Project Outline

30 September 2020

UNSW Business School's Sandbox Program challenges students to solve difficult industry problems

The challenge: developing a standardised retirement income projection which informs consumers of the range of retirement outcomes they may experience.

This project is sponsored by a collaboration of The Conexus Institute (David Bell), Super Consumers Australia (Xavier O'Halloran) along with Estelle Liu from Aware Super.

Currently members of many (but not all) super funds receive a retirement estimate in their annual fund statement which includes a projection of account balance at retirement and annual income in retirement. Nearly all funds use an ASIC class order relief to produce projections.

Unfortunately, these projections are deterministic, meaning they only represent a point estimate. Consumers have no understanding of the range of retirement outcomes they may face. There is a risk they will assume the projections to be certain, and they may miss the opportunity to take actions to improve the likelihood of a minimum retirement outcome.

This project challenges students to develop a hypothetical stochastic retirement estimate methodology for ASIC. A stochastic projection provides insights into the range of outcomes rather than a simple point estimate.

The project throws two challenges at students. One is to develop the calculations (students are required to extend the existing class order calculations rather than develop an all-new calculation). The other is framing: how to present complex information in a way that can be understood by consumers.

Quotes

David Bell, Executive Director of The Conexus Institute:

"I think consumers need to understand the range of retirement outcomes they may face. It would be a great start for this to happen through retirement estimates on member statements. I'm excited to see what the students develop."

Xavier O'Halloran, Director of Super Consumers Australia:

"Consumers find a lot of financial information complex and as a result they retreat from engaging with their finances, including their superannuation. I'll be interested to see how the students deal with the framing aspects of this project."

Estelle Liu, Manager, Actuarial Practice, Aware Super:

"Working with the existing calculations embedded in ASIC Class Order will make it familiar for ASIC and those super funds who use the existing Class Order relief. Students are expected to extend the existing deterministic projection used in the Class Order to illustrate the range of retirement outcomes."