long-term income certainty.

Shachar Kariv, Co-Founder and Chief Scientist, Capital Preferences explained how its 'revealed preferences' methodology, which combines interactive gamified decision scenarios and decision science, can model an individual's retirement income certainty preferences.

"Every member is unique, and the technology to serve them now exists. Our findings highlight the importance of recovering individual preferences as part of the member experience. Simply relying on demographic data to predict income certainty preferences will almost certainly misdiagnose members – and hinder superfunds in providing fit-for-purpose retirement income assistance," Professor Kariv said.

"Digital and scientific innovation can play a significant role in solving this potential issue, allowing super funds to recover essential information on their members. Measuring our study respondents' retirement income certainty took just minutes to complete via their mobile device."

"Members can't self-report their preferences in areas of risk, but they can show us with their decision making," he said.

Mandy Mannix, Chief Executive, Customer for Challenger, Australia's largest provider of annuities, supports the take up of highly personalised yet simple and scalable solutions that would help super funds support their members to make better informed decisions about their desired retirement income.

¹ Current super balances for age groups sourced from [Quarterly Superannuation Industry publication | APRA](#)

“Data reinforces the importance of financial security in retirement – as Australians are living longer and retiring in record numbers, it’s critical that as an industry we understand and respond to retirees preferences to ensure they have confidence to spend.”

“It’s exciting to see momentum building in digital innovations and the meaningful role they can play to support super funds, advisors and Government in solving the retirement income puzzle.”

“Government and industry have a critical role to play, working together to increase financial literacy through guidance and education to ensure Australians make the most of their superannuation throughout their lives,” Ms Mannix added.

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About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement. Challenger operates a fiduciary Funds Management division, an APRA-regulated Life division and an APRA-regulated authorised deposit-taking institution. Challenger Life Company Limited (Challenger Life) is Australia’s largest provider of annuities.

About Capital Preferences

Capital Preferences, Ltd. (Capital Preferences) is the world’s leader in uniquely understanding and modelling human behaviour. Founded on decades of award-winning research into revealed preferences, Capital Preferences exists at the intersection of decision science, behavioural economics, and human-centred design. Capital Preference’s technology mathematically models client motivations and preferences, empowering financial services providers to deliver personalised advice to members and clients, at scale. Over half a million investors globally at some of the world’s largest wealth managers are making more purposeful decisions thanks to the insights delivered by Capital Preferences’ innovative client-engagement experiences.

About Revealed Preferences

Shachar Kariv, PhD and Dan Silverman, PhD, both co-founders of Capital Preferences, Ltd., pioneered the application of revealed preference methods in financial services. Shachar Kariv is two-time Chair of the Economics Department at the University of California, Berkeley, often recognised as a top public research university in the world.

About the study

Capital Preferences studied 4,012 Australian superfund members’ retirement income preferences via a science based activity administered in October 2023.

Against a backdrop of the Retirement Income Covenant, the goal was to help the industry and Government close the member data gap, especially for pre-retirees and retirees. To measure participants’ retirement income certainty preferences, Capital Preferences used revealed preference methods via a simple interactive digital experience that simulates the key tradeoffs in retirement income. Capital Preference augmented this preference data with survey questions to capture a holistic financial picture for each respondent, as well as their attitudes, knowledge and behaviours about retirement.

The results represent an essential set of insights for superfunds to properly cohort and provide fit-for-purpose retirement assistance to their members. Download a copy of the study at www.capitalpreferences.com/Member

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