

# Challenger Charts Steady Course With 24 per cent Profit Increase

## Challenger International

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SYDNEY, August 12, 2002: Diversified financial services group Challenger International today launched a simple retirement income solution which significantly reduces the complexity of retirement planning, while helping people stretch their retirement savings further.

The move comes at a time of intense industry debate around the adequacy of Australia's current superannuation system, the need for proposed "growth pensions", and the potential for Australians to retire with dignity.

Called RetireEasy, the new product combines an allocated pension with an assets test exempt annuity to provide a packaged income stream in retirement. Working with a financial advisor, each investor's risk and return profile is individually assessed to determine the appropriate ratio of growth assets in their overall portfolio.

By combining a guaranteed annuity income stream with an investment-linked allocated pension, retirees can increase eligibility for the Pension and other Government benefits, while also maximising the potential to earn returns through investing in growth assets.

Challenger Managing Director, Mr Bill Ireland, said RetireEasy filled a gap in the market for growth-related retirement products, while still providing a safety net against volatile markets.

"The whole concept behind the funds management industry's push for 'growth pensions' is to combine an investment-linked income stream with exemption from the assets test," Mr Ireland said.

"We believe RetireEasy already achieves these twin goals."

"By using the annuity as the fixed interest part of the asset mix, and investing most of the allocated pension in growth assets, investors can earn an optimum rate of return through combining both Social Security and investment products.

"As well as being assured a guaranteed rate of return for their lifetime through their annuity, retirees can still benefit from having the appropriate level of exposure to the investment markets."

The combination of annuity and allocated pension also provides an important safeguard against income loss during retirement years, and avoids the likelihood of additional strain on the Social Security budget as a result of the poor performance of investment markets, Mr Ireland added.

“By using an annuity, both the retiree and the Government can be sure that the retiree will not lose any income or capital, as is likely to be the case in the upcoming year following the poor performance of the financial markets - and as would be the case with a pure growth pension,” he said.

RetireEasy is aimed at people with up to \$450,000 in retirement savings. According to Alex Denham, Technical Services Manager at Challenger, investors can access up to \$18,460\*p.a. (for couples) or \$11,117\*p.a. (single) in Government benefits by reducing the amount of assessable assets via the Assets Test Exempt annuity (see case study in flier).

An additional feature of the product is the RetireEasy Bonus return of 0.25 per cent per annum, which will automatically be paid to investors with a total account value of more than \$250,000 each quarter.

Money invested in the Challenger Allocated Pension is invested across Challenger’s Custom Choice suite of funds. These funds adopt a multi-sector approach and employ a range of specialist funds managers chosen for their individual investment styles.

Annuity money is invested in Challenger Life’s market leading range of short term, long term and lifetime annuity options. In 2001, Challenger Life was awarded the Annuity Provider of the Year across all three categories by Plan for Life – Actuaries and Researchers, Investor’s Advisor magazine and ARISA.

Challenger International is a diversified investment and financial services company listed on the Australian Stock Exchange [CLI]. Challenger currently has in excess of \$9 billion of assets under management and over 100,000 investors in products offered by members of the Challenger Group in Australia, New Zealand and the UK.

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\* Valid to 20 September 2002. This amount is indexed in line with AWOTE every March and September.

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