

Challenger Guaranteed Annuity (Fixed Term)

Additional
information guide
(27 September 2021)

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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) (referred to as **Challenger Life, Challenger, we, us, or our**) who is a member of the Challenger Limited group of companies (**Challenger Group**). Mail: Reply Paid 3698, Sydney NSW 2001. Phone: 13 35 66. Email: info@challenger.com.au.

Challenger Life is not an authorised deposit-taking institution for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Challenger Life. **Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any Challenger ADI within the Challenger Group.** This Guide is intended to provide additional information about Challenger Guaranteed Annuity (Fixed Term) (Annuity). 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 Target Market Determination (TMD) and obtain independent advice, particularly about taxation and risk tolerance, to determine whether the Annuity is appropriate for you in light of your particular circumstances. A copy of the PDS and the TMD can be obtained from your financial adviser, by calling us or online.

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.

Withdrawal value examples

Table 1 – \$100,000 3-year term Annuity investment

RCV		RCV 100			RCV 0 (no indexation)			RCV 0 (inflation linked)		
Interest rate movement ¹		-1.50%	0%	1.50%	-1.50%	0%	1.50%	-1.50%	0%	1.50%
Voluntary withdrawal										
End of year:	1	\$97,778	\$94,998	\$92,336	\$65,394	\$63,992	\$62,643	\$66,469	\$65,039	\$63,662
	2	\$98,900	\$97,474	\$96,088	\$33,116	\$32,639	\$32,175	\$34,081	\$33,590	\$33,112
	3	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0
Death withdrawal										
End of year:	1	\$98,055	\$98,055	\$98,055	\$65,725	\$65,725	\$65,725	\$66,549	\$66,549	\$66,549
	2	\$99,016	\$99,016	\$99,016	\$33,220	\$33,220	\$33,220	\$34,100	\$34,100	\$34,100
	3	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0

Table 2 – \$100,000 5-year term Annuity investment

RCV		RCV 100			RCV 0 (no indexation)			RCV 0 (inflation linked)		
Interest rate movement ¹		-1.50%	0%	1.50%	-1.50%	0%	1.50%	-1.50%	0%	1.50%
Voluntary withdrawal										
End of year:	1	\$95,440	\$90,219	\$85,357	\$77,168	\$74,479	\$71,938	\$78,709	\$75,932	\$73,309
	2	\$97,087	\$93,031	\$89,200	\$58,954	\$57,290	\$55,704	\$60,895	\$59,162	\$57,510
	3	\$98,055	\$95,741	\$93,063	\$40,000	\$39,143	\$38,318	\$41,676	\$40,937	\$40,071
	4	\$99,014	\$97,853	\$96,462	\$20,256	\$19,964	\$19,680	\$21,391	\$21,142	\$20,842
	5	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0
Death withdrawal										
End of year:	1	\$96,214	\$96,214	\$96,214	\$78,127	\$78,127	\$78,100	\$79,098	\$79,098	\$79,098
	2	\$97,122	\$97,122	\$97,122	\$59,312	\$59,312	\$59,312	\$60,898	\$60,898	\$60,898
	3	\$98,055	\$98,055	\$98,055	\$40,027	\$40,027	\$40,027	\$41,676	\$41,676	\$41,676
	4	\$99,014	\$99,014	\$99,014	\$20,260	\$20,260	\$20,260	\$21,391	\$21,391	\$21,391
	5	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0

Important information about the withdrawal value illustrations: This table is indicative only and the values shown are for an investment made on 23 August 2021, calculated as at that date. We have assumed regular payments are made monthly, the annual increases in the Consumer Price Index (CPI) of 2.5% and that no adviser service fees have been deducted. Your actual Annuity voluntary withdrawal value will depend on actual changes in the CPI, your initial Annuity 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. These values are based on applications made under the Challenger Guaranteed Annuity (Fixed Term) Product Disclosure Statement (PDS) dated 27 September 2021.

¹ 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.

Table 3 – \$100,000 10-year term Annuity investment

RCV		RCV 100			RCV 0 (no indexation)			RCV 0 (inflation linked)		
Interest rate movement ²		-1.50%	0%	1.50%	-1.50%	0%	1.50%	-1.50%	0%	1.50%
Voluntary withdrawal										
End of year:	1	\$90,054	\$80,111	\$71,447	\$83,385	\$77,923	\$72,987	\$85,404	\$79,622	\$74,406
	2	\$91,853	\$82,649	\$74,525	\$75,799	\$71,270	\$67,142	\$78,676	\$73,838	\$69,434
	3	\$93,395	\$85,039	\$77,566	\$67,704	\$64,064	\$60,716	\$71,203	\$67,279	\$63,674
	4	\$94,519	\$87,415	\$80,689	\$59,196	\$56,377	\$53,761	\$63,069	\$60,003	\$57,160
	5	\$95,359	\$89,863	\$83,979	\$50,317	\$48,237	\$46,290	\$54,092	\$52,022	\$49,887
	6	\$96,227	\$92,155	\$87,227	\$40,995	\$39,566	\$38,216	\$44,522	\$43,228	\$41,735
	7	\$97,124	\$94,520	\$90,648	\$31,206	\$30,435	\$29,592	\$34,356	\$33,681	\$32,741
	8	\$98,051	\$96,758	\$94,059	\$21,110	\$20,794	\$20,356	\$23,565	\$23,306	\$22,812
	9	\$99,010	\$98,372	\$96,973	\$10,711	\$10,606	\$10,455	\$12,123	\$12,036	\$11,865
	10	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0
Death withdrawal										
End of year:	1	\$92,159	\$92,159	\$92,159	\$85,903	\$85,903	\$85,334	\$86,896	\$86,896	\$86,896
	2	\$92,920	\$92,920	\$92,920	\$77,447	\$77,447	\$77,405	\$79,468	\$79,468	\$79,468
	3	\$93,706	\$93,706	\$93,706	\$68,737	\$68,737	\$68,737	\$71,541	\$71,541	\$71,541
	4	\$94,519	\$94,519	\$94,519	\$59,766	\$59,766	\$59,766	\$63,090	\$63,090	\$63,090
	5	\$95,359	\$95,359	\$95,359	\$50,526	\$50,526	\$50,526	\$54,092	\$54,092	\$54,092
	6	\$96,227	\$96,227	\$96,227	\$41,009	\$41,009	\$41,009	\$44,522	\$44,522	\$44,522
	7	\$97,124	\$97,124	\$97,124	\$31,206	\$31,206	\$31,206	\$34,356	\$34,356	\$34,356
	8	\$98,051	\$98,051	\$98,051	\$21,110	\$21,110	\$21,110	\$23,565	\$23,565	\$23,565
	9	\$99,010	\$99,010	\$99,010	\$10,711	\$10,711	\$10,711	\$12,123	\$12,123	\$12,123
	10	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0

Important information about the withdrawal value illustrations: This table is indicative only and the values shown are for an investment made on 23 August 2021, calculated as at that date. We have assumed regular payments are made monthly, the annual increases in the Consumer Price Index (CPI) of 2.5% and that no adviser service fees have been deducted. Your actual Annuity voluntary withdrawal value will depend on actual changes in the CPI, your initial Annuity 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. These values are based on applications made under the Challenger Guaranteed Annuity (Fixed Term) Product Disclosure Statement (PDS) dated 27 September 2021.

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.

Information on partial withdrawals

The Annuity is designed to be held to the end of the investment term however, if circumstances changes you can request a withdrawal (partial or full). A request to withdraw must be made in writing and signed by you.

If you make a partial withdrawal, your regular payments and/or capital value will be reduced. If you make a full withdrawal, your regular payments will cease and the policy will end.

It is important to carefully consider your decision to withdraw your money early, because you may receive back less than what you invested, even after taking into account payments you have already received and future payments.

Tax in general

The tax information contained in this Additional Information 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 investing as a self-managed superannuation fund, company or trust, or 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.

When your Annuity is bought with money rolled over within the superannuation system by a person aged 60 or over, the regular payments are tax free. A withdrawal is also tax free at age 60 or over.

When your Annuity is not bought with money rolled over within the superannuation system, the regular payments you receive from the Annuity are split into two components for tax purposes: the deductible amount and the assessable amount. A partial withdrawal will result in your deductible amount (non-assessable amount) being recalculated for your future regular payments as follows:

$$\frac{\text{Unused investment amount less the amount of the initial investment to be returned to you at the end of the fixed term}}{\text{Remaining term}}$$

Where:

Unused investment amount
= Initial investment amount less Deductible amounts already used less Partial withdrawals

A partial withdrawal from an Annuity that was not bought with money rolled over within the superannuation system will generally be classified as a return of capital and will not be taxed.

Additional general tax information for regular payments and withdrawals can be found in the 'Other important information' section of the Challenger Guaranteed Annuity (Fixed Term) Product Disclosure Statement (PDS).

Social security

For social security purposes, a deduction amount can be used to calculate the amount of an Annuity that is assessed under the assets and income tests. The deduction amount generally represents the return of capital over the term of the annuity.

If you make a partial withdrawal your deduction amount will be recalculated. This recalculation is different from the tax recalculation above:

$$\frac{\text{Initial investment amount less any partial withdrawals less the amount of the initial investment to be returned to you at the end of the term}}{\text{Term of the Annuity}}$$

Where a partial withdraw is made, Centrelink will also recalculate the assessable asset value of the Annuity, as follows:

$$\text{Initial investment amount less any partial withdrawals less (deduction amount x term elapsed)}$$

Additional general social security income and asset assessment information can be found in the 'Other important information' section of the Challenger Guaranteed Annuity (Fixed Term) PDS.

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.

