A guide to entering Challenger Liquid Lifetime into XPlan

XTOOLS+ CALM modelling

This guide assists advisers with entering a client's new Challenger Lifetime Annuity (Liquid Lifetime) investment, either the Flexible Income (Immediate payments) or Flexible Income (Market-linked payments) options, into XPlan's modelling tool. To input the Flexible Income (Deferred payments) option, see the guide for deferred annuities on IRESS insight community (XPLAN help).

Where to find Liquid Lifetime details

Start by running a Challenger Lifetime Annuity (Liquid Lifetime) quote for your client via eQuote.

Figure 1: Liquid Lifetime quote (page 1)

Quote details

Investment amount:	$100,000.00 1
Investment term:	Your lifetime
Product option:	Flexible income (Immediate payments) 2
Withdrawal period[1]:	15 years 3 If your circu…nces change you can cancel the investment at any time during this period and receive back a lump sum withdrawal payment.
Death benefit period[1]:	15 years For the first 7 years the death benefit equals 100% of the amount invested. After this time your death benefit will equal the maximum withdrawal amount.
Source of money:	Personal (non-superannuation) savings 4
Upfront adviser service fee:	$0.00 (including GST)
Ongoing adviser service fee (incl. any GST)	$0.00 5

1. Years are based on a 365 day calendar

Regular payments details

First regular payment (before any adviser service fees):	**Paid monthly** $392.84	**Annualised** $4,714.08
First regular payment (after any adviser service fees):	**Paid monthly** $392.84 ($392.84 after tax)	**Annualised** $4,714.08 ($4,714.08 after tax)
Payment option:	Payments will be indexed annually so that they keep pace with changes in the Consumer Price Index (CPI). 6	
Tax free threshold claimed:	Yes	

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Figure 2: Liquid Lifetime quote (page 3)

The following are key input figures for entering Challenger Liquid Lifetime into XPlan as per Figures 1 and 2 above.

1. Liquid Lifetime purchase price

2. Liquid Lifetime payment option

- Note this guide does not cater for Flexible income (Deferred payments)

3. Withdrawal period

4. Source of funds

5. Adviser fees

6. Indexation option

7. First annual payment

- After upfront advice fee but before ongoing advice fees

Accessing the annuity input screen

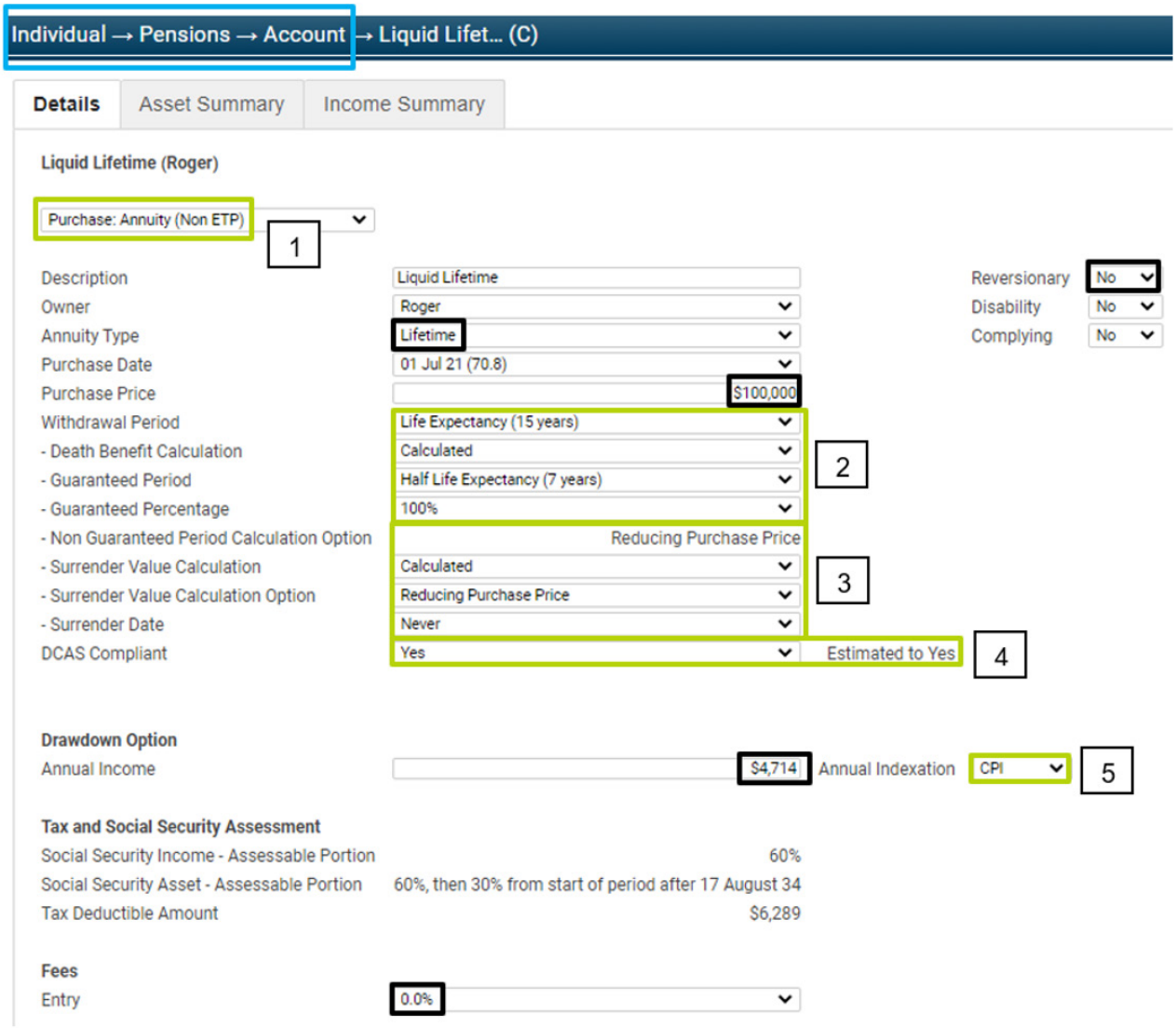
The following section shows the annuity input screen and outlines the key decision points to assist with this modelling.

Step 1. Select 'XTools+ -> CALM' from the client menu

Step 2. Select 'Input' from the CALM menu

Step 3. Select 'Add Pension' by following the subheadings as per the blue outlined heading in Figure 3 below

Figure 3: Liquid Lifetime example for 70-year-old-male



Key decision points

The black outlined inputs in Figure 3 highlight information which can be entered from the quote details in Figures 1 and 2, whilst the green outlined inputs indicate the following key decision points.

1. Source of funds

- Select whether this is 'ETP' (super) or 'Non ETP' (non-super)
- Select either 'Existing' or 'Purchase' (non-super only) or 'Rollover' (super only)

2. Death benefit

- Withdrawal period = Life expectancy
- Death Benefit Calculation = Calculated
- Guaranteed Period (100% death benefit period) = Half life expectancy
- Guaranteed Percentage = 100%

3. Surrender value

- Ensure pre-populated inputs are as per Figure 3

4. DCAS (Declining capital access schedule)

- DCAS = Yes
  - DCAS check should say 'Estimated to Yes'. If not, the death benefits and/or surrender values entered may not be correct, compare withdrawal values from XPlan Asset Summary (Figure 3) to Liquid Lifetime quote (page 3), and revisit key decision points 1-3 above.

5. Annual indexation

- If partial CPI, RBA cash linked or Market-linked payments is selected, see 'Other Liquid Lifetime considerations for XPlan' section below

Figure 4: Liquid Lifetime asset summary for 70-year-old male

Individual → Pensions → Account → Liquid Lifet... (C)

Details | **Asset Summary** | Income Summary

1

Annuity Year	Client Age	From	Death Benefit	Surrender Value	Social Security Assessable Asset	DCAS Death Benefit	DCAS Surrender Value	DCAS Check
1	70.8	01/07/2021	$100,000	$100,000	$60,000	$100,000	$100,000	Yes
2	71.8	01/07/2022	$100,000	$93,333	$60,000	$100,000	$93,333	Yes
3	72.8	01/07/2023	$100,000	$86,667	$60,000	$100,000	$86,667	Yes
4	73.8	01/07/2024	$100,000	$80,000	$60,000	$100,000	$80,000	Yes
5	74.8	01/07/2025	$100,000	$73,333	$60,000	$100,000	$73,333	Yes
6	75.8	01/07/2026	$100,000	$66,667	$60,000	$100,000	$66,667	Yes
7	76.8	01/07/2027	$100,000	$60,000	$60,000	$100,000	$60,000	Yes
8	77.8	01/07/2028	$53,333	$53,333	$60,000	$53,333	$53,333	Yes
9	78.8	01/07/2029	$46,667	$46,667	$60,000	$46,667	$46,667	Yes
10	79.8	01/07/2030	$40,000	$40,000	$60,000	$40,000	$40,000	Yes
11	80.8	01/07/2031	$33,333	$33,333	$60,000	$33,333	$33,333	Yes
12	81.8	01/07/2032	$26,667	$26,667	$60,000	$26,667	$26,667	Yes
13	82.8	01/07/2033	$20,000	$20,000	$60,000	$20,000	$20,000	Yes
14	83.8	01/07/2034	$13,333	$13,333	$60,000	$13,333	$13,333	Yes
15	84.8	01/07/2035	$6,667	$6,667	$30,000	$6,667	$6,667	Yes
16	85.8	01/07/2036	$0	$0	$30,000	$0	$0	Yes
17	86.8	01/07/2037	$0	$0	$30,000	$0	$0	Yes
18	87.8	01/07/2038	$0	$0	$30,000	$0	$0	Yes
19	88.8	01/07/2039	$0	$0	$30,000	$0	$0	Yes
20	89.8	01/07/2040	$0	$0	$30,000	$0	$0	Yes
21	90.8	01/07/2041	$0	$0	$30,000	$0	$0	Yes
22	91.8	01/07/2042	$0	$0	$30,000	$0	$0	Yes

2

3

4

The following section outlines the key considerations regarding the asset value results from Figure 4 above, which can help understand what has been entered from Figure 3.

1. DCAS check

- DCAS Death Benefit (column 7) = Death Benefit (column 4) each year
- DCAS Surrender Value (column 8) = Surrender Value (column 5) each year
- If the above two points are correct, then:
  - DCAS Check (column 9) = yes (each year)
  - If not, revisit withdrawal value inputs (Figure 3)

2. End of 100% death benefit period

- Death Benefit = Purchase Price (for half of life expectancy rounded down)
- Death Benefit = Surrender Value (after half of life expectancy)

3. End of withdrawal period

- Death Benefit = Surrender Value = $0 (after withdrawal period)

4. Centrelink value reduction

- Reduces from 60% to 30% at age 84 (or minimum of 5 years)

Other Liquid Lifetime considerations for XPlan

- Advisers/paraplanners may need to manually adjust the account-based pension asset allocation for the lifetime portfolio, to ensure a client's risk profile is equal with the current portfolio.
- Retirement could be a long time. Accordingly, advisers/paraplanners can consider an appropriate SOA projection period after considering enhanced life expectancy.
- To input the **Flexible Income (Deferred payments)** option, see the guide for deferred annuities on IRESS insight community (XPLAN help).
- If the **RBA cash linked** payment option is chosen as part of the Flexible Income (Immediate payments) option, select 0.0% for Annual indexation.
- If the **partial CPI** indexation payment is chosen as part of the Flexible Income (Immediate payments) option, select the closest fixed percentage indexation value (to nearest decimal place) to Licensee's CPI estimation less 2%. For example, if Licensee's CPI estimate is 2.5%, select 0.5% fixed indexation. However if Licensee's CPI estimation is < 2%, select nil indexation.
- For the **Flexible Income (Market-linked payments)** option, select the closest fixed percentage indexation value (to nearest decimal place) to Licensee's asset allocation estimation. For example, if the Conservative Balanced (50% Growth/50% Defensive) market-linked payment option is chosen, then select Licensee's portfolio estimate returns for 25% Australian Shares, 25% International shares, 25% Cash, 25% Australian fixed interest.

See the Challenger Lifetime Annuity (Liquid Lifetime) PDS for details of each Market-linked payment option.

The Challenger Lifetime Annuity (Liquid Lifetime) additional information guide and Target Market Determination (TMD) also have more information and should be considered before investment.

We're always here to support you

Challenger has a wide range of tools and resources to help you with retirement income planning, including our Retirement Illustrator, webcasts, videos and case studies. To access these or find out more:

- Log in, or register for AdviserOnline at **adviseronlineportal.com.au**
- Speak to your **Challenger BDM**
- Call Adviser Services on **1800 621 009** or Challenger Tech on **1800 176 486**

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