

# Target Market Determination

## Income stream products



This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). It sets out the class of customers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. In addition, the TMD outlines the triggers to review the target market and certain other information. It forms part of Challenger Life Company Limited's design and distribution arrangements for the product.

This document is not a Product Disclosure Statement (**PDS**) and is not a summary of the product features or terms of the product. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the PDS for Challenger CarePlus before making a decision whether to buy this product.

Important terms used in this TMD are defined in the Definitions at the end of this document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS can be obtained at [challenger.com.au](http://challenger.com.au) or by calling 13 35 66.

### Target Market Summary

**This product is likely to be appropriate for someone who is receiving, or planning to receive, Government-subsidised aged care services and seeking guaranteed monthly income for life, with a lump sum payable to nominated beneficiaries or their estate upon death.**

**This product is not suitable for someone who is looking for capital growth or who needs to access the lump sum invested outside of regular payments.**

### Fund and issuer identifiers

<b>Product</b>	Challenger CarePlus (CarePlus Annuity and CarePlus Insurance bundled product)
<b>Issuer</b>	Challenger Life Company Limited
<b>Issuer ABN</b>	44 072 486 938
<b>Date approved</b>	30 August 2021
<b>Version</b>	1.0
<b>TMD status</b>	ACTIVE

### Description of Target Market

#### TMD indicator key

The customer attributes for which the product is likely to be appropriate have been assessed using a green/amber/red rating methodology with appropriate colour coding:

 In target market     Potentially in target market     Not considered in target market

#### Instructions

In the tables below, customer attributes indicate a description of the likely objectives, financial situation and needs of the class of customers that are considering this product. The TMD indicator, indicates whether a customer meeting the customer attribute is likely to be in the target market for this product.

Generally, a customer is unlikely to be in the target market for the product if **one or more** of their customer attributes correspond to a **red** rating. Where a customer attribute corresponds to an **amber** rating, they may be in the target market depending on their personal circumstances.

Please also refer to the Definitions at the end of this document.

The following customer attributes are relevant for customers who invest into the bundled CarePlus product which includes CarePlus Annuity and CarePlus Insurance. By investing in CarePlus, you are investing in both the CarePlus Annuity and CarePlus Insurance.

CarePlus		
Customer attribute	TMD Indicator	Product description including key attributes
Customer's life stage		
Aged 18+ <b>Receiving or planning to receive</b> Government-subsidised aged care services	Green	<ul style="list-style-type: none"> <li>You can invest in CarePlus if you are aged 18 years and older and receiving, or planning to receive, Government-subsidised aged care services.</li> <li>You can only invest using non-super money.</li> <li>CarePlus cannot be held as a direct investment of a Self-Managed Superannuation Fund (SMSF), company or trust.</li> <li>When you invest in CarePlus, you must invest in both CarePlus Annuity and CarePlus Insurance.</li> </ul>
Aged 18+ <b>Not receiving or planning to receive</b> Government-subsidised aged care services	Red	
Customer attribute	TMD Indicator	Product description including key attributes
Customer's investment objective		
Utilise investment to generate guaranteed regular income	Green	<ul style="list-style-type: none"> <li>CarePlus is a secure investment that pays a fixed monthly income for life and returns 100% of the amount invested upon death to nominated beneficiaries or the estate.<sup>1</sup></li> <li>CarePlus is not designed to provide capital growth on the lump sum invested. The regular income we agree to pay for life and the return of the full amount invested upon death is guaranteed regardless of how investment markets perform.</li> </ul>
Utilise investment to generate capital growth	Red	
Customer attribute	TMD Indicator	Product description including key attributes
How product fits in to customer's total portfolio		
Partial allocation	Green	<ul style="list-style-type: none"> <li>CarePlus can be used as part of your aged care investment portfolio, providing monthly income for life in return for a lump sum investment.</li> <li>CarePlus can work alongside other income sources such as the Age Pension, your savings and super.</li> </ul>
Only investment	Red	
Customer attribute	TMD Indicator	Product description including key attributes
Customer's income objective		
Income payable for life to help pay for aged care costs	Green	<ul style="list-style-type: none"> <li>CarePlus Annuity pays fixed monthly payments for the rest of your life and can be used to help pay for ongoing aged care fees.</li> <li>The regular income we agree to pay is guaranteed by Challenger, regardless of how investment markets perform.</li> <li>Part of the regular payment may be subject to PAYG tax.</li> </ul>
Secure income that is fixed and guaranteed regardless of investment market performance	Green	
Customer attribute	TMD Indicator	Product description including key attributes
Type of access to lump sum invested required by customer		
100% of the lump sum invested payable upon death	Green	<ul style="list-style-type: none"> <li>CarePlus is designed to be <b>held for life</b> and provide you with regular income in return for a lump sum investment.</li> <li>CarePlus will pay 100% of the amount invested to your nominated beneficiary(ies) or estate upon death. Residents of South Australia will receive 100% of the amount invested less the amount of stamp duty initially paid by Challenger.</li> <li>On death any amount paid will not be assessed as income for tax purposes.</li> <li>Whilst you can choose to cancel CarePlus and be repaid a lump sum amount, it is likely you will receive back less money than you invested. <ul style="list-style-type: none"> <li>The withdrawal value of CarePlus Insurance may be less than the premium paid for the insurance.</li> <li>The withdrawal value of CarePlus Annuity will vary over time because it depends on changing factors, including how long you have held your Annuity and prevailing market rates at that time.</li> </ul> </li> <li>Partial withdrawals are not allowable.</li> </ul>
Ready access to the lump sum invested that can be withdrawn at any time	Red	

<sup>1</sup> Residents of South Australia will receive 100% of the amount invested less the amount of stamp duty initially paid by Challenger.

## Appropriateness

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of customers in the target market as described above. The features of this product described in the table above are likely to be suitable for customers with the attributes identified with a green TMD indicator.

## Distribution conditions/restrictions

Distribution condition	Permitted distribution channel	Distribution description
Direct (non-advised) retail	Yes	Direct non-advised clients must complete suitability questions on application
Licensed financial adviser	Yes	Customer has been provided with personal advice in relation to this product
Select platform with agreement in place	Yes	Distribution of this product via a platform is only permitted with an appropriate formal administration agreement in place

Review triggers
Unexpected and material uplift in early withdrawals
Material change in tax treatment of product
Significant dealing, as decided by the Issuer, that is not consistent with the TMD
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product
The use of Product Intervention Powers, regulator orders or directions that affect the product
Australian Prudential Regulation Authority (APRA) intervenes as a result of Challenger Life Company not being able to meet its statutory capital requirements

Mandatory review periods	
Review period	Maximum period for review
Initial review	31 March 2023
Subsequent reviews	1 year 3 months

Distributor reporting requirements		
Reporting requirement	Reporting period	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy.	Within 10 business days following the end of the March and September quarters (note this can be done in two separate quarterly reports if required)	All distributors
Significant dealing outside of target market, under section 994F(6) of the Act. See Definitions for further details.	As soon as practicable but no later than 10 business days after the distributor becomes aware of the significant dealing	All distributors

## Definitions

Term	Definition
<b>Customer's life stage</b>	
Aged 18+ <b>Receiving or planning to receive</b> Government-subsidised aged care services	Aged 18 or above and either: <ul style="list-style-type: none"> <li>planning to receive Government- subsidised aged care services at home or in a residential aged care facility, or</li> <li>currently receiving Government-subsidised aged care services at home or in a residential facility.</li> </ul>
Aged 18+ <b>Not receiving or planning to receive</b> Government-subsidised aged care services	Anyone (any age) not currently receiving Government-subsidised aged care services and not in the planning stages of receiving Government-subsidised aged care services.
<b>Customer's investment objective</b>	
Utilise investment to generate guaranteed regular income	The product is designed to generate regular investment income for customers.
Utilise investment to generate capital growth	The product is designed to generate capital return from the growth in the value of the underlying assets over time. The product provides material exposure to growth assets or otherwise seeks an investment return well above the current inflation rate.
<b>How the product fits into customer's total portfolio</b>	
Partial allocation	The customer intends to hold the investment as part of their total investable assets (see definition below).
Only investment	The customer intends to hold the investment as the total amount of their total investable assets (see definition below).
Investable assets	Those assets that the customer has available for investment, excluding the residential home.
<b>Customer's income objective</b>	
Income payable for life to help pay for aged care costs	The customer is seeking income payable for their lifetime to assist in paying for their ongoing aged care costs.
Secure income that is fixed and guaranteed regardless of investment market performance	The customer values security and has a low tolerance for payment variability. The customer is seeking guaranteed payments that are not impacted by investment market performance.
<b>Type of access to lump sum invested required by customer</b>	
100% of lump sum invested payable upon death	The customer requires 100% of the amount invested paid to their nominated beneficiaries on death.
Ready access to lump sum invested that can be withdrawn at any time	The customer needs ready access to the lump sum invested like a savings account or similar.
<b>Distributor reporting</b>	
Significant dealings	<p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor the Australian Securities and Investments Commission (<b>ASIC</b>) defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.</p> <p>Challenger will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC. Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> <li>they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or</li> <li>they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the customer (or class of customer).</li> </ul> <p>In each case, the distributor should have regard to the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red or amber ratings attributed to the customer).</p>