

Vanguard Retirement Income Builder

As at 1 July 2024

Frequently asked questions (FAQ)

What does the Retirement Income Builder calculate?

The Retirement Income Builder provides an outlook for a client's wealth drawdown, income outlook and income sources as they approach and live through their retirement years.

Can I use these projections in my Statement of Advice?

The Retirement Income Builder is designed to capture a wide range of personal information from a client. The intention of the tool is to provide an illustration and probability of outcomes a client can potentially expect from current and future financial scenarios. All representations are illustrative only, and we have assumptions and disclaimers that cover the illustrative nature of the outputs from the tool.

If you have relied on the illustrations generated by the tool within the SOA, and also referenced them, outputs from the tool may be used as an appendix to an SOA. Vanguard Assumptions and Disclaimers clearly articulate that the information contained within the Retirement Income Builder Tool reports are illustrations only, and Vanguard does not accept any liability for reliance on the information within the reports.

Who is Retirement Income Builder suitable for?

The tool is mostly suitable for clients who are approaching retirement or in retirement.

Can I allow my clients to use this?

The Retirement Income Builder has been designed for advisers to use in front of their

clients. To get the most of the tool we'd recommend that you use it during client conversations.

Can I save my clients projections?

Unfortunately you won't be able to save client projections at this time.

You can save a PDF report which includes your client's information, any contributions they may have made, their goals, an overview of their wealth and income during retirement as well as the underlying assumptions.

How do you deal with couples who have different retirement ages?

The model will assume that the couple begins their retirement income when the first partner retires (i.e. whomever retires first).

What are the different growth rates of assets in the model?

For both super and non-super investments, you'll have the opportunity to nominate the investment strategy. These range from conservative through to high growth. More information can be found in Appendix 1 of the *Assumptions*.

Inflation is the assumed growth rate for property and personal assets.

What is the investment strategy based on?

The investment strategy is based on Vanguard's diversified fund asset allocations. The asset allocations can be found in the Investment Options section of the *Assumptions*.

What is the Vanguard Capital Markets Model® and how does it work?

The Vanguard Capital Markets Model® (VCMM) is a proprietary financial simulator developed and maintained by Vanguard's Investment Strategy Group.

It is a long-term tool that takes into account current macroeconomic conditions and equity and bond valuations to forecast distributions of future returns for a wide range of asset classes and portfolios.

The VCMM projections are based on a statistical analysis of historical data. Future returns may behave differently from the historical patterns captured in the VCMM. More importantly, the VCMM may be underestimating extreme negative scenarios unobserved in the historical period on which the model estimation is based.

The primary value of the VCMM is when it is used to analyse potential client portfolios. VCMM asset-class forecasts—comprising distributions of expected returns, volatilities, and correlations—are key to the evaluation of potential downside risks, various risk-return trade-offs, and diversification benefits of various asset classes.

What is stochastic modelling and why have you chosen to use it?

Stochastic modelling forecasts the probability of various investor outcomes under different conditions using random variables. This allows us to project different wealth drawdown and income outlook scenarios with a breakdown on how probable different outcomes may be.

Traditional projection tools that use deterministic modelling allocate a constant rate of return based on a chosen investment option. Deterministic modelling tools fail to consider two large variables in investing, volatility and time. Projections can be misleading if you assume there is no variation in return.

How much does the tool cost?

The tool is free for advisers.

Are the projections adjusted for inflation?

Yes. All details provided for your client should be added in today's dollars. The projections will take inflation into account. More information can be found in Appendix 1 of the *Assumptions*.

How are fees captured?

An annual dollar and/or percentage based fee can be applied to each partner's superannuation and non-super investment assets (excluding investment properties and personal assets). This includes all platform, investment, advice and other fees.

Age 100 is too old for many of my clients.**Can I change the date of the projections?**

Our projections are displayed until the youngest partner reaches age 100.

This provides flexibility as younger ages can be viewed by dragging your cursor toward the left along the horizontal axis, until you reach the desired age.

In what order is the income sourced?

Income sources are used in the following order:

1. Employment income and other income
2. Age pension
3. Super assets of the client in retirement phase
4. Investment assets of the client in retirement phase
5. Investment assets of the client in accumulation phase
6. Super assets of the partner in accumulation phase (subject to preservation age tests)

Are the minimum withdrawal rates taken into consideration?

Yes. Standard legislated minimum withdrawal rules are applied.

How is age pension eligibility determined?

Eligibility will be determined by a number of factors including age, home ownership, assets and income tests. More information can be found in the Age Pension section of the *Assumptions*.

How often is the portfolio rebalanced?

It is assumed that super and non-super investments are rebalanced annually on 1 July based on the asset allocation of their selected investment option.

Is the family home taken into consideration for the estate?

No. The model doesn't include the family home in the wealth drawdown.

Are franking credits considered?

Yes. A portion of each investment strategy is allocated to Australian equities where 70% of dividends from this allocation are assumed to be franked.

What enhancements are on the horizon?

We review our adviser tools on a regular basis. If you have any ideas to improve the tool or have any general feedback please get in touch with us on 1300 655 205. We'd love to hear from you.

How can we learn more about Vanguard's diversified funds?

Our diversified funds are available as managed funds, managed accounts and ETFs.

[You can find out more here.](#)

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By using the Retirement Income Builder tool, you accept that it is illustrative only and is limited by the data you enter, and the assumptions inherent in the tool. The information and illustrations within any resulting report are a result of the data inputs you make and the forecasts generated through the Vanguard Capital Markets Model®.

The Retirement Income Builder tool is provided for use by financial advisers only and the tool is not intended for use by others. By using the Retirement Income Builder tool, you acknowledge the following:

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