

# target market determination

30 September 2023



## For HESTA for Mercy Transition to Retirement Income Stream product

HESTA for Mercy Transition to Retirement (TTR) Income Stream product provides a regular income stream (regular payments) from money accumulated in superannuation, available once members reach preservation age but are still working in either a full or part-time capacity. The TTR Income Stream product provides access to a range of investment options.

<b>Trustee of Superannuation Fund</b>	H.E.S.T. Australia Ltd
<b>Fund name</b>	HESTA
<b>Australian Business Number (ABN)</b>	66 006 818 695
<b>Unique Superannuation Identifier (USI)</b>	64971749321002
<b>Australian Financial Services Licence (AFSL)</b>	235249

## 1. About this document

This target market determination (TMD) seeks to provide consumers and distributors with an understanding of the target market for whom this product (including its key attributes) has been designed and is likely to be appropriate for, having regard to their likely objectives, financial situation and needs.

This document is not a full summary of the product's risks and features and is not intended to provide financial advice. Consumers and distributors must refer to the Product Disclosure Statement and any supplementary documents when deciding whether to join this product.

### Product Disclosure Statement to which this TMD applies

This TMD applies to the HESTA for Mercy TTR Income Stream product referred to in the HESTA for Mercy Income Stream Product Disclosure Statement (PDS) available at [hestaformercy.com.au/ispds](https://hestaformercy.com.au/ispds)

## 2. Important dates

Date from when this TMD is <b>effective</b>	30 September 2023
Date when this TMD was <b>last reviewed</b>	30 September 2023
Latest date when this TMD will be <b>next reviewed</b>	31 December 2024

### 3. Target market

#### **Type of consumers that fall within this target market**

The HESTA for Mercy TTR Income Stream is designed for consumers who:

- are under age 65 and have reached preservation age but are not fully retired from the workforce;
- have accumulated a minimum of \$50,000 within the HESTA for Mercy superannuation account and are looking to convert this into an income stream to support their transition into retirement phase by:
  - working fewer hours and using the TTR Income Stream to supplement income; or
  - working full time and salary sacrificing into super to save tax and using the TTR Income Stream to supplement their income
- want the ability to continue to apply an investment strategy (through investment choice) whilst drawing down from their capital.

#### **Consumers for whom this product is not appropriate**

The HESTA for Mercy TTR Income Stream is not designed for a person seeking insurance from this product.

#### **Product description and key attributes**

The key product attributes include:

- access to a tax efficient way to draw an income if over age 60
- ability to select from 10 investment options allowing members to create their own portfolio to suit their specific investment needs
- ability to specify an annual income level, subject to a minimum and maximum annual payment amount set by government legislation
- access to flexible payment options for regular income payments, including fortnightly, monthly, quarterly, half-yearly and yearly.

## Objectives, financial situation, and needs

### Investment options

Refer to the HESTA for Mercy *Income Stream PDS* at [hestaformercy.com.au/ispds](https://hestaformercy.com.au/ispds) for detailed information.

The following Ready-Made options are designed to meet the needs of members who want exposure to a diversified portfolio of investments across different asset classes and with different risk/return outcomes. Members can choose one or more options and can switch in and out at any time. In the table below, there are some references to 'long term', which for practical purposes means 10 years.

<b>Balanced Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in a wide range of asset classes including shares, property, and infrastructure, with some private equity, alternatives, debt and cash investments</li><li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs equivalent to or higher than CPI + 3.0% p.a.</li><li>• are comfortable with a higher exposure to growth assets</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 5 to 7 years.</li></ul>
<b>Conservative</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in a wide range of asset classes with a higher allocation than Balanced Growth to debt and cash investments, with some shares, property, infrastructure, and alternatives investments</li><li>• are seeking over the long term to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 1.5% p.a.</li><li>• are comfortable with less exposure to growth assets and more exposure to defensive assets</li><li>• are comfortable with exposure to a medium-risk investment option with a probable number of negative annual returns of between 2 to less than 3 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 1 to 3 years.</li></ul>
<b>Indexed Balanced Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in low-cost passive investment strategies that aim to closely match index returns</li><li>• are seeking over the long term to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 2.0% p.a.</li><li>• are comfortable with a high exposure to listed shares</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 5 to 7 years.</li></ul>
<b>Sustainable Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• seek to avoid exposure to particular activities and tilt towards companies and assets whose activities are thematically aligned with one or more of the UN Sustainable Development Goals (SDGs)</li><li>• are seeking to invest in shares, debt and property with some private equity, alternatives, infrastructure and cash investments</li><li>• are seeking over the long term to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 3.0% p.a.</li><li>• are comfortable with a higher exposure to growth assets.</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 5 to 7 years.</li></ul>
<b>High Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in a wide range of primarily Australian and international shares, infrastructure and private equity, along with some exposure to alternatives, property, debt and cash</li><li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 4.0% p.a.</li><li>• are comfortable with the highest exposure to growth assets across our Ready-Made options</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 7 to 10 years.</li></ul>

The following Your Choice options are designed to meet the needs of members who are seeking to create a portfolio or would like specific exposure to a certain asset class or asset classes to suit their financial needs and objectives. These investment options have limited diversification in their allocation to asset classes and may not suit members who are looking for their super to be invested across a number of different asset classes. Members can choose one or more options and can switch in and out at any time. In the table below, there are some references to 'long term', which for practical purposes means 10 years.

<b>Cash and Term Deposits</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to at-call bank deposits and short-dated term deposits, and may have a small allocation to other cash investments</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax*) of the Bloomberg AusBond Bank Bill Index</li> <li>• are comfortable with exposure to a very low risk investment option with a probable number of negative annual returns of less than 0.5 over 20 years</li> <li>• would ideally invest in the option for a suggested minimum investment timeframe of less than 1 year.</li> </ul>
<b>Diversified Bonds</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to Australian and international government bonds and other debt</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax*) of the combination of: <ul style="list-style-type: none"> <li>• 50% Bloomberg AusBond Composite 0+ Year Index</li> <li>• 50% Bloomberg Global Aggregate ex Australia Index Hedged to \$A</li> </ul> </li> <li>• are comfortable with exposure to a medium risk investment option with a probable number of negative annual returns of between 2 to less than 3 over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 1 to 3 years.</li> </ul>
<b>Property and Infrastructure</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to Australian and global property and infrastructure, along with a smaller allocation to cash</li> <li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 3.0% p.a.</li> <li>• are comfortable with exposure to a medium-to-high-risk investment option with a probable number of negative annual returns of between 3 to less than 4 over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 3 to 5 years.</li> </ul>
<b>International Shares</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to a range of companies listed on the stock exchanges around the world</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax*) of the MSCI All Country World Ex-Australia Index (unhedged in AUD)</li> <li>• are comfortable with exposure to a high-risk investment, with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 7 to 10 years.</li> </ul>
<b>Australian Shares</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to a range of companies listed on the Australian stock exchange as well as a few that are not</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax*) of the S&amp;P/ASX 300 Accumulation Index</li> <li>• are comfortable with exposure to a very high-risk investment, with a probable number of negative annual returns of 6 or greater over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 7 to 10 years.</li> </ul>

\*Estimated tax rate provided by an external investment consultant

## **Consistency between target market and the product**

HESTA believes that the HESTA for Mercy TTR Income Stream is likely to be consistent with the likely objectives, financial situation and needs of the type of members in the target market. This is based on an analysis of the key terms and attributes of the product and a finding that these are consistent with the identified target market. This includes consideration of the varying levels of choice that members have in the product particularly with the investment features to cater to their personal situation and life stage.

To ensure this, HESTA regularly reviews:

- our investment options to provide members with the opportunity for competitive, risk-adjusted net long-term returns (returns after fees and costs)
- member engagement across the suite of investment options offered to ensure the appropriateness and need for a broad range of investment options appropriate for differing levels of risk tolerance and investment horizons of members
- administration fees and costs, including benchmarking against similar leading super funds
- the design of our product to ensure it is not complex and allows for a high degree of self-servicing.

## **4. How this product is to be distributed**

### **Distribution channels**

The HESTA for Mercy TTR Income Stream has been designed to be distributed directly to HESTA for Mercy Super members and also on an advised basis through the following means:

- through representatives of the fund trustee
- directly through a physical application form
- through third-party financial advisers and other regulated persons (holding an AFSL) who engage in retail product distribution.

### **Distribution conditions**

This product should only be distributed under the following circumstances:

- where a member has met the eligibility conditions (reached preservation age)
- a member transfers at least \$50,000 held within their HESTA for Mercy Super account to start their transition to retirement income stream
- where a member has, through the join process, answered the required questions relating to eligibility and suitability of the product
- where a member is an existing member with a HESTA for Mercy Super account.

The HESTA for Mercy TTR Income Stream is not for distribution in jurisdictions outside of Australia.

### **Adequacy of distribution conditions and restrictions**

HESTA believes that the HESTA for Mercy TTR Income Stream distribution conditions and restrictions ensure that only members who meet eligibility conditions enter into this product, because:

- it limits distribution to only existing members with a HESTA for Mercy Super account
- contact centre and member facing employees are trained on the product, including the product eligibility.

The trustee has determined that the distribution conditions and restrictions will make it likely that members who join the product are in the target market for which it has been designed.

## 5. Reviewing this TMD

The trustee will review this TMD in accordance with the below:

<b>Annual review</b>	31 December 2024
<b>Periodic reviews</b>	Annually before the 31 <sup>st</sup> December 2024
<b>Review events</b>	<p>An event or circumstances arising that would suggest the TMD is no longer appropriate. This includes:</p> <ul style="list-style-type: none"><li>• significant changes in member engagement that suggest the target market is no longer appropriate</li><li>• material change to the design or distribution of the product, including related documentation</li><li>• occurrence of any significant dealings having considered reportable incidents, defined below, as notified by product distributors</li><li>• an unexpectedly high level of complaints or adverse feedback from members about investment options, fees and costs or the product in general that would suggest that the product is no longer appropriate</li><li>• notification by the regulator of serious concerns about the distribution and design of the product</li><li>• indications that the distribution conditions do not make it likely that the members who acquire the product are in the target market</li><li>• outcomes from Member Outcomes Assessments and Business Performance Reviews, which indicate the product is not meeting stated member outcomes</li></ul>

Where a review trigger has occurred, this TMD will be reviewed within 10 business days.

## 6. Reporting and monitoring this target market determination

It is an obligation for a distributor of this product to provide the following information in relation to this TMD.

This information must be sent to HESTA via email at [product@hesta.com.au](mailto:product@hesta.com.au)

<b>Complaints</b>	<p>Distributors must report quarterly (within 10 business days following the end of the quarter) the number and details of complaints received in relation to the product covered by this TMD.</p> <p>This will include the substance of complaints and general feedback relating to the product and its performance.</p>
<b>Reportable Incidents</b>	<p>Distributors will report incidents relating to the following within 10 business days, to assist the trustee in its assessment of any significant dealings in relation to this TMD.</p> <p>Information to be reported:</p> <ul style="list-style-type: none"><li>• the number of members who have acquired the product that are not in the target market</li><li>• the number of members who have acquired the product that have characteristics that are specifically excluded from the target market</li><li>• distribution conditions have regularly not been met</li><li>• there is a consistent feature that identifies when or how a member outside the target market acquire the product (e.g. at a particular time period; consistently from a particular adviser).</li></ul>

## contact us

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