

# Challenger CarePlus

**Additional  
information guide  
(9 December 2019)**

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## About this guide

This Additional information guide (Guide) is issued by Challenger Life Company Limited (ABN 44 072 486 938) (AFSL 234670) (Challenger, also referred to as we, us, or our). This Guide is intended to provide additional information about Challenger CarePlus Annuity (Annuity) and CarePlus Insurance (Insurance) (together referred to as CarePlus). However, the Guide is not incorporated by reference and does not form part of the product disclosure statement (PDS).

In preparing this Guide we did not take into account your particular investment objectives, financial situation or needs. We recommend that you read the PDS and obtain independent advice, particularly about taxation, aged care planning and risk tolerance, to determine whether CarePlus is appropriate for you in light of your particular circumstances.

The information in this Guide is current as at the date of the Guide. However, some information can change from time to time and the Guide will be updated accordingly.

# How the Annuity is taxed

## Tax in general

The tax information contained in this Guide only applies to individual Australian tax resident investors (who are either an Australian citizen or a permanent visa holder) and sets out our understanding of current tax legislation as at the date of this document. If you are a non-resident investor, you should seek your own tax advice.

The legislation and its interpretation could change in the future. We recommend that you seek the advice of a tax adviser before investing.

## Tax when you buy CarePlus

When you buy CarePlus, stamp duty may be payable on CarePlus Insurance, depending on your state/territory of residence. The premium paid to purchase the Insurance is not tax deductible.

There is no tax payable (at the time of purchase) when you buy the CarePlus Annuity.

## How Annuity payments are taxed

The regular payments you receive from the Annuity are split into two components for tax purposes: the deductible amount and the assessable amount.

The deductible amount will be the amount of each regular payment that is considered for tax purposes to represent the return of your initial capital investment. You can use the following formula to calculate your annual deductible amount at commencement of your Annuity<sup>1</sup>:

$$\text{Deductible amount} = \frac{\text{CarePlus Annuity investment amount}}{\text{Your life expectancy}^2}$$

The portion of your regular payments that is greater than the deductible amount is called the 'assessable amount' and is included in your assessable income for tax purposes.

The assessable amount may be subject to Pay As You Go (PAYG) withholding tax, which Challenger is required to deduct and remit to the ATO. The amount of PAYG tax deducted, if any, may be reduced by any relevant offsets and the tax-free threshold (if applicable). Note that PAYG tax deducted is not a final tax and a greater or lesser amount of tax may

apply upon assessment of your annual income tax return. At the end of each financial year, we will send you a PAYG Payment Summary and tax information with details to assist you with preparing your income tax return.

## Senior Australians and Pensioners Tax Offset

You might be eligible to claim the Senior Australians and Pensioners Tax Offset. The amount of the Senior Australians and Pensioners Tax Offset you will get will depend on your personal circumstances. If you are eligible and wish to claim the offset, please complete the TFN Declaration and the Withholding Declaration.

## Social security

CarePlus is made up of two different products, CarePlus Annuity and CarePlus Insurance. How these products are assessed under the Centrelink and DVA assets and income tests are detailed below.

## Centrelink and DVA assessment of CarePlus

### CarePlus Annuity

Assets test	Income test
60% of the CarePlus Annuity purchase price until age 84, or a minimum of 5 years, and then 30% thereafter	60% of regular payments

### CarePlus Insurance

Assets test	Income test
Below pension age at the time of investment: <ul style="list-style-type: none"><li>Surrender/termination value</li></ul>	Nil
Pension age and over at the time of investment: <ul style="list-style-type: none"><li>Greater of the insurance premium paid or the surrender/termination value</li></ul>	

This is general information only, and we recommend you get advice regarding your individual circumstances. Your local Centrelink or Department of Veterans' Affairs office can help answer any question you may have. Your financial adviser can also help.

<sup>1</sup> Where a partial withdrawal is required to be made, the deductible amount that applies to future payments will change.

<sup>2</sup> Calculated in accordance with Australian Government Actuary life expectancy tables and may therefore be different from what we estimate your life expectancy to be.

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# Powers of attorney

## Guide for making beneficiary nominations in CarePlus under a power of attorney

The information contained in this Guide is intended for attorneys who wish to make a nomination on behalf of a CarePlus applicant or life insured. It sets out our understanding of the powers of attorney laws as at the date of this document and is general information only.

The legislation and its interpretation could change in the future. It is your responsibility (as the attorney) to ensure that you have the authority to make a nomination under the relevant state or territory law.

**We strongly recommend that you obtain independent legal advice regarding your legal obligations and the extent of your authority under the power of attorney.**

Under CarePlus, an applicant can nominate anyone to be their beneficiary (it doesn't have to be a dependant because superannuation money is not being used to invest) and the nomination can be changed by you at any time.

In some cases, Challenger may accept a nomination of a beneficiary (or beneficiaries) made by an attorney, acting under a power of attorney, on an applicant's behalf.

### **For an attorney seeking to nominate a beneficiary in CarePlus under a power of attorney:**

As an attorney under a power of attorney, you have certain obligations when using the power. For example, you have obligations to act in the interests of the person who gave you the power (in this case the life insured under CarePlus), to not allow any personal interest to conflict with your duty to the person and not to act for your own benefit or the benefit of another person (unless you are authorised under the power of attorney).

**Before nominating a beneficiary in CarePlus on behalf of an applicant, there are a few questions that you should ask:**

### **Does the applicant/life insured have mental capacity?**

If they do, it is strongly recommended that they complete the nomination of beneficiary themselves, instead of the attorney acting under a POA. This minimises the risk that the nomination will be invalid.

A beneficiary nomination may be made at any time, not just when the policy is established. Please contact 13 35 66 for a nomination of beneficiary form to be sent to an adviser or the applicant to complete themselves.

### **Is the power an enduring or general power of attorney?**

If the applicant has lost mental capacity and you would like to make a nomination on their behalf, you must ensure that you are acting under an **Enduring Power of Attorney**. This is because a General Power of Attorney does not allow you to continue to act after the person giving you the power has lost mental capacity.

It must be clearly stated in the document whether a power of attorney is enduring. Sometimes it is in the heading 'Enduring Power of Attorney', or a box that is ticked, or some specific words such as *'I give this power of attorney with the intention that it will continue to be effective if I lack the capacity through loss of mental capacity after its execution'*.

### **Do I have the authority to make the nomination?**

Nominating yourself or another person as beneficiary to receive death benefits under CarePlus may be considered as conferring a benefit on you and the other person. It may also be considered a conflict transaction (where there is a conflict between your interests and the interests of the person on whose behalf you are acting).

Although you may feel like you are acting in the best interests of the life insured by nominating the beneficiaries, we are bound by the law and can only accept nominations that comply with the requirements of the law in the relevant state or territory where the power of attorney was made.

**A beneficiary nomination made under power of attorney will only be valid if an attorney nominating themselves and/or another person as a beneficiary has the authority under the power of attorney to give themselves or the other person that benefit.**

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Laws relating to powers of attorney are complex and are different in each state and territory. They also change over time.

In some states and territories, specific wording may need to be included in the POA document that expressly authorises the attorney to give themselves or another person a benefit or enter into a conflicted transaction.

In other states and territories, specific wording is not required. As long as there is no express restriction in the POA, you may be able to grant yourself or another person a benefit or enter into a conflict transaction.

The table below sets out the wording Challenger requires to accept a nomination of a beneficiary under a power of attorney. Note that these acceptance requirements are also subject to no other restrictions being set out in the power of attorney document.

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### When the power of attorney was made

### Specific wording required in the power of attorney

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This is the wording expressly required in the power of attorney document provided to Challenger, which clearly authorises the attorney to make the nomination.

**If this wording (or wording of a substantially similar nature) is not included in the power of attorney document, Challenger will reject the nomination and consider the entire nomination invalid.**

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### NSW

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Before 16 February 2004 My attorney is authorised to execute an assurance or other document, or to do any other act, whereby a benefit is conferred on my attorney.

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From 16 February 2004 **Wording to benefit attorney:**  
I authorise my attorney to confer benefits on the attorney to meet the attorney's reasonable living and medical expenses as provided by section 12 (2) of the Powers of Attorney Act 2003.

**Wording to benefit third party:**  
I authorise my attorney to confer benefits on [insert name(s) and address(es) of each third party] to meet their reasonable living and medical expenses as provided by section 13 (2) of the Powers of Attorney Act 2003.

In the standard form POA, these boxes will need to be ticked or the wording otherwise included in the POA.

Note that in completing the declarations in the CarePlus application, you declare to Challenger that the nomination (and any subsequent benefit received under such nomination) does not confer a benefit that is more than reasonable having regard to all the circumstances of the life insured including their entire estate.

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### VIC

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Before 30 August 2015 I authorise my attorney/s to do on anything my behalf that can lawfully be done by an attorney.

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From 30 August 2015 I authorise my attorney/s to enter into conflict transactions.

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### QLD

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From 1974 onwards I authorise my attorney/s to enter into conflict transactions.

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## When the power of attorney was made

## Specific wording required in the power of attorney

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<b>WA</b>	
From 1990	I authorise my attorney/s to do on anything my behalf that can lawfully be done by an attorney.
<b>SA</b>	
From 1984	I authorise my attorney/s to do on anything my behalf that can lawfully be done by an attorney.
<b>ACT</b>	
Before 30 May 2007	I authorise my attorney/s to enter into conflict transactions.
From 30 May 2007	I authorise my attorney/s to sign any documents on my behalf even if those documents result in a benefit to my attorney.
<b>TAS</b>	
Before 1 February 2014	I authorise my attorney/s to do on anything my behalf that can lawfully be done by an attorney.
From 1 February 2014	I authorise my attorney/s to sign any documents on my behalf even if those documents result in a benefit to my attorney. OR I authorise my attorney/s to enter into conflict transactions.
<b>NT</b>	
From 1980	I authorise my attorney/s to do on anything my behalf that can lawfully be done by an attorney.

### What happens if the POA does not include the right wording?

If any part of a beneficiary nomination is invalid because the power of attorney did not contain the required authority at the time the nomination was made, the **entire** beneficiary nomination will be considered **invalid** and the whole death benefit will automatically be payable to the life insured's estate.

For example, if an attorney nominated Person A and Person B as beneficiaries on CarePlus but the power of attorney document only expressly permitted a benefit to be provided to Person A, the whole nomination to Person A and Person B would be invalid and the whole death benefit would be paid to the life insured's estate.

Importantly, if the life insured has mental capacity, they can make the nomination themselves at any time while they own a CarePlus.

### What else might Challenger require to confirm the nomination?

We require an attorney to make certain declarations regarding the nature of the power of attorney that they are acting under. For example, that it authorises the conferring of a benefit and is not a conflict transaction and that it aligns with the wishes of the life insured. See the application form for more details.

Laws relating to powers of attorney are complex and can change over time. Depending on the nature of the power of attorney, we may need to confirm the validity of a beneficiary nomination at the time of a claim and before a benefit is paid under CarePlus.

In this situation, we may request additional documentation from an attorney or an executor (e.g. the life insured's Will or a statutory declaration) to assist in our review of a beneficiary nomination.

# Withdrawal value examples

**Table 1: \$300,000 initial CarePlus investment – 85 year old female<sup>1</sup>**

Start of year	Annuity: Early Withdrawal value			death	Insurance: Cancellation value			death
	Interest rate movement <sup>2</sup>				10-year Government Bond rate at time of cancellation <sup>3</sup>			
	-1.50%	0.00%	1.50%		1.00%	1.50%	2.00%	
1	\$51,720	\$51,720	\$48,699	\$51,720	\$224,167	\$219,618	\$215,219	\$248,280
2	\$44,311	\$44,311	\$42,131	\$44,311	\$229,566	\$225,243	\$221,053	\$255,689
3	\$36,923	\$36,923	\$35,436	\$36,923	\$234,828	\$230,729	\$226,750	\$263,077
4	\$29,534	\$29,534	\$28,601	\$29,534	\$239,892	\$236,017	\$232,249	\$270,466
5	\$22,145	\$22,145	\$21,632	\$22,145	\$244,658	\$241,006	\$237,450	\$277,855
6	\$14,737	\$14,737	\$14,516	\$14,737	\$248,993	\$245,564	\$242,220	\$285,263
7	\$7,348	\$7,348	\$7,296	\$7,348	\$252,665	\$249,454	\$246,319	\$292,652
8	\$0	\$0	\$0	\$0	\$255,373	\$252,376	\$249,446	\$300,000
9	\$0	\$0	\$0	\$0	\$257,339	\$254,548	\$251,815	\$300,000
10	\$0	\$0	\$0	\$0	\$259,189	\$256,592	\$254,048	\$300,000

**Important information about the withdrawal value illustrations:** This table is indicative only and the values shown are for an investment made on 18 November 2019, calculated as at that date. Your actual Annuity voluntary withdrawal value will depend on the length of your withdrawal period, your age at the time of investment, your initial CarePlus investment amount and the actual movement in interest rates between the time of investment and the time of withdrawal. The withdrawal values illustrated are subject to the minimum requirement prescribed under the Life Insurance Act and prudential standards enforced by APRA. We will always provide a withdrawal value equal to or greater than the minimum level. After the withdrawal period ends, the withdrawal value of the Annuity is zero. The Insurance cancellation value is determined by the 10-year Government Bond rate at the time of cancellation. A lump sum payable on death is not affected by movements in interest rates or the 10-year Government Bond rate. These values are based on applications made under the Challenger CarePlus Product Disclosure Statement (PDS) dated 9 December 2019.

1 The withdrawal values shown are for illustrative purposes only and are based on this assumption. Your actual age at the time you bought the Annuity will affect its withdrawal value.

2 This refers to the movement in relevant Government bond rates between the time you bought the Annuity and the time of withdrawal. The interest rate movements used in this example are for illustrative purposes only and are not a prediction of actual interest rate movements. Actual rates can move by more or less than 1.5% and the actual movement will affect the withdrawal value.

3 The illustration is based on our rates and the 10 year Australian Government Bond rate effective 18 November 2019. If you were a resident of South Australia at the time of investment, the values shown will be further reduced by the amount of state stamp duty paid by Challenger on your behalf (see page 11 of the PDS).

## Withdrawal value examples

**Table 2: \$300,000 initial CarePlus investment – 90 year old female<sup>4</sup>**

Start of year	Annuity: Early Withdrawal value			death	Insurance: Cancellation value			death
	Interest rate movement <sup>5</sup>				10-year Government Bond rate at time of cancellation <sup>6</sup>			
	-1.50%	0.00%	1.50%		1.00%	1.50%	2.00%	
1	\$35,053	\$35,053	\$33,631	\$35,053	\$241,904	\$238,509	\$235,199	\$264,947
2	\$26,266	\$26,266	\$25,547	\$26,266	\$247,402	\$244,210	\$241,094	\$273,734
3	\$17,503	\$17,503	\$17,217	\$17,503	\$252,338	\$249,349	\$246,426	\$282,497
4	\$8,739	\$8,739	\$8,677	\$8,739	\$256,424	\$253,634	\$250,903	\$291,261
5	\$0	\$0	\$0	\$0	\$259,185	\$256,588	\$254,043	\$300,000
6	\$0	\$0	\$0	\$0	\$260,903	\$258,489	\$256,121	\$300,000
7	\$0	\$0	\$0	\$0	\$262,470	\$260,226	\$258,021	\$300,000
8	\$0	\$0	\$0	\$0	\$263,866	\$261,773	\$259,716	\$300,000
9	\$0	\$0	\$0	\$0	\$265,040	\$263,076	\$261,143	\$300,000
10	\$0	\$0	\$0	\$0	\$266,185	\$264,346	\$262,536	\$300,000

**Important information about the withdrawal value illustrations:** This table is indicative only and the values shown are for an investment made on 18 November 2019, calculated as at that date. Your actual Annuity voluntary withdrawal value will depend on the length of your withdrawal period, your age at the time of investment, your initial CarePlus investment amount and the actual movement in interest rates between the time of investment and the time of withdrawal. The withdrawal values illustrated are subject to the minimum requirement prescribed under the Life Insurance Act and prudential standards enforced by APRA. We will always provide a withdrawal value equal to or greater than the minimum level. After the withdrawal period ends, the withdrawal value of the Annuity is zero. The Insurance cancellation value is determined by the 10-year Government Bond rate at the time of cancellation. A lump sum payable on death is not affected by movements in interest rates or the 10-year Government Bond rate. These values are based on applications made under the Challenger CarePlus Product Disclosure Statement (PDS) dated 9 December 2019.

<sup>4</sup> The withdrawal values shown are for illustrative purposes only and are based on this assumption. Your actual age at the time you bought the Annuity will affect its withdrawal value.

<sup>5</sup> This refers to the movement in relevant Government bond rates between the time you bought the Annuity and the time of withdrawal. The interest rate movements used in this example are for illustrative purposes only and are not a prediction of actual interest rate movements. Actual rates can move by more or less than 1.5% and the actual movement will affect the withdrawal value.

<sup>6</sup> The illustration is based on our rates and the 10 year Australian Government Bond rate effective 18 November 2019. If you were a resident of South Australia at the time of investment, the values shown will be further reduced by the amount of state stamp duty paid by Challenger on your behalf (see page 11 of the PDS).



