

## Withdrawing early from your term annuity

This guide provides a general explanation on how a withdrawal value is calculated for a term annuity. For information on withdrawing from your specific annuity, please contact us or your financial adviser.

A Challenger term annuity is an investment that provides regular income for a fixed term you choose. We are able to provide you with income at competitive rates because we invest your money for the full investment term that you have chosen.

While your annuity is designed to be held for the fixed term, you can ask to be repaid a lump sum amount before the end of the investment term if your circumstances change.

Please note that depending on the product option you chose, accessing the withdrawal value may be restricted. Please refer to your policy documents or contact us or your financial adviser for further information.

### What's my balance?

Unlike a bank or superannuation account, an annuity doesn't have an account balance that would simply reduce by the amount being withdrawn. This is because an annuity is an income stream product that converts your lump sum investment into a series of regular income payments over the chosen term.

If you choose to cancel the investment, we will calculate a withdrawal value by converting all future payments (including any capital being returned at the end of the term) into a lump sum amount.

### How is the withdrawal value calculated?

The withdrawal value is the present value of the future payments that are remaining in the fixed term. To calculate the present value, the future payments are discounted to reflect that they are being paid to you early. This is illustrated in the example below.

### Withdrawal value example

The table below illustrates a five-year annuity that is withdrawn two years after it commenced. It was purchased with \$100,000, makes yearly payments and has a residual capital value of \$100,000 (meaning 100% of the amount invested is repaid at the end of the term).

Please note that this is an illustration only. To find out the withdrawal value applicable to your specific annuity, please contact us or your financial adviser.

The second column in the table below shows the payments that you will receive if you don't withdraw early, and the annuity is held for the remainder of the term (three more yearly payments and the repayment of capital at the end of the term).

If you decide to withdraw early, for example 2 years after the policy started, we will adjust the payments in the second column to reflect the present value because they are being paid to you earlier than scheduled. The present values of the payments are shown in the last column. For example, the payment that you would have received in year 3 (\$2,200) would be worth \$2,172 at the time of early withdrawal. The total of the payments in the last column is your withdrawal value.

Policy year	Payment amount (if you do not withdraw early)	Payment amount (if you withdraw early)
Year 3	\$2,200	\$2,172
Year 4	\$2,200	\$2,028
Year 5	\$2,200	\$1,893
Residual capital value (payable at the end of year 5)	\$100,000	\$86,076
<b>Total</b>	<b>\$106,600</b>	<b>\$92,169 (Withdrawal value)</b>

### **Why is the amount I receive at the time of withdrawal less than the amount I would have received if I did not withdraw?**

When you purchase an annuity, your money is put into investments that are designed to provide consistent returns so that we can meet our payment promises to you now and into the future.

If you withdraw from your annuity, we need to break these investments in order to pay you the withdrawal value. Because there are costs in breaking the investments early, the value of your future payments is less if received today compared to if you had held the annuity for the full investment term and received them on the future dates.

### **Does the withdrawal value vary over time?**

The withdrawal value will vary over time as the calculation depends on several factors, including the number of future payments remaining in the fixed term and the prevailing market interest rates at the time of withdrawal (the relevant rate is the Australian Government Bond rate).

The impact on the present value is generally greater in an environment of rising market interest rates. Due to the time value of money the impact on the present value is also greater if you withdraw earlier in the investment term.

We can give you an indicative withdrawal value today but as market interest rates change over time, your actual withdrawal value can only be calculated on the day we process the withdrawal.

### **More information**

If you have any questions on withdrawing from your annuity, please contact us or your financial adviser. You can also refer to the Product Disclosure statement (PDS) and Policy Document that you received and accepted when you invested. Your annual statement will also provide an estimated withdrawal value each year.

The information in this document is current as at 30 June 2022 and is provided 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](mailto: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 authorised deposit-taking institution 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, unless specified otherwise, the performance, the repayment of capital and any particular rate of return on your investments are not guaranteed by any Challenger ADI.**

In preparing this document, we did not take into account your particular investment objectives, financial situation or needs. You should read the PDS (including the information about risks) and the Target Market Determination (TMD) to consider the suitability of the product for your circumstances before a decision to invest is made. A copy of the PDS and TMD is available on our website or by contacting us. We recommend that you obtain independent advice, particularly about taxation, retirement planning and risk tolerance.

The withdrawal value tables are illustrative only and do not show the actual withdrawal values you will receive. For information on withdrawing from your specific annuity, please contact us or your financial adviser.

## Withdrawing early from your lifetime annuity

This guide provides a general explanation on how a withdrawal value is calculated for a lifetime annuity. For information on withdrawing from your specific annuity, please contact us or your financial adviser.

A Challenger lifetime annuity is an investment that provides regular income for your lifetime. We are able to provide you with income at competitive rates because we invest your money based on how long you are likely to live.

While your annuity is designed to be held for life, there is a withdrawal period (usually based on your life expectancy) where you can ask to be repaid a lump sum amount if your circumstances change.

Please note that depending on the product option you chose, your annuity may not have a withdrawal period, which means that your annuity does not have a withdrawal value at any time. Please refer to your policy documents or contact us or your financial adviser for further information.

### **What's my balance?**

Unlike a bank or superannuation account, an annuity doesn't have an account balance that would simply reduce by the amount being withdrawn. This is because an annuity is an income stream product that converts your lump sum investment into a series of regular income payments over the investment term. If you choose to cancel the investment, a withdrawal value will be calculated by converting all future payments due in the withdrawal period into a lump sum amount.

### **How is the withdrawal value calculated?**

The withdrawal value is the present value of the future payments that are remaining in the withdrawal period. To calculate the present value, the future payments are discounted to reflect that they are being paid to you early. This is illustrated in the examples on pages 5 and 6.

### **Why is the amount I receive at the time of withdrawal less than the amount I would have received if I did not withdraw?**

When you purchase an annuity, your money is put into investments that are designed to provide consistent returns so that we can meet our payment promises to you now and into the future.

If you withdraw from your annuity, we need to break these investments in order to pay you the withdrawal value. Because there are costs in breaking the investments early, the value of your future payments is less if received today compared to if you had held the annuity for the full investment term and received them on the future dates.

### **Does the withdrawal value vary over time?**

The withdrawal value will vary over time as the calculation depends on several factors, including the number of future payments remaining in the withdrawal period and the movements in market interest rates. In addition, if you have chosen the Market-linked payments option movements in the relevant market index will also impact the withdrawal value calculation.

The impact on the present value is generally greater in an environment of rising market interest rates. Due to the time value of money the impact on the present value is also greater if you withdraw earlier in the investment term.

We can give you an indicative withdrawal value today but as interest rate and investment markets change daily, your actual withdrawal value can only be calculated on the day we process the withdrawal.

### **More information**

If you have any questions on withdrawing from your annuity, please contact us or your financial adviser. You can also refer to the Product Disclosure statement (PDS) and Policy Document that you received and accepted when you invested. Your annual statement will also provide an estimated withdrawal value each year.

**Withdrawal value example – policy with a guaranteed withdrawal value at the end of the withdrawal period**

Depending on the product option you chose, there may be a guaranteed withdrawal value at the end of the withdrawal period. The table below illustrates a policy purchased with \$100,000 which has a guaranteed withdrawal value at the end of the withdrawal period of \$100,000. It has a 15-year withdrawal period and is withdrawn seven years after it commenced (i.e., there are eight years left in the withdrawal period).

Please note that this is an illustration only. To find out the withdrawal value applicable to your specific annuity, please contact us or your financial adviser.

The second column in the table below shows the payments that you will receive if you don't withdraw early, and the annuity is held until the end of the withdrawal period (eight more yearly payments and the guaranteed withdrawal value at the end of the withdrawal period)<sup>1</sup>.

If you decide to withdraw early, for example 7 years after the policy started, we will adjust the payments in the second column to reflect the present value because they are being paid to you earlier than scheduled. The present values of the payments are shown in the last column. For example, the payment that you have received in year 8 (\$5,398) would be worth \$5,360 at the time of early withdrawal. The total of the payments in the last column is your withdrawal value.

Policy year	Payment amount (if you do not withdraw early)	Payment amount (if you withdraw early)
Year 8	\$5,398	\$5,360
Year 9	\$5,398	\$5,070
Year 10	\$5,398	\$4,795
Year 11	\$5,398	\$4,535
Year 12 payment	\$5,398	\$4,290
Year 13 payment	\$5,398	\$4,058
Year 14 payment	\$5,398	\$3,838
Year 15 payment	\$5,398	\$3,630
Guaranteed withdrawal value (payable at the end of withdrawal period)	\$100,000	\$67,253
<b>Total</b>	<b>\$143,184</b>	<b>\$102,829 (Withdrawal value)</b>

<sup>1</sup> If the annuity is not withdrawn, payments will continue even after the withdrawal period ends and are paid for as long as you live.

### Withdrawal value example – policy with no guaranteed withdrawal value at the end of the withdrawal period

The table below illustrates a policy purchased with \$100,000 and has a 15-year withdrawal period. It does not have a guaranteed withdrawal value at the end of the withdrawal period, which means the withdrawal value at the end of the withdrawal period is zero. The policy is withdrawn seven years after it commenced (i.e., there are eight years left in the withdrawal period).

Please note that this is an illustration only. To find out the withdrawal value applicable to your specific annuity, please contact us or your financial adviser.

The second column of the table below shows the payments that you will receive if you don't withdraw early, and the annuity is held until the end of the withdrawal period (eight more yearly payments)<sup>2</sup>.

If you decide to withdraw early, for example 7 years after the policy started, we will adjust the payments in the second column to reflect the present values because they are being paid to you earlier than scheduled. The present values of the payments are shown in the last column. For example, the payment that you have received in year 8 (\$5,398) would be worth \$5,360 at the time of early withdrawal. The total of the payments in the last column is your withdrawal value.

Policy year	Payment amount (if you do not withdraw early)	Payment amount (if you withdraw early)
Year 8	\$5,398	\$5,360
Year 9	\$5,398	\$5,070
Year 10	\$5,398	\$4,795
Year 11	\$5,398	\$4,535
Year 12	\$5,398	\$4,290
Year 13	\$5,398	\$4,058
Year 14	\$5,398	\$3,838
Year 15	\$5,398	\$3,630
<b>Total</b>	<b>\$43,184</b>	<b>\$35,576 (Withdrawal value)</b>

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<sup>2</sup> If the annuity is not withdrawn, payments will continue even after the withdrawal period ends and are paid for as long as you live.