

# METHODOLOGY, ASSUMPTIONS & DISCLAIMER

## Scope of the calculator

This calculator is designed to help users determine their life expectation(s) and thus give an indication of the number of years their savings may need to last in retirement.

The aims of the calculator are to:

- show personalised estimates about each user's potential lifespan which take into account published Life Tables and high-quality research and statistics;
- take both partners of a couple into account; and
- help users (and financial advisers) determine how long a person's retirement plan might need to last – to provide the desired level of confidence that their retirement income can last their whole life – given we know people don't die when expected to.

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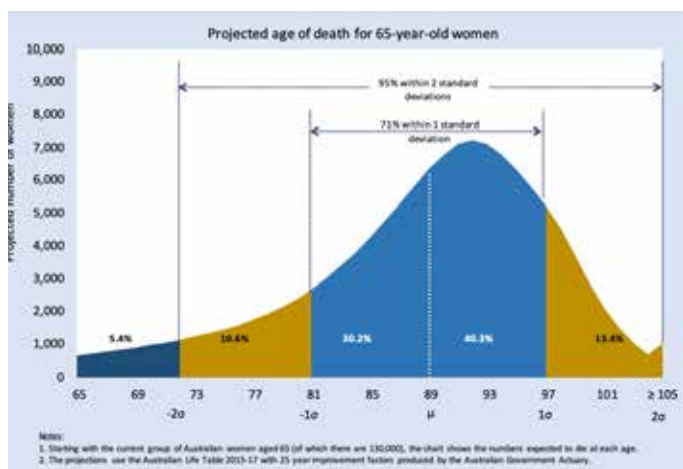
The calculator collects no identifying personal information; however, the anonymised data collected will be handled in accordance with our Privacy Policy. References to 'you' and 'your' are references to the user of the calculator and their partner if the user indicates they are partnered.

## Methodology

Australia has over 125 years of mortality data which the Australian Government Actuary uses to create the Australian Life Tables. However, population mortality tables are not always appropriate for individual retirement planning because they relate to the "average" Australian.

In reality, there is a wide range for the actual lifespans of each individual within any group – people die at random. To illustrate this, the chart below shows the distribution of projected lifespans for Australia's entire population of women who are age 65 in 2020. For this chart, we have simply used the 2015-17 Australian Life Tables (with the 25-year improvement factors) to estimate how many of these women will live to each age. Their average life expectancy is 89 years. But over 50% are expected to live to age 90 and beyond and 13% are expected to live past age 97.

Each individual's life expectancy is known to vary based on many known factors, including lifestyle and health. Life insurers and actuaries worldwide collect statistics about these factors and research them in great depth.



Examples of these factors are as follows:

KNOWN TO REDUCE INDIVIDUAL LIFE EXPECTANCY	KNOWN TO INCREASE INDIVIDUAL LIFE EXPECTANCY
<b>Lifestyle:</b> <ul style="list-style-type: none"><li>• Smoking</li><li>• Sedentary lifestyle</li><li>• Poor diet</li><li>• Body Mass Index outside the normal range</li><li>• High alcohol consumption</li></ul>	<b>Lifestyle:</b> <ul style="list-style-type: none"><li>• Good diet</li><li>• Being active</li></ul>
<b>Existing health issues:</b> <ul style="list-style-type: none"><li>• Blood pressure issues requiring medication</li><li>• High cholesterol</li><li>• Diabetes</li><li>• Having suffered from cancer or a stroke</li><li>• Cancer that required extended treatment in the past five years</li></ul>	<b>Living standards:</b> <ul style="list-style-type: none"><li>• Good income/assets</li><li>• Good access to medical support</li><li>• High-quality living standards</li></ul>

Optimum's Lifespan calculator uses simple indicators for all of the above (existing health issues are only considered for users aged 50 or more).

## Assumptions

The Australian Life Table Results use the 2020-22 tables published by the Australian Government Actuary (with the 25-year improvement factors). For the personalised results, the health and lifestyle assumptions are provided by Hannover Re, one of the largest reinsurers of longevity risk (e.g. pensions and annuities) in the world. The calculator is specifically tailored for Australia. Hannover Re have taken into account the Australian Life Tables as well as international data from people who have purchased lifetime annuities and pensions. These are people who generally enjoy good health and tend to have longer lifespans. It also takes into account the Actuaries Institute of Australia study into annuitant mortality. To the extent permitted by law, no liability is accepted for any loss or damage arising, directly or indirectly from using this lifespan calculator.

## Disclaimer

This is a model, not a prediction. The tool does not take into account all your circumstances and has certain limitations which may impact the results.

No calculator can predict your lifespan with certainty because this will depend on your detailed personal circumstances throughout your life as well as external factors such as pandemics, road accidents, diseases and luck. You should consider revisiting the calculator over time as your circumstances, and the assumptions may change. This calculator should never be used if you have a serious or life-threatening condition.

Do not rely solely on this calculator to make decisions about your retirement. It does not take into account your financial situation or your broader circumstances. There are many other factors to take into account when deciding when to retire and how to invest, such as your investment objectives, detailed financial situation and needs.

This calculator does not relate to any financial product and is not intended to be relied upon for the purposes of making a decision about a specific financial product. You may wish to take advice from a licensed financial adviser.

By using the calculator, you are deemed to have read, understood and accepted these disclaimers and warnings.