Challenger Guaranteed Annuity (Complying)

Product Disclosure Statement (PDS)
Dated 15 March 2021
Challenger Guaranteed Annuity
(SPIN CHG0005AU)

Issuer
Challenger Life Company Limited
(ABN 44 072 486 938)
(AFSL 234670)

challenger

Contents

About this PDS

This PDS relating to the **Challenger Guaranteed Annuity (Complying)** (also referred to as **Complying Annuity** or the **Annuity**) provides information to help you assess if the Annuity is a suitable investment for you. You should read this PDS in full before investing.

The information in this PDS is general information only and does not take into account your particular investment objectives, financial situation or needs. You should consider whether you need professional advice, particularly about taxation, retirement planning and investment risk tolerance, before investing.

The information in this PDS is current as at the date shown on the front cover. However, some information can change from time to time. If a change is considered materially adverse, we will issue a supplementary or replacement PDS. We may also provide updates to you electronically with your agreement or via our website. For updated information about the Annuity, visit the website shown on the back cover of this PDS or consult your financial adviser. We will send you a copy of any updated information free of charge on request.

The Annuity is issued by Challenger Life Company Limited (ABN 44 072 486 938) (AFSL 234670) (**referred to as Challenger**, **we**, **us** or **our**). Mail: Reply Paid 3698, Sydney NSW 2001. Phone: 13 35 66. Email: info@challenger.com.au.

Challenger's ultimate parent is Challenger Limited (ABN 85 106 842 371) (**Challenger Limited**). Neither Challenger Limited nor any other company within the Challenger Limited group of companies guarantees the performance of Challenger's obligations to customers, or assumes any liability to customers in connection with the Annuity. Challenger is regulated under the Life Insurance Act 1995 (Cth) (Life Act), which governs the provision of annuities in Australia. Challenger is authorised by the Australian Prudential Regulation Authority (APRA) to operate a life insurance business in Australia. All references to guarantees refer to payments we promise to pay under the Guaranteed Annuity (Complying) Policy Document (**Policy Document**).

The Annuity will be issued only when an application in the form approved by Challenger is received and the money used to buy the Annuity has cleared. The invitation to invest under this PDS is only available to persons receiving this PDS in Australia and is subject to the terms and conditions described in this PDS and the Policy Document (see page 15). You should read these documents before investing. We reserve the right to withdraw the invitation to invest and withdraw this PDS. In the event of any inconsistency between the terms of the Policy Document and the terms of this PDS, the terms of the Policy Document prevail.

Who is Challenger?

We are Australia's largest provider of annuities and a life company registered under the Life Insurance Act 1995 (Cth). We provide reliable income to investors through our management of more than $19 billion in assets.[1]

Challenger is regulated by the Australian Prudential Regulation Authority (APRA), and we must hold a minimum amount of capital, set by APRA, to ensure that we can meet the payment promises we have made to customers. APRA is the authority that regulates the banking, insurance and superannuation industries.

We guarantee the Annuity's payments. This means that even if there is an unfortunate event or a share market downturn, Annuity payments are still guaranteed.

Where we reference 'guarantees' throughout this PDS, we are referring to the payments we promise to pay you as an investor.

Our parent company is Challenger Limited, an investment management company with a vision to provide its customers with financial security for retirement. Challenger is listed on the Australian Securities Exchange (ASX:CGF).

The regular income we promise to pay Annuity investors is not impacted by any movements in Challenger Limited's share price.

Challenger provides reliable and secure income to investors through its management of more than $19 billion in assets.[1]

What is a 'Complying' Annuity?

The Annuity provides regular income for a fixed investment term that you choose in return for a lump sum investment. The regular payments are made at intervals you choose and are comprised of a fixed rate of return on your lump sum investment, plus your lump sum investment. At the end of the investment term, the Annuity ends and no further payments are made.

You can only buy the Complying Annuity with money rolled over from a:

- Self-managed super fund (SMSF); or
- Regulated super fund or sub fund that is closing,[2]

which is currently paying an asset test exempt (ATE) lifetime, life expectancy or term allocated (market-linked) income stream, or as otherwise specified by the Department of Social Services (DSS). This is because the Annuity is designed to be recognised as a complying ATE income stream for social security purposes, if certain conditions are met. For more information, see 'A brief guide to complying annuities' on page 13.

An Annuity is a secure investment offered by a life insurance company that provides guaranteed regular payments.

1 As at 31 December 2020.

2 This condition only applies where you have had no control over the closure of the fund. It does not apply if you chose to close your account.

Annuities are secure

Annuities are a secure investment – we offer a rate of return at the start of your investment and guarantee to pay it for the agreed fixed term regardless of how investment markets perform.

When you invest in a Complying Annuity, your investment goes into a secure fund along with the investments received from other annuity investors. This fund is known as the 'statutory fund', and all regular payments to our annuity investors are paid from this fund. We are also required by APRA to invest our own money into the fund.

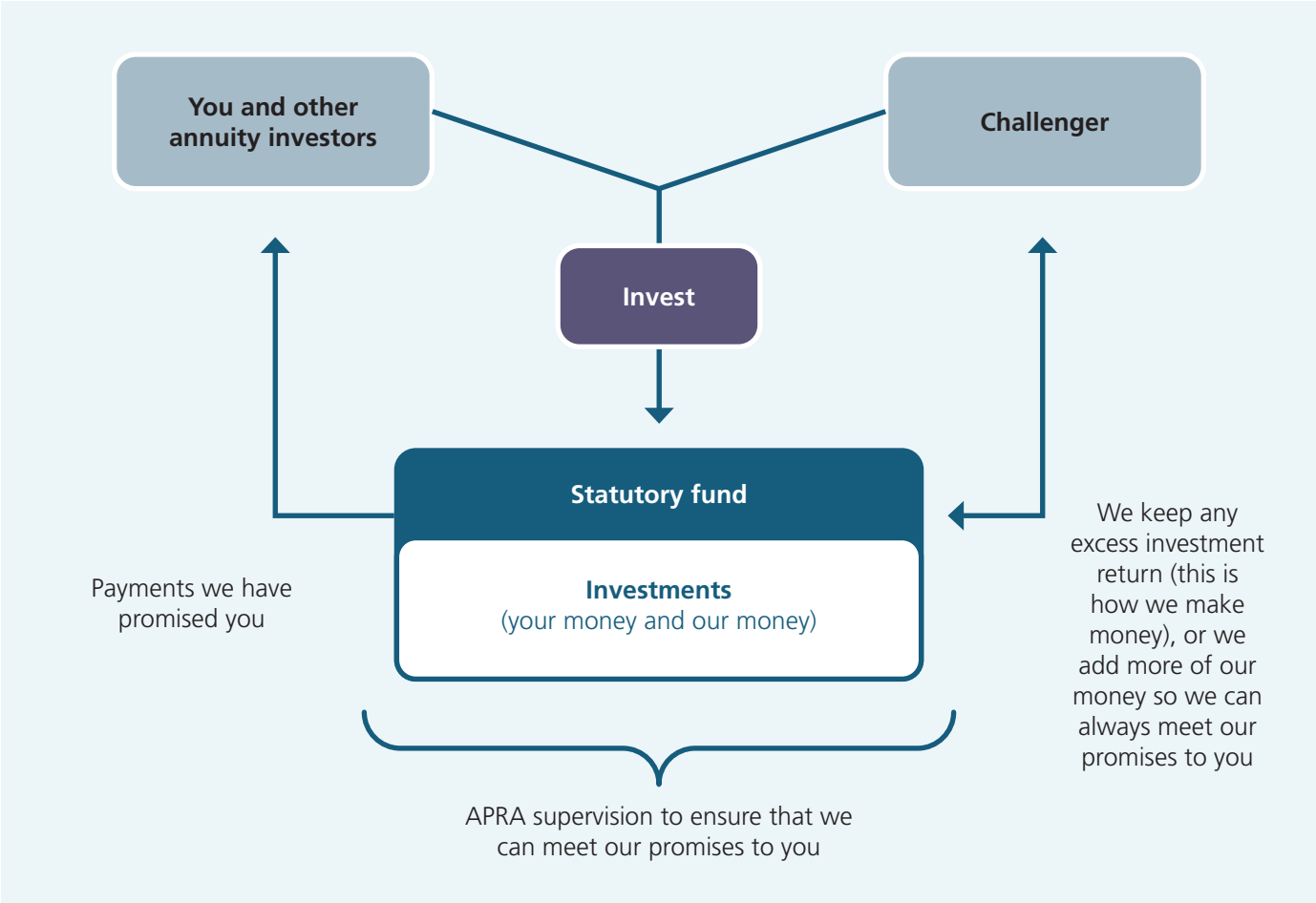
APRA monitors the statutory fund's investments, the aim of which is to ensure that we can meet the promises that we have made to you. APRA is the authority that regulates the banking, insurance and superannuation industries. If at any time we do not achieve investment returns that are sufficient to cover all the promises that we have made to our annuity investors, we must cover the shortfall from the money we have invested in the fund.

As at 30 December 2020, we had over $3 billion of our own money invested in the funds that we manage. That's enough to ensure that we could continue to cover all promises made to our annuity investors even if a one in 200-year investment market shock event occurred.

To further protect your investment, APRA can require us at any time to invest more of our own money into the fund or tell us to change the statutory fund's investments. The aim of this supervision is to ensure that we can meet our payment promises to you now and into the future, and is the reason why an Annuity is a secure investment.

The regular income we promise to pay you is not impacted by any movements in Challenger Limited's share price.

How a Complying Annuity works



Product features

Snapshot

- The Annuity is designed to be recognised as an ATE income stream for social security purposes, if certain conditions are met.
- You choose between the minimum and maximum term necessary to meet the ATE requirements.
- You have the choice of monthly, quarterly, half-yearly or yearly payments.
- Your investment is repaid throughout the term as part of your regular payments.
- Payments are guaranteed regardless of how investment markets perform.
- Regular payments are generally tax free.

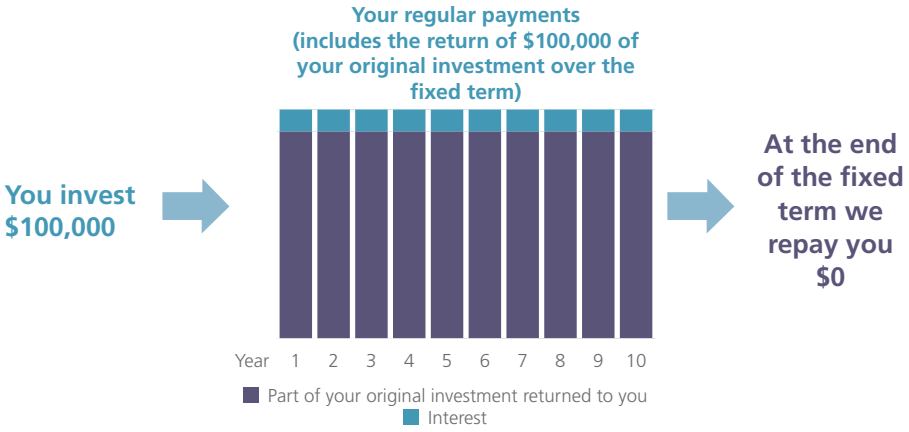
	The summary	The detail

Who can invest?	Anyone aged 60 years and older rolling over an ATE income stream.	• The minimum investment is $10,000.
		• The Annuity can only be purchased by investors aged 60 and over, with money rolled over from:
		  • an SMSF; or
		  • a regulated super fund or sub fund that is closing,[3]
		  which is currently paying an ATE lifetime, life expectancy, or otherwise as specified by DSS, or term allocated (market-linked) income stream, if certain conditions are met.

What terms are available?	You choose an investment term necessary to meet ATE requirements.	To qualify as ATE, the term you choose for your Annuity must be no shorter than your life expectancy at the time you buy the Annuity and no longer than the number of whole years until you turn age 100. If your spouse is selected as a reversionary beneficiary, the term must be at least your life expectancy (rounded up) and up to the number of years until you turn age 100 or the reversionary beneficiary turns 100 (whichever is the longest).[4]
How often will I be paid?	You can choose to receive payments monthly, quarterly, half-yearly or yearly.	Your regular payments will be paid by electronic transfer to your bank, building society or credit union account at the end of the payment frequency you have chosen. For example, if you choose to be paid monthly, the first payment will be made one month after investing. If you choose to be paid yearly, the first payment will be made one year after investing Once your Annuity starts, you cannot change your choice of payment frequency.
What interest rate will I receive?	We offer competitive rates based on current investment market conditions.	You can request a payment quote from your adviser or by calling us (see back cover). Quotes are generally valid for 14 days – so you have time to compare our rates and to consider if an Annuity is a suitable investment for you.

3 This condition only applies where you have had no control over the closure of the fund. It does not apply if you chose to close your account.

4 If the number of years to age 100 is less than or equal to the applicable life expectancy, a term no shorter than the applicable life expectancy and no longer than the life expectancy that would apply if the investor (or their spouse, if applicable) were five years younger.

	The summary	The detail
When is my original investment repaid to me?	It will be fully repaid to you as part of your regular payments.	The amount invested will be paid back fully as part of your regular payments. **10-year term example: The full investment amount is repaid with regular payments** This is called an 'RCV0' investment – meaning there is nothing left to be repaid at the end of the fixed term because the entire amount invested is repaid with your regular payments.  Diagrams are illustrative only.
Will my regular payment amount change over time?	We guarantee the amount of regular income at the start of your term. Payments will not change unless you choose to have them increased annually in line with increases in the Consumer Price Index (CPI) or by a fixed percentage rate.	Payments will be indexed after each anniversary of the start of your Annuity. For example, if you choose to receive payments monthly, the first payment to be indexed will be the 13th monthly payment, and if you choose to receive payments yearly, the first payment to be indexed will be the 2nd yearly payment. How CPI is calculated can be found in section 4 of the enclosed Policy Document. If you choose to have your payments indexed in line with increases in the CPI, your regular payments do not reduce if the change in the CPI is negative. If there is a negative change in the CPI, the next time we apply indexation to your payments will be the policy anniversary after the CPI index has increased above the index value at the time CPI indexation was last applied to your payments. If you choose fixed indexation, your regular payments will be increased by your chosen percentage, each year.
What tax will I pay on my regular payments?	Regular payments are generally tax free.	There is generally no tax payable on superannuation benefits that are rolled over within the superannuation system to buy the Annuity, and your regular payments are tax free. For further information on tax and your Annuity, see page 9.
Can I add more money to my investment?	No	You cannot add more money to your Annuity after it has started; however, you can commence a new, additional Annuity at any time.

	The summary	The detail
Can I withdraw before the end of the fixed term if my circumstances change?	No, voluntary withdrawals are generally not available.	The Annuity is designed to be held until the end of the investment term. However, once the Annuity starts, it can be ended before the investment term in the event of your death or the following limited circumstances: • To pay an amount for superannuation contributions surcharge; • As the result of a split of an income stream due to a divorce property settlement; • To pay an excess contributions tax amount, or as otherwise permitted by legislation and social security laws. If you withdraw in full, the regular payments will stop. For information on how the withdrawal value is calculated, see section 6 of the Policy Document.
What happens to my investment if I die before the end of the fixed term?	You can choose for your spouse to receive the benefits of your Annuity if you were to die before the end of the investment term, or you can nominate beneficiaries to receive a lump sum payment.	**Reversionary beneficiary** You can choose for your spouse to receive the benefits of your Annuity if you were to die before the end of the investment term. (They will be called your 'reversionary beneficiary'.) You must make this election at the time you invest and you cannot change it (although you can cancel it). If you die before the end of the term with a valid reversionary beneficiary, the Annuity must be transferred to them and will retain ATE status. They cannot commute any remaining benefit as a lump sum. 'Spouse' has a special meaning and is currently defined in law as a person with whom you are in a relationship that is legally registered as a marriage or under state or territory law as a civil union; or a de facto relationship (meaning that although you are not legally married, you live together on a genuine domestic basis as a couple). If at any time your spouse does not meet the definition defined in law, they will cease being a reversionary beneficiary and upon your death remaining benefits will be payable to your estate. **Single beneficiary** If you do not elect your spouse as a reversionary beneficiary or the reversionary you elected dies before you, you can nominate a single beneficiary to receive the remaining benefits of your Annuity should you die before the end of the investment term. You can only nominate a person who is your dependant to continue to receive regular payments. (Refer to section 10 of the Policy Document for details.) They can elect to withdraw the payments as a lump sum. If you nominate a single beneficiary, the ATE status of the investment will not continue. **Multiple beneficiaries** If you do not elect your spouse as a reversionary beneficiary or the reversionary you elected dies before you, you can choose to nominate multiple beneficiaries to receive a lump sum payment (in specified or equal proportions) if you die during the investment term. If a beneficiary predeceases you or ceases to be a dependant, then their portion will be paid to the remaining dependent beneficiaries. Full beneficiary nomination rules are outlined in section 10 of the Policy Document. If you were to die before the end of the term without a reversionary or a nominated beneficiary (or the reversionary you elected is no longer your spouse or has predeceased you), then we would pay your remaining benefits to your estate as a lump sum.

What are the risks of investing?

All investments carry some risk. Listed below are the key risks that you should take into account when deciding whether the Complying Annuity is right for you.

Withdrawal risk

This is the risk that if you withdraw[5] during the investment term, you might receive back less money than you invested and less than you would have received had you held the Annuity for the full investment term.

If you withdraw before the end of the fixed term, there is a penalty and the withdrawal value may be less than what you invested, even after taking into account payments you have already received. This is because the competitive rates that we offer can only be provided because we invest your money for the full investment term that you have chosen.

The withdrawal value of your Annuity will vary over time because it depends on changing factors, including how long you have held the Annuity and prevailing rates at the time.

Any lump sum payable on death during the investment term is calculated similarly to the withdrawal value for voluntary withdrawal, and so this risk also applies to withdrawal on death.

To protect against this risk of early death and receiving back less money than you invested, you can nominate your spouse to continue receiving the regular payments until the end of the term.

Regulatory risk

Government policies and laws may change in the future, which may impact your personal circumstances.

In such circumstances, we may be required to change the terms and conditions of your Annuity if changes to tax or other laws impact your investment or, if necessary, to comply with any law, ruling or determination of any relevant government authority.

We will generally notify you in advance of any material change to your policy before it occurs, and in any event as soon as practicable after the change. Where a change is not materially adverse to you, we will give you notice of the change no later than 12 months after the change has occurred.

Counterparty risk

This is the risk that we become unable to meet our commitments to you. However, we are subject to detailed legislative and regulatory requirements designed to ensure that this does not occur.

Challenger is regulated under the Life Act and the prudential standards made under it, which prescribe minimum capital and solvency requirements for Challenger as well as for the annuity business it writes. APRA actively supervises Challenger's compliance with these requirements, which are designed to ensure that we are able to meet our obligations to investors. For example, Challenger is required to hold enough capital to withstand a one in 200-year investment market shock event. APRA can require us at any time to change how we invest or tell us to invest more capital into the fund.

Even so, unforeseen and extreme circumstances that might impact our ability to make payments to you can never be completely ruled out.

Inflation risk

This is the risk that the real value of your regular payments may reduce over time as a result of inflation.

To help manage this risk, we offer the option of indexing your regular payments each year in line with increases in the CPI or by a fixed percentage you choose.

Choosing the CPI indexation option will reduce the amount of your initial regular payments, but they will increase with inflation.

Choosing the fixed percentage indexation option will reduce the amount of your initial regular payments, but they will increase each year by the chosen fixed percentage.

5 There are limited circumstances where you may withdraw prior to the end of the investment term. See page 5.

Fees and other costs

There are no fees or charges payable to us, although you can agree for us to pay fees on your behalf for financial advice and other services.

We may provide benefits to financial services intermediaries where the law permits us to do so. If we do, we will do so using our own money. We maintain a register of these benefits in accordance with relevant regulatory requirements. If you would like to review this register, please contact us.

No fees – how do we make money?

We simply invest the money you give us. We take the costs of providing the Annuity (including payments to a third-party administrator if applicable) into account when setting the amount of your regular payments, and we also make various assumptions about potential investment returns. If we achieve investment returns that are above the amount required to cover the promises made to our annuity investors, we keep the excess amount. This is how Challenger makes a profit.

If we do not achieve investment returns that are sufficient to cover all promises made to our annuity investors, we cover the shortfall from our own money.

Adviser service fees

We only pay fees to a financial adviser where you ask us to. **You do not have to authorise or consent to the payment of these fees.** We can only pay fees to your financial adviser where they are authorised to receive fees by their licensee.

You can authorise us to pay fees for services provided to you by your financial adviser and, in the case of the upfront adviser service fee, for facilitating the issue of the Annuity on behalf of Challenger. Where you authorise that, we will pay those fees to the Australian financial services licensee responsible for supervising your financial adviser (or your financial adviser directly if they are the licensee).

You can instruct us to pay fees (if any) as outlined in the table below. Alternatively, you can choose to pay your adviser directly.

Upfront adviser service fee

You can ask us to pay your financial adviser a one-off fixed-dollar fee.

If you agree to pay an upfront adviser service fee, the amount of your regular payments will be less than if you did not agree to pay a fee. The maximum fee you can ask us to pay your financial adviser depends on the term you choose:

Fixed term	Maximum fee per $50,000 invested (including GST)
1 year	$275
2 years	$550
3 years	$825
4 or more years	$1,100

If you withdraw your Annuity, or your Annuity is withdrawn due to death, we may require that all or part of the upfront adviser service fee be repaid to us (by your financial adviser). This is because the upfront adviser service fee is calculated on the basis that the Annuity is held for the full investment term.

Any fee that you ask us to pay will also be shown on the investment confirmation you receive after investing with us.

Ongoing adviser service fee

You can ask us to pay your financial adviser a fixed-dollar ongoing fee.

For example, if you agree to pay an annual ongoing adviser service fee of $300 (including GST), and you receive after-tax monthly regular payments of $1,000, we will deduct $25 ($300/12 monthly payments). We will pay an adviser service fee of $25 each month and pay you $975.

The ongoing adviser service fee can be cancelled or varied by you at any time by telling us or your financial adviser.

Any fee that you ask us to pay will be shown on your investment confirmation and on the annual statement we send you each year.

Other important information

How we invest

Challenger will invest the assets of the statutory fund, subject to investment restrictions in the Life Act. Generally, the fund will be invested in cash, shares, government and corporate bonds, convertible notes, debt instruments, geared and ungeared property investments, infrastructure investments and other assets. The investment objectives for the fund include to achieve consistent returns on investment and to match the cash flow in from investment returns with cash flow out to investors so that all present and future guaranteed payments can be made to all investors.

The name of Challenger's statutory fund that your money will go to when you buy the Annuity is Challenger's Statutory Fund No. 2. All references to guarantees refer to payments Challenger promises to pay under the Policy Document.

Labour standards and environmental, social and ethical considerations

Challenger takes account of labour standards and environmental, social and ethical considerations in selecting, retaining and realising an investment through its adherence with Challenger Limited policies related to responsible investment.

Challenger Limited is a signatory to the Principles of Responsible Investment (PRI) and aims to be a responsible investor by considering environmental, social and governance (ESG) factors when investing the assets of the statutory fund. In signing up to PRI, Challenger Limited has committed to extending ESG integration activities across its investments, as we recognise that such factors are important factors impacting investment performance over the longer term. While Challenger takes into account ESG considerations when investing the assets of the statutory fund, we do not adhere to any particular set of standards and have no predetermined view as to what constitutes such considerations, or the extent to which they will be taken into account in our investment management practices.

Further details of Challenger Limited's approach to responsible investment are set out in the Responsible Investment Policy available at challenger.com.au

Your annuity and family law

Family law provisions may affect your Annuity if you separate from your spouse. Your investment may be split between you and your ex-spouse.

Under relevant family laws, your spouse can request that we provide them with information about your Annuity. We are prohibited by law from telling you that your spouse has made such a request. We will not provide your spouse with your address or contact details. There may be a fee in respect of requests for information from your spouse; however, this is payable by your spouse and is not payable by you. You and your ex-spouse can agree to instruct us (or a court can order us) to split your regular payments (and any lump sum payment). The split does not have to be in equal shares.

Social security

Centrelink and the Department of Veterans' Affairs have two tests to determine eligibility for an income support benefit. These tests are the income and assets tests. The test that produces the lowest income support entitlement is used to calculate your benefit. Under the rules, ATE annuities will be either 50% or 100% exempt from the assets test, provided the recipient satisfies the exemption criteria. Whether the Annuity is 50% or 100% ATE depends on the ATE status of the income stream paid from the SMSF, regulated super fund or sub fund from which rollover monies are received.

Under both tests, the Annuity receives beneficial treatment which reduces the assessable amount by a deduction amount that represents the return of your capital. The deduction amount can be calculated by using the following formula:

$$\frac{\text{Capital investment reduced by allowable withdrawals}}{\text{Term of the Annuity}}$$

Assets test[6]	Income test
For 100% ATE annuities, the amount assessed will be zero. For 50% ATE annuities, the amount assessed is: • 50% x (Purchase Price reduced by half the deduction amount each 6 months in arrears); or • 50% x (Purchase Price reduced by the full deduction amount each 12 months in arrears, where yearly payments are made).	For both 50% and 100% ATE annuities, the amount assessed for the purpose of the social security income test is the regular payment less the deduction amount.

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 questions you may have. Your financial adviser can also help.

Tax in general

The tax information contained in this PDS 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 or a temporary visa holder, 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.

There is generally no tax payable on superannuation benefits that are rolled over within the superannuation system to buy the Annuity.

Providing your Tax File Number to us

It is not an offence not to quote your Tax File Number (TFN), but if you choose not to quote it, it may be necessary to deduct tax at the highest marginal rate (plus applicable government levies). Your TFN will be used for legal purposes only, including providing information to the Australian Taxation Office (ATO) so that your tax can be properly assessed. The collection of TFNs is authorised by taxation and privacy laws.

You only need to provide your TFN if you are rolling over benefits from an untaxed source.

How death benefits are taxed

Death benefits and their tax consequences can be complex. We recommend that you seek financial and tax advice in respect of your own circumstances. The table on page 10 refers to a 'dependant' and a 'tax dependant'. A tax dependant is:

- Your spouse or ex-spouse;
- Your child (under 18 years of age or otherwise financially dependent on you, and includes an adopted child or stepchild);
- Someone who is financially dependent on you (i.e. you contribute necessary financial support to maintain that person); or
- Someone in an interdependency relationship[7] with you.

For more information, see the table on the following page.

6 Whether the Annuity is 100% or 50% ATE depends on the ATE status of the income stream paid from the SMSF or super fund from which rollover monies are received.

7 An interdependency relationship is a close personal relationship between two people who live together, where one or both provides for the financial, domestic and personal support of the other (or who would meet these conditions except they are temporarily living apart due to a physical, intellectual, psychiatric or other disability).

Beneficiary type	Death benefit payment	Taxation treatment of death benefit
Reversionary beneficiary	Regular payments are made to your reversionary.	Regular payments are tax free.
Single nominated beneficiary	If the beneficiary is a dependant at the time of your death, the regular payments are made to them.[8] They can then elect to withdraw the payments as a lump sum. If the beneficiary is not a dependant, the withdrawal value of your Annuity will be paid as a lump sum to your estate (see below).	Regular payments are tax free. The lump sum withdrawal value is tax free if paid to a tax dependant. Otherwise, the taxable component is subject to a maximum of 15% tax (plus applicable government levies).
Multiple nominated beneficiaries	Dependant beneficiaries receive a lump sum payment. If a beneficiary predeceases you, or is not a dependant, then their portion will be paid to the remaining dependent beneficiaries. If all beneficiaries predecease you, or there are no dependent beneficiaries, your Annuity will be paid as a lump sum to your estate (see below).	The lump sum withdrawal value is tax free if paid to a tax dependant. Otherwise, the taxable component is subject to a maximum of 15% tax (plus applicable government levies).
Estate	Your estate receives a lump sum payment.	The lump sum withdrawal value is taxable in the hands of the estate. If the estate pays benefits to a tax dependant, they are tax free. If the estate pays benefits to a non-tax dependant, the taxable component of your Annuity will be subject to a maximum of 15% tax.

Privacy and personal information

This section of the PDS explains how we collect, use and disclose your personal information, with further detail available in our Privacy Policy (available at challenger.com.au).

We collect, use and exchange your personal information to process your application; provide and administer your Annuity and send you information; improve and personalise our products and services; inform you about other products and services that may be useful to you; conduct product and market research; and comply with our obligations under the law, including in respect of anti-money laundering, financial services, taxation, life insurance and, for an annuity purchased with super money, superannuation laws.

We collect personal information from you and, if relevant, from your financial adviser or administrator. We may take steps to verify the information collected. Where you provide us with personal information about someone else (for example, your reversionary beneficiary, power of attorney or related persons, including the beneficial owners connected with your investment), you must have their consent to provide their personal information to us and have shown them this 'Privacy and personal information' section of the PDS.

If you choose not to provide some of your personal information to us, the following may apply (depending on the type of information):

- TFN: We may have to deduct tax at the highest marginal rate (plus applicable government levies) from regular payments made to you.
- Bank account details: We may not be able to pay withdrawal proceeds or regular payments to you.
- Tax residency information: We may not be able to process your request, and we may be required to notify the ATO if incomplete information is provided.
- Incomplete application: We may not be able to process your application.
- Insufficient identity verification documents/records: We may not be able to process your application or make payments to you.

8 Regular payments can only be made to your child if they meet certain criteria regarding their dependence (see section 10 of the enclosed Policy Document). If the regular payments are being made to your child who then ceases to meet the relevant criteria, the remaining benefits under the Annuity must be withdrawn as a lump sum at that time, which will be tax free.

Disclosing your information

We disclose your information to your financial adviser. In addition, we may disclose information we hold about you if you consent to the disclosure; if the disclosure is required or authorised by law; to organisations acting on our behalf (for example, sending your statements or providing administration services); to professional service firms that provide services to us such as legal and audit services, or data or information services; to reinsurers; to related companies; to electronic identity verification service providers, in order for identity information (about you or related persons connected with your investment) to be verified against relevant government and other databases, for the purpose of complying with anti-money laundering laws; to organisations with which we have an association and you are a member (such as National Seniors Australia); or otherwise in accordance with our Privacy Policy.

Overseas disclosure

Challenger does not currently disclose personal information to recipients in foreign countries.

However, in some cases, personal information may be used (or accessed) by third-party service providers located overseas to perform certain administrative functions in relation to your Annuity. Challenger has reviewed these arrangements to ensure appropriate security protections are in place to protect and control the personal information of its annuitants. If you would like further information, please contact us (see back cover).

Direct marketing and opting out

From time to time, we or our related companies may contact you to tell you about other products and services that might be useful to you, including financial, superannuation, investment, insurance and funds management products and services. Please contact us (see back cover) if you do not want to receive any of this kind of marketing material.

Accessing or updating your information

You can request access to the information we hold about you (and any reversionary) or update personal information by contacting us (see back cover). If you believe your personal information has been misused and would like to make a complaint, please see the 'Complaints' section. Our Privacy Policy also contains this information, as well as further details about our handling of personal information. You can obtain a copy of our Privacy Policy at challenger.com.au or by contacting us.

Some requests may require additional verification or supporting documentation prior to processing.

Communications

You agree that Challenger may give you any notice, document or other information required to be given to you under law (or the agreement with you) in one of the following ways (where permitted by law):

- By sending it to an email address you have provided for you or your adviser;
- By sending you or your adviser an email or other electronic communication providing a website reference or hypertext link to the notice, document or information; or
- By making the notice, document or information available on the website or such other website as notified to you or your adviser from time to time.

Information you will receive after investing

After you invest, you will be sent an Investor Certificate which, together with the Policy Document contained in this PDS, sets out the relevant terms and conditions. We will also send you a Centrelink schedule for social security purposes. You should read these documents carefully and contact your financial adviser if you have any questions.

Please keep your Policy Document and Investor Certificate in a secure place, as they are important documents. A charge may apply if you misplace these documents as we may advertise for missing policies, and the Life Act allows us to recover some of these expenses from you.

While we take all care in producing your Investor Certificate and other investment documentation, we reserve the right to correct the documentation if we make an administrative error.

Each year, you will receive an annual statement with details of your Annuity, including payments made over the period and other relevant information.

Keeping us informed

It is important that we have the correct details for you or any nominated beneficiaries so that we can communicate with you and provide you with important information. To update your contact details, speak to your financial adviser or contact us (see back cover).

Complaints

As part of our commitment to providing quality service to our clients, we endeavour to resolve all complaints quickly and fairly. Our policy is to acknowledge any complaint within five business days of receiving it, and investigate, properly consider and decide what action (if any) to take and to communicate our decision to you within 30 calendar days. If you have a particular complaint regarding your Annuity, please do not hesitate to contact us by calling our Investor Services team on 13 35 66 or by writing to:

Complaints Resolution Officer
Challenger Life Company Limited
Reply Paid 3698
Sydney NSW 2001

If you are not satisfied with how the complaint has been handled, you may contact the following external dispute resolution scheme:

Australian Financial Complaints Authority (AFCA)
GPO Box 3
Melbourne VIC 3001
Tel: 1800 931 678
Email: info@afca.org.au

The Australian Financial Complaints Authority (AFCA) provides fair and independent financial services complaint resolution that is free to consumers. There are some time limits for lodging certain complaints, including those related to a death benefit. Please consult the AFCA website to find out if or when the time limit relevant to your circumstances expires (www.afca.org.au).

Cooling-off rights

By law, you have a cooling-off right. This means you can change your mind about buying an Annuity and ask for your capital to be returned.

To be valid, your request must be made in writing and must be received by us within 14 days from the end of the fifth business day after the day you invested. Requests should be sent to the address shown on the back cover of this PDS.

The money will be returned to the rollover institution from which the money was received.

A brief guide to complying annuities

The information included in this section sets out our general summary of relevant legislation and rules as at the date the PDS was issued. The legislation and its interpretation could change in the future. If it does, we may have to change the terms of your Annuity to ensure it remains compliant.

The requirements for a complying annuity

The Annuity will comply with the requirements to provide an ATE annuity for social security purposes if it has the following features:

- The annuity cannot have a residual capital value.
- The term must meet certain criteria (see 'Fixed terms') below.
- Regular income payments may increase each year, either by a maximum of CPI + 1% or at a fixed rate of up to 5%, whichever is the greater.
- The annuity cannot be used as security for borrowing.
- The annuity is non-commutable (meaning you cannot withdraw) except in limited circumstances, including if you die before the end of the term.
- Regular income payments cannot decrease except after an allowable commutation.
- Regular income payments must be made at least annually.

Fixed terms

To qualify for an ATE, the term of your Annuity must be no shorter than your life expectancy at the time you buy the Annuity and no longer than the number of whole years until you turn age 100, as set out in the following table. You can choose any fixed term within this range.

If you elect your spouse as a reversionary, then the term of the Annuity can be:

- Between your life expectancy and the number of whole years until you turn age 100;[9] or
- If your reversionary's life expectancy is longer than yours, your reversionary's life expectancy and the number of whole years until your reversionary turns age 100.[9]

Fixed-term examples:

1. If a 65-year-old male elects his 62-year-old wife as a reversionary beneficiary, then to qualify for an ATE, the term of the Annuity must be between 20 years and 38 years.
2. If a 95-year-old male elects his 85-year-old wife as a reversionary beneficiary, then to qualify for an ATE, the term of the Annuity must be either 4 years, 5 years OR between 8 years and 15 years.

9 If the number of years to age 100 is less than or equal to the applicable life expectancy, a term no shorter than the applicable life expectancy and no longer than the life expectancy that would apply if the investor (or their spouse, if applicable) were five years younger.

Investment terms required for ATE (complying) annuities

For an annuity to be complying, it must be payable for a permitted term, as shown in the table below.

	Term (years)			Term (years)	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
60	25-40	27-40	**81**	9-19	10-19
61	24-39	27-39	**82**	8-18	10-18
62	23-38	26-38	**83**	8-17	9-17
63	22-37	25-37	**84**	7-16	8-16
64	21-36	24-36	**85**	7-15	8-15
65	20-35	23-35	**86**	6-14	7-14
66	20-34	22-34	**87**	6-13	7-13
67	19-33	21-33	**88**	6-12	6-12
68	18-32	20-32	**89**	5-11	6-11
69	17-31	20-31	**90**	5-10	5-10
70	16-30	19-30	**91**	5-9	5-9
71	16-29	18-29	**92**	4-8	5-8
72	15-28	17-28	**93**	4-7	4-7
73	14-27	16-27	**94**	4-6	4-6
74	13-26	15-26	**95**	4-5	4-5
75	13-25	15-25	**96**	4-5	4-5
76	12-24	14-24	**97**	3-4	3-5
77	11-23	13-23	**98**	3-4	3-4
78	11-22	12-22	**99**	3-4	3-4
79	10-21	12-21	**100**	3-4	3-4
80	10-20	11-20			

These terms are relevant for single investors. Different terms may apply if a reversionary is nominated.

To make sure you get the appropriate Annuity with all the necessary requirements for your individual circumstances, you should speak with your financial adviser, who can assist you choose the features and conditions that meet your circumstances. Your local Centrelink or Department of Veterans' Affairs office can help answer any questions you have.

Policy Document
Guaranteed Annuity (Complying)

Your policy consists of two parts: this Policy Document and your Investor Certificate. You should read these documents carefully and keep them in a safe place.

In this Policy Document, references to 'you' and 'your' are references to the policy owner or, where the policy owner elects a reversionary beneficiary in accordance with section 10 of this Policy Document and the context allows, the reversionary beneficiary.

Your policy is a legal contract between you and Challenger Life Company Limited (ABN 44 072 486 938) (Challenger Life) (also referred to as 'we', 'our' and 'us'). This Policy Document is deemed to be issued to you only after your valid application form is accepted by Challenger Life and the money used to buy the policy has cleared. While we take all care in producing your Investor Certificate and other investment documentation, we reserve the right to amend the documentation if we make an administrative error.

Your policy is administered as part of the Challenger Life Statutory Fund No. 2 and does not share in any surplus generated by the fund.

1. Commencement date

The commencement date of your policy will be the date that your application is accepted by Challenger Life. The first regular payment will be made at the end of the first payment frequency period you have chosen, calculated from the commencement date.

2. Term

The term of the policy is as specified in your Investor Certificate and must meet legislated minimums and maximums for asset test exempt life expectancy income streams. The policy will end at the end of your chosen investment term. It will also end if you make a full withdrawal, in accordance with section 5 of this Policy Document, or if a lump sum is payable on your death in accordance with section 5 of this Policy Document.

3. Regular payments

The purchase price you paid purchases the regular payments described in your Investor Certificate. The payments will be made monthly, quarterly, half-yearly or yearly (as chosen at the start of the policy) until the end of the term of the policy. The payment frequency you have chosen is shown in the Investor Certificate.

The payments will be paid by electronic transfer to your bank, building society or credit union account. Regular payments will continue to be made as long as the policy owner is alive.

4. Indexation

The annual indexation to be applied to your regular payments is shown in the Investor Certificate and will be one of three options:

a) **No indexation** provides regular payments based on a fixed rate of return over the policy term.

b) **Fixed indexation** provides annual indexation at a fixed whole percentage rate up to 5%. Your regular payments will increase by that rate on each anniversary of the commencement date, effective from the first regular payment date after each anniversary, during the policy term.

c) **Consumer Price Index (CPI) indexation** provides annual indexation in line with changes in the CPI. Your regular payments will increase on each anniversary of the commencement date of your policy if there was an increase in the CPI between the second-last complete quarter before that anniversary and either the CPI for the same quarter of the immediately preceding year or the CPI used for previous increases.

The CPI is the weighted average of the Eight Capital Cities Index, as published by the Australian Statistician, or any such adjusted index (where a material change occurs through a change in the law or any successor index is selected by Challenger Life).

5. Withdrawal requests

You can only withdraw from your policy in limited circumstances subject to superannuation and social security laws. If you make a partial withdrawal, your regular payments will be reduced. If you make a full withdrawal, your regular payments will cease and the policy will end.

A request to withdraw must be made in writing and signed by you.

If you die during the term of the policy and your regular payments continue to be made to your reversionary beneficiary in accordance with section 10 of this Policy Document, they are deemed to be you for the purposes of this section of the Policy Document.

If you die during the term of the policy and a lump sum is payable, there may be a period of time between death and payment of the lump sum. Where this occurs, the regular payments that you would have received during that period (had you been alive) will be suspended, earning interest at the Reserve Bank of Australia official cash rate, until the withdrawal value is calculated in accordance with section 6 of this Policy Document. Those suspended payments (plus the interest earned) will be included in the withdrawal value payable.

The withdrawal value calculation may be amended to reflect legislative change.

The withdrawal value of your policy is calculated in accordance with section 6 of this Policy Document.

6. Minimum withdrawal value

The minimum withdrawal value will be no less than the amount prescribed under the Life Insurance Act 1995 (Cth).

The minimum withdrawal value calculation will be at least the present value of the future regular payments due for the remainder of the policy term. The future payments are discounted at a rate no more than the greater of that prescribed by law, which is currently:

a) The yield on a Commonwealth government security with a term nearest to the remainder of the policy term plus 4%; or

b) The gross yield implicit in the pricing of the policy at the time of issue.

Challenger reserves the right to vary the discount rate applied to the calculation of individual withdrawal values, provided they all meet the minimum standard.

The withdrawal value calculation may be amended to reflect legislative change.

7. Other government taxes, charges or imposts

Challenger Life has the right to recover from you, by deductions from your regular payments and/or any lump sum withdrawal, any stamp duty, tax or other government charges or imposts or a proportionate part thereof that may be imposed in respect of this policy or this class of business.

Tax on superannuation rollovers (if applicable) will be deducted at the time you purchase the policy. Any superannuation surcharge payable by Challenger Life will be deducted from your investment when an assessment is received by Challenger Life from the Australian Taxation Office, and by applying to invest, you authorise Challenger Life to do so. In such cases, Challenger Life may make a partial withdrawal from your policy for payment of the superannuation contributions surcharge, and your subsequent payments may be adjusted accordingly.

8. Changes in legislation

Challenger Life reserves the right to:

a) Adjust regular payments and tax instalments as a result of any change in tax or other relevant legislation;

b) Vary, without prior notice to the policy owner(s), any of the terms and conditions of the policy in order to comply with any requirements of, or as a result of, any amendments to any relevant laws or the rulings or determinations of the Commissioner of Taxation, the Australian Prudential Regulation Authority or any other statutory authority which has jurisdiction in respect of this Policy Document as a matter of law;

c) In relation to CPI indexation, adjust the CPI applicable if there is a change in the law which materially alters the CPI or its use.

Challenger Life will advise you of any changes to the conditions relating to your policy as disclosed at the time of its issue in writing either in your annual statement or by other means.

9. Notices

All notices and statements sent to you will be sent by any means we determine. Any letter or notice sent to Challenger Life must be sent by prepaid post to the address set out in the current Product Disclosure Statement for the policy. Your Policy Number must be quoted in all correspondence.

10. Beneficiaries

In this section, all references to a lump sum are a reference to a withdrawal value calculated in accordance with section 6 of this Policy Document, and all references to a dependant is as determined by us, and means any person who is:

- Your spouse (as defined by relevant laws);
- Your child (including stepchild and adopted child);
- Financially dependent on you; or
- In an interdependency relationship with you (as defined by relevant laws).

Before any payment can be made in accordance with this section, Challenger Life requires satisfactory proof of death and delivery to it of the original Policy Document and Investor Certificate.

You can elect your spouse (as defined by relevant laws) as a reversionary beneficiary. If you make this election and you die during the policy term, your regular payments will continue to be paid to your spouse, provided that they have continued to be your spouse up to the date of death. You cannot change the person you elect as your reversionary beneficiary, but you can cancel the election.

You can nominate a single beneficiary or multiple beneficiaries, provided they are your dependant, if:

- You do not elect a reversionary beneficiary;
- Your reversionary beneficiary dies;
- Your reversionary partner is no longer your spouse; or
- You cancel your reversionary election.

If you die during the policy term and you have nominated a sole beneficiary who is a dependant at the time of your death, we will continue to make your regular payments to them, and if at the time of your death they are a child, regular payments will continue provided they are:

- Under the age of 18; or
- Between the ages of 18 and 24 and financially dependent on you; or
- Disabled within the meaning of section 8(1) of the Disability Services Act 1986.

If your sole nominated beneficiary does not meet these requirements, we will instead pay them a lump sum.

If you nominate multiple beneficiaries and you die before the end of the policy term, we will pay those beneficiaries a lump sum in the proportions you have specified, or otherwise in equal proportions, provided they are all dependants at the time of your death. If a beneficiary predeceases you, or is not your dependant at the time of your death, their proportion will be distributed pro rata to the remaining beneficiaries. If all beneficiaries predecease you or are not dependants at the time of your death, we will make the lump sum payment to your estate.

We will make a lump sum payment to your estate if you die during the policy term without a reversionary beneficiary and:

- You do not nominate any beneficiaries;
- Your beneficiary or beneficiaries predecease you; or
- Your nominated beneficiary is (or beneficiaries are) not your dependant at the time of your death.

You can change your nominated beneficiary or beneficiaries at any time by notice to Challenger Life, in writing and signed by you, and such valid change replaces all previous nominations.

11. Lost policy

Challenger Life reserves the right to recover the costs of replacing a lost Policy Document and/or Investor Certificate, or for payment of a claim, in the event that the Policy Document and/or Investor Certificate is lost, unless prohibited by law.

12. General information

Your policy cannot be used as security for borrowing.

13. Compliance

Any legislative provision or regulatory requirement that is either required to be included in this agreement, or must be complied with by Challenger Life, in order for the policy to qualify:

a) As an annuity for the purposes of general law and the Life Insurance Act 1995 (Cth); or

b) For concessional tax treatment that applies to an exempt life insurance policy in relation to payments, receipts or other amounts recognised for income tax purposes by CLC or Challenger Limited,

is deemed to be included in this agreement for so long as such requirement must be complied with.

14. Adviser fees

Where you agree with your financial adviser to the payment of adviser service fees, those fees will be paid by us in accordance with your consent and authorisation as notified to us. We will pay those fees to the Australian financial services licensee responsible for supervising your financial adviser (or your financial adviser directly if they are the licensee).

15. Communications with us

Where we receive communications in relation to your policy, whether by fax, email or otherwise in writing, or by telephone, we will not be liable to you for any loss you may suffer as a result of a fraudulent communication received by us without your knowledge, unless that loss is a result of our negligence. We will only act on completed communications that we receive. We will not be liable to you for any loss or delay resulting from the non-receipt, or incomplete receipt, of any communication you send us.

How to invest

You should read this PDS and the Policy Document before deciding to invest.

Contact your financial adviser or call us for an obligation-free payment quote and application form. The regular payments we offer are reviewed and updated regularly to reflect market conditions. Your quote will generally be valid for 14 days from the date on which we provide it.

Your Annuity will be issued once we accept your valid application, and the money you used to invest clears.

To make a valid application you must include:

1. A completed and signed application form	Ensure that all relevant sections of the application form are fully completed and that you sign the application form. If your application form is not complete, we may not be able to proceed until the required information is received. In these situations we will attempt to contact you and/or your financial adviser. We will hold your application money in a non-interest bearing account until we receive the required information. Your Annuity will start on the day that all outstanding information is received by us (or the next NSW business day if received after 3.00pm or on a non-NSW business day). You will receive the Annuity rates applicable at that time if your payment quote has expired. If all outstanding information is not received within 30 days from the day we received your application money, your money will be returned to the SMSF or regulated super fund it was rolled over from, by cheque.
2. A valid payment quote with an investment term that meets the complying requirement	Contact your financial adviser or call us (see back cover) for an obligation-free payment quote. Please complete a Challenger Guaranteed Annuity fixed-term quote and ensure the minimum term selected is the investor's life expectancy (rounded up). The regular payments we offer are reviewed and updated regularly to reflect market conditions. Your quote will generally be valid for 14 days from the date on which we provide it. If your quote has expired, then your regular payments will be calculated on the day we process your application.
3. Identity verification documents/information	In accordance with anti-money laundering and counter-terrorism financing legislation, we need verification of your identity before your Annuity can start.
4. Provide payment (super rollover)	**Super rollover information:** a) If you are rolling over money from an SMSF: A rollover benefits statement (RBS) with a cheque or direct debit authority form payable to Challenger Life Company. b) If you are rolling over money from a super fund or sub fund that is closing: Adequate rollover information to facilitate the transfer (generally provided by your current super fund).

If your valid application and money are received in our Sydney office before 3.00pm Sydney time on a NSW business day (the cut-off time), your application will generally be processed on that day. If your valid application and money are received after the cut-off time, or on a non-business day, your application will generally be processed on the next NSW business day.

We can accept or reject any application and are not required to give any reason for a refusal.

Investor Services
13 35 66

Adviser Services
1800 621 009

By email
info@challenger.com.au

By mail
Challenger Life Company Limited
Reply Paid 3698
Sydney NSW 2001

Additional information
challenger.com.au/complying

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