

Challenger Lifetime Annuity RBA cash linked

Australia's first
guaranteed,
floating rate
lifetime annuity

The RBA cash linked payment option lets you link your lifetime annuity payments to movements in the Reserve Bank of Australia's (RBA) cash rate (whether it be an increase or decrease). Selecting this option means you will be able to benefit from any future interest rate increases, in addition to receiving guaranteed income for life.

What is the RBA's cash rate?

The cash rate is a metric set by the Reserve Bank of Australia that determines how much interest banks must pay on the amount they borrow. As these costs can then be passed down to the bank's customers, the cash rate largely determines Australia's interest rate.

Is this payment option right for me?

This payment option has been specifically designed for people who want guaranteed income payable for life, but would also like to benefit from any potential future interest rate rises.

How are RBA cash linked payments calculated?



**Current RBA cash rate
(variable component)**

+

**Fixed margin on top
of the RBA cash rate
(fixed component)**

The payment you receive is calculated by adding together the current RBA cash rate and a fixed margin that never changes, and then multiplying it by the total amount invested. We then convert this into a monthly payment by dividing it by 12.



When will payments change?

RBA cash linked payments will change whenever the RBA cash rate changes. If the RBA cash rate moves up, payments will go up by the equivalent increase. If the RBA cash rate moves down, payments will reduce by the equivalent decrease.



No limits to future payment amounts

There is no limit to future payment amounts – for example if the RBA cash rate was to increase to 8% then that would be used to calculate payments.

Frequently asked questions

When are changes to the cash rate applied to my payments?

Monthly payments are based on the RBA cash rate, effective on the 15th of the previous month. This means changes to the RBA cash rate are passed on monthly.

Which portion of my payment is linked to the RBA cash rate?

The fixed and variable components are shown on your original quote, which is valid for 14 days. The RBA cash rate portion (the variable component) is calculated by multiplying your original investment amount by the current RBA cash rate.

What happens if the RBA cash rate decreases or becomes negative?

RBA cash linked payments reflect changes in the RBA cash rate. If the RBA cash rate reduces, your payments will reduce. If the cash rate increases, your payments will increase. If the RBA cash rate is less than 0%, the variable RBA cash linked amount will be negative and your regular payments will be less than the fixed component.

What's the difference between the RBA cash linked option and the consumer price index (CPI) inflation option?

The RBA cash linked option links payments to movements in the RBA cash rate instead of CPI. The RBA cash linked option has payments that change whenever there is a change in the RBA cash rate.

With the CPI option, payments are indexed annually to the change in CPI. The CPI option offers a smoother path of payment, with annual payments known in advance, whereas RBA cash linked payments can increase or decrease at any time, whenever the cash rate changes.

Seeking financial advice can help you make informed decisions about your money and retirement

By discovering the options available for investing and managing your income in retirement, you can start to understand which choices will suit you best, and why. A financial adviser with expertise in retirement planning is the ideal partner to guide you towards the right mix of income options for your plans and lifestyle in retirement.

If you don't currently have a financial adviser, we can assist you by providing a list of financial advisers that are experts in retirement income.

Who is Challenger?

Established in 1985, Challenger is Australia's largest provider of annuities. We're a multi-award-winning Life Company providing reliable income to thousands of customers through management of \$18 billion in assets (as at 30 June 2020).

Our purpose is to provide customers with financial security for retirement. We do this by offering investment strategies that exhibit consistently superior performance, and by helping customers in retirement with safe and reliable income streams.

For more about Challenger lifetime annuities, speak to your financial adviser, visit challenger.com.au or call 13 35 66 (from 8am to 6pm AEST, Monday to Friday).

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