Guaranteed regular income for life with

Challenger Lifetime Annuity

Challenger Lifetime Annuity (Liquid Lifetime)
Flexible Income (Immediate payments)

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challenger

Discover the missing piece of a resilient portfolio

In today's unpredictable world, planning for retirement is more crucial than ever. With changing interest rates, high inflation, and market volatility, it's important to consider a reliable income source. The Challenger Lifetime Annuity (Liquid Lifetime) offers just that – a guaranteed, regular income for life, helping to provide your clients with peace of mind and financial security.

Many retirees value a regular income for life

While retirement can be the most enjoyable part of your client's life, it can also involve a lot of financial decisions. No matter how well prepared your client may be for their retirement, unexpected events can have a major impact on their retirement savings and investments.

83%

of retirees rated their desire for retirement income that will last the rest of their life as very important.[1]

81%

of retirees rated their desire for retirement income that adjusts to inflation as very important.[1]

91%

of retirees rated their desire for regular income for essentials as very important.[1]

Guaranteed regular lifetime income provided by lifetime annuities can do more than you think. A combination of income streams – blending a lifetime annuity with an account-based pension and other sources of retirement income – means your clients can get the best possible outcomes for their particular objectives: guaranteed regular income for life, access to growth and defensive assets and flexible access to capital as needed.

Balancing retirement considerations

1 National Seniors Australia and Challenger (2023) The cost of living and older Australians' financial wellbeing.

Why include a lifetime annuity in a modern retirement portfolio

Add value for your retiree clients today while protecting their tomorrow. A Challenger lifetime annuity can provide:

- Attractive level of cash flow which can be linked to number of different payment indexation choices including CPI and market-linked options
- Income for life
- Age Pension boost (if applicable)
- Estate planning certainty
- No product fees
- Flexible adviser remuneration

And when used in conjunction with other retirement assets, lifetime annuities can help enhance total portfolio outcomes:

- Increase regular income
- Preserve more assets
- Increase confidence levels

Monthly payments – for the rest of your client's life

Liquid Lifetime pays a regular income for life in return for a lump sum investment. Liquid Lifetime can start paying your client a guaranteed lifelong income immediately[2], and has a withdrawal value and a guaranteed death benefit for a period based on your client's life expectancy.[3]

Here's what your client will receive:

- monthly payments for the rest of their life (and their spouse's life if they choose), no matter how long they may live.
- if they choose the CPI indexation option, payments will keep pace with inflation; alternatively, they can ask to have payments fixed (so that they never change),[4] linked to changes in the RBA cash rate (so that they move up and down whenever the cash rate changes), or linked to investment markets with the potential for market growth while still accepting downside risk.
- up to 100% of their investment repaid to their nominated beneficiaries or estate if they die early[5]
- a withdrawal value for a long period based on their life expectancy – just in case their circumstances change, and they no longer require lifelong income[4]

Up to 100% of your client's investment
paid to their beneficiary if they die early

2 If the immediate payment option is selected. There is also a deferred payment option. See the PDS for more information.
3 Your client can ask us to remove this feature in return for higher starting payments, called the Enhanced income option.
4 Your client can ask us to only partially index payments annually with movements in the CPI (called 'partial CPI'), to have payments linked to changes in the Reserve Bank of Australia (RBA) cash rate (called 'RBA cash linked') or to have fixed payments (called 'no indexation') in return for different starting payments.
5 See more information on these benefits on page 6.

Payment options

Challenger Lifetime Annuity (Liquid Lifetime) income options

Multiple pathways to better outcomes

Find the annuity option that best complements your client's retirement portfolio and investment profile.

Challenger's lifetime annuity spectrum

Illustrations only, not to scale. Except for the fixed payment option or full CPI options, payments can go up and down. For market-linked options, only the first year's monthly payment amount is guaranteed.

Flexible Income (Immediate and Deferred payments) options

There are four main payment options to choose from:

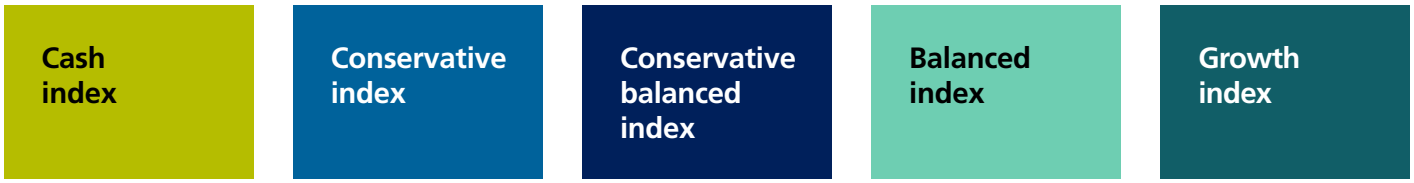
- Full CPI indexation - payments are indexed annually in-line with increases in CPI.
- Partial CPI indexation – payments are indexed annually in line with any increase in the CPI that is greater than 2%, for example if the change in CPI is 3% payments will increase by 1%. If the change in CPI is negative, payments will reduce.
- RBA cash rate linked payments - Payments will change whenever there is a change in the RBA cash rate.
- No indexation - fixed payments that never change.

Market-linked payments option

Control the asset allocation with five different indexation payment options to choose from

With Challenger's market-linked lifetime annuities, your client can choose to have payments linked to changes in one of the five different market-linked index options, enabling you to match the payment allocation to your client's risk profile (across both defensive and growth assets).

These five market-linked index options are:



Information on each option can be found in the Liquid Lifetime PDS.

The higher the exposure to growth assets your client's chosen market-linked index has, the more volatile their yearly indexation rate is likely to be (meaning there is a higher likelihood that their regular payment amount will change significantly up or down year to year).

Only the first year's monthly income amount is guaranteed. After the first year, monthly payments will move up or down annually adjusting to the changes in your client's chosen market-linked index payment option.

Payments will be indexed after each anniversary of the start of your client's Liquid Lifetime annuity (i.e. the first payment to be indexed will be the 13th monthly payment). If the change in your client's chosen market -linked payment option is positive, their regular payments will increase, and if the change in your client's market-linked payment option is negative, then their payments will reduce. In periods of poor performance, payments can index down below the starting payment.

Flexibility to switch your client's market-linked index annually

Challenger's market-linked lifetime annuities gives you the flexibility to switch your client's market-linked index payment option at no cost every year on your client's policy anniversary date. Before each policy anniversary, your client can choose to switch their market-linked index option. If they choose to switch, the change will be effective from the next anniversary day. A request to switch must be received by Challenger at least 14 days prior to the next anniversary day. If your client chooses to switch their option, the first payment to be indexed by the new payment option will be the 13th monthly payment after the change.

Choose to have higher starting payments

The Accelerated payment option allows your client to choose to have higher starting payments in return for lower future indexation by 1% - 5% p.a.

What happens if my clients' circumstances change?

While Liquid Lifetime is designed to be held for life, there is a long period based on life expectancy where your client can access a lump sum if their circumstances change.[6]

The maximum withdrawal value starts at 100% of the investment amount and progressively reduces until it reaches zero at the end of the withdrawal period (see diagram in the next page).

If your client withdraws their investment, their withdrawal value is impacted by movements in interest rates, their chosen index, and an allowance for the cost to us of breaking the investment and cannot exceed the maximum withdrawal value.

If they withdraw, then their regular payments stop.

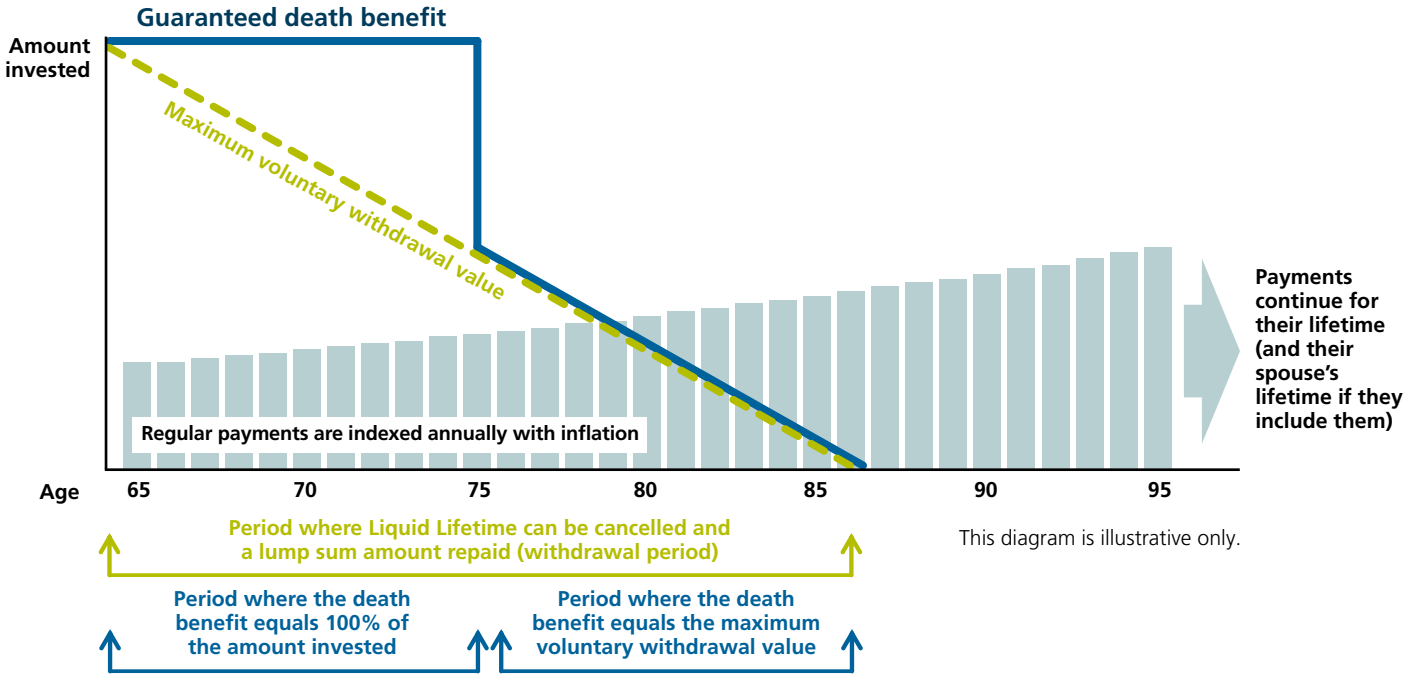
6 Your client can ask us to remove this feature in return for higher starting payments, called the Enhanced income option.

Guaranteed death benefit

For the first half of the withdrawal period (rounded down to a whole day), we will pay a death benefit to your client's nominated beneficiaries or their estate equal to 100% of the amount invested. This amount is not reduced by any payments made up until the time of death, although part of it may be subject to tax. For the remainder of the withdrawal period, the death benefit will be a guaranteed amount equal to the maximum withdrawal value (see diagram in the next page).

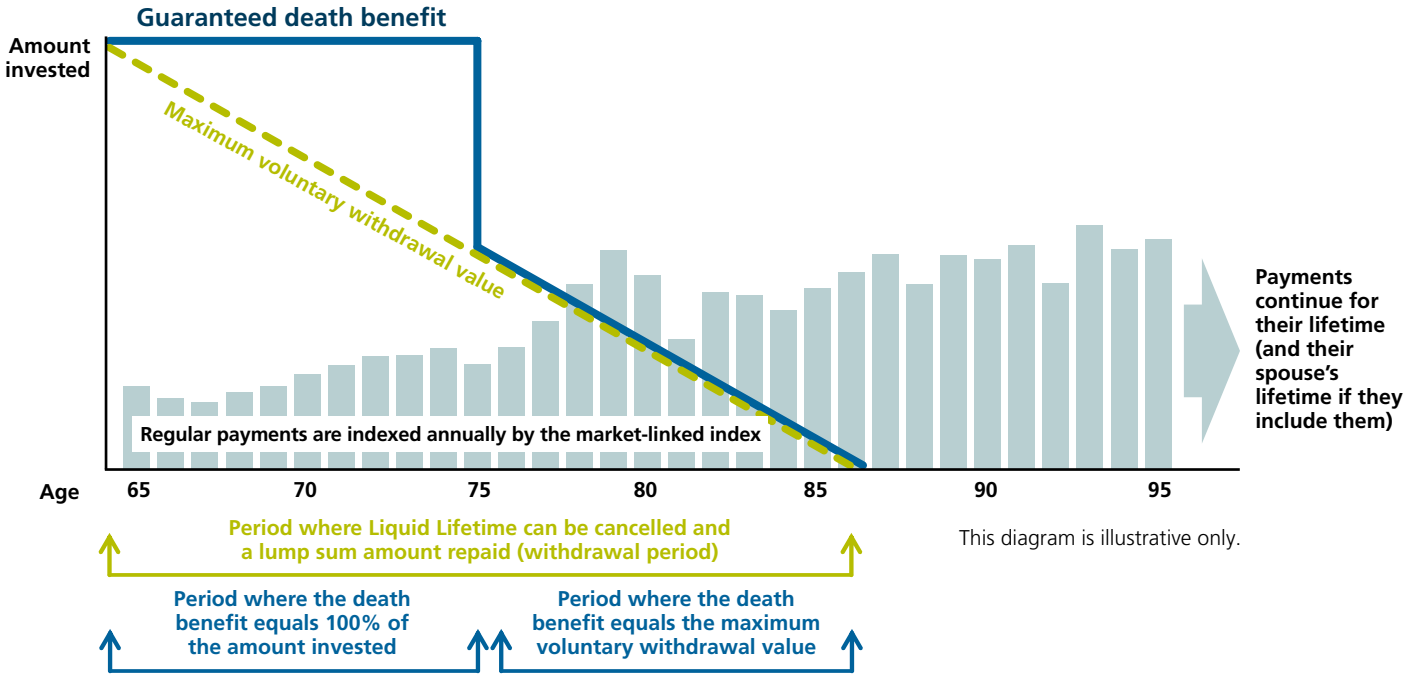
If your client passes away outside of the withdrawal period (and does not have a reversionary spouse), then their monthly payments will cease.

Illustration based on a 65 year old woman with **Immediate payments option (CPI index payments)**



This diagram is illustrative only.

Illustration based on a 65 year old woman with **Balanced market-linked payments option**



This diagram is illustrative only.

Why lifetime annuities?

Provide clients with the **confidence to spend** in retirement by guaranteeing regular income for life

Effectively **manage the key risks** in retirement

Estate planning certainty provided through a **guaranteed death benefit** over life expectancy

Lifetime annuities can help your clients **sustain higher levels of income** over their retirement

Lifetime annuities can help your clients **preserve more assets** leading to higher estate values

Lifetime annuities can help your clients **increase their Age Pension entitlements**

As with all investments, Liquid Lifetime carries some risks. The key risks and how they are managed are described in the Product Disclosure Statement (PDS). You should read the PDS (including the information about risks) and the Target Market Determination (TMD) to consider the suitability of the product for your client's circumstances before a decision to invest is made.
A copy of the PDS and TMD is available at **challenger.com.au** or by contacting our Adviser Services Team on **13 35 66**.

Challenger support for advisers

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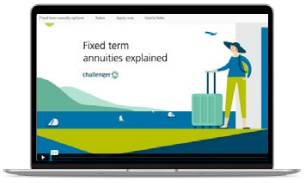

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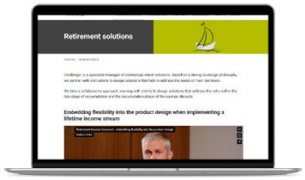

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Age Pension benefits described above will not apply to all individuals. Age Pension outcomes depend on an individual (or couple's) personal circumstances and may change over time. While lifetime income streams may immediately benefit some Age Pension eligible retirees who are assessed under the assets test, in later years, if assessed under the income test, any ongoing Age Pension benefits may be reduced. For Liquid Lifetime (Market-linked payments), only the first year's monthly income amount is guaranteed. After the first year, monthly payments will move up or down annually adjusting to the changes in your client's chosen market-linked indexation payment option. In periods of strong market performance, any Age Pension benefits may reduce to reflect the higher income received.

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