

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 Guaranteed Annuity (Fixed Term) 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 or by calling 13 35 66.

Target Market Summary

This product is likely to be appropriate for an investor wanting to receive a regular, guaranteed income by investing a lump sum amount with the intention to hold the product for their chosen term.

This product is not suitable for someone who is looking for capital growth or who needs ongoing access to the capital invested.

Fund and issuer identifiers

Product	Challenger Guaranteed Annuity (Fixed Term) (Fixed Term Annuity)
Issuer	Challenger Life Company Limited
Issuer ABN	44 072 486 938
Product SPIN	CHG0005AU
Date approved	30 August 2021
Version	1.0
TMD status	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.

Fixed Term Annuity		
Customer attribute	TMD Indicator	Product description including key attributes
Customer's life stage		
Accumulation (aged 18 – 45)	Green	<ul style="list-style-type: none"> You can invest in the Fixed Term Annuity using your super or personal savings (non-super money) and you are: <ul style="list-style-type: none"> aged 18 and older if you are using non-super money to invest, or aged 60 and older if you are using your super money to invest and have unrestricted access to super.
Pre-retirement (aged 45+)	Green	<ul style="list-style-type: none"> If you are using your super money to invest, you must consider the transfer balance cap, which limits the amount that can be used to commence a retirement-phase income stream. The Fixed Term Annuity can be held as a direct investment of a Self-Managed Superannuation Fund (SMSF), company or trust.
Retirement (less than age 85)	Green	<ul style="list-style-type: none"> If you are a non-resident of Australia, you must receive and accept the offer in Australia. <p>Late retirement (aged 85+)</p> <ul style="list-style-type: none"> The Fixed Term Annuity may be suitable if you are in late retirement. It is important to consider if you die before the end of the investment term that your beneficiaries or estate may receive back less money than was invested in the annuity, if they receive the remaining benefits as a lump sum. To protect against this risk, you can nominate a single beneficiary to continue receiving the regular payments until the end of the fixed term.
Late retirement (aged 85+)	Yellow	
Customer attribute	TMD Indicator	Product description including key attributes
Customer's investment objective		
Capital guarantee	Green	<ul style="list-style-type: none"> The Fixed Term Annuity is a secure investment that pays regular income for a fixed investment term that you choose. The full investment amount is repaid to you at the end of the investment term unless you choose at the start to have all or part of it returned as part of your regular payments.
Utilise investment to generate guaranteed regular income	Green	<ul style="list-style-type: none"> The Fixed Term Annuity is not designed to provide capital growth on the lump sum invested. The regular income we agree to pay you and the return of the amount invested is guaranteed by Challenger over the full investment term regardless of how investment markets perform.
Utilise investment to generate capital growth	Red	<ul style="list-style-type: none"> If you are a non-resident, you must be looking for an investment in Australian dollars.
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"> The Fixed Term Annuity can be used as part of your retirement, pre-retirement or investment portfolio, providing you with guaranteed regular income for your chosen term.
Only investment	Yellow	<ul style="list-style-type: none"> It can work alongside other income sources such as the Age Pension, your savings and super.

Fixed Term Annuity

- The remaining investment amount payable to you at the end of your chosen term is called your 'residual capital value' (RCV).

Customer attribute	TMD Indicator	TMD Indicator	Product description including key attributes
Customer's income objective	RCV100 (100% of investment repaid at end of term)	RCV0-99 (0%-99% of investment repaid at end of term)	
Regular income for a chosen term that is guaranteed regardless of investment market performance			<ul style="list-style-type: none"> The Fixed Term Annuity provides a guaranteed, regular income for a fixed term that you choose, regardless of how investment markets perform. You have the choice of monthly, quarterly, half-yearly or yearly payments. You can choose a fixed term of one year up to 50 years (maximum term to age 100 if super money), to suit your financial needs and objectives. Regular payments are tax-free if investing with super money. Part or all of the regular payment may be subject to PAYG tax if investing with non-super money. You have the flexibility to choose how we pay you back the original amount invested. The remaining investment amount payable to you at the end of the term is called your 'residual capital value' (RCV). <p>RCV100</p>
Low-risk investment with potentially higher returns, relative to a savings account			<ul style="list-style-type: none"> The entire amount invested will be returned at the end of your chosen fixed term, known as RCV100¹. Your regular payments do not change for your chosen investment term and are made up of interest payments only as your full investment amount is returned to you at the end of the term. <p>RCV0-RCV99</p> <ul style="list-style-type: none"> The full investment amount can be repaid with your regular payments, known as RCV0 or some of the amount invested can be repaid with your regular payments, known as (RCV1-RCV99)¹. You can only choose to have your regular payments increased annually in line with increases in the Consumer Price Index (CPI) or a fixed percentage rate up to 5% if you have chosen a term of at least two years and have also chosen to have all your capital returned to you as part of your regular payments (RCV0). Otherwise your payments do not change over your chosen timeframe.
Customer attribute	TMD Indicator	TMD Indicator	Product description including key attributes
Type of access to lump sum invested required by customer	RCV100 (100% of investment repaid at end of term)	RCV0-99 (0%-99% of investment repaid at end of term)	
Ability to withdraw lump sums during the term if circumstances change			<ul style="list-style-type: none"> The Fixed Term Annuity is designed to be held for your chosen investment term. While you should only invest if you plan to remain invested for the full fixed term, you can withdraw (in part or full) before maturity if your circumstances change. 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 also applies to any lump sum payable on death during the investment term. If you make a partial withdrawal, your regular payments and/or residual capital value will be reduced.
Access to 100% of amount invested at the end of the fixed term			<ul style="list-style-type: none"> If you die before the end of the investment term, the remaining benefits will be paid to the beneficiaries you have nominated or to the surviving owner if you have invested jointly with another person. If you have selected RCV100, the entire amount invested is repaid at the end of the fixed term.
Ready access to the lump sum invested that can be withdrawn at any time without penalty			

¹ Super rules require that minimum payments are made from income streams, meaning that certain RCV options may not be available with super money.

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
Customer's life stage	
Accumulation (aged 18 – 45)	In the accumulation phase and/or below age 45
Pre-retirement (aged 45+)	Above the age of 45 but below preservation age
Retirement (less than age 85)	In retirement and less than 85 years of age
Late retirement (aged 85+)	Aged 85 years and older
Customer's investment objective	
Capital guarantee	The customer seeks a guarantee or protection against capital loss whilst still generating a return.
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.
Customers intended product use	
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.
Customer's income objective	
Regular income for a chosen term that is guaranteed regardless of investment market performance	The customer seeks regular income payments for a chosen term that is guaranteed regardless of investment market performance.
Low-risk investment with potentially higher returns, relative to a savings account	The customer seeks known and stable income payments with a return that is potentially higher than a savings account or similar.
Type of access to lump sum invested required by customer	
Ability to withdraw lump sums during the term if circumstances change	The customer requires the ability to withdraw either a partial or the full amount invested before maturity in the event of a change in circumstances.
Access to 100% of amount invested at the end of the fixed term	The customer requires the ability to withdraw 100% of their investment amount at the end of their chosen investment term.
Ready access to the lump sum invested that can be withdrawn at any time without penalty	The customer needs ready access to the lump sum invested like a savings account or similar.
Distributor reporting	
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 (ASIC) 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"> • they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or • 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). <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>