

RETIREMENT INCOME COVENANT DRIVES INNOVATION WITH CHALLENGER EXPANDING ANNUITY OPTIONS

Challenger Life, Australia's largest provider of annuities, today announced a new market-linked lifetime annuity that helps retirees to overcome longevity risk (outliving their retirement nest egg) while maintaining exposure to investment markets.

Challenger has introduced innovative market-linked payment options to its award-winning Liquid Lifetime annuity, creating more choice in retirement incomes ahead of the introduction of the Australian government's Retirement Income Covenant next year.

The market-linked option is available to financial advisers and their clients, and adds to Challenger's institutional offering, providing superannuation funds with direct access to the market-linked capability and the flexibility to integrate as a bespoke solution within their retirement income strategy.

Challenger Life Chief Executive, Angela Murphy said the new market-linked lifetime annuity is part of a broader strategy by Challenger to lead industry innovation, expand its range of innovative retirement income solutions, increase customer reach and provide retirees with better financial outcomes. It complements Challenger's range of guaranteed income annuity options to help solve a key retirement problem for advisers and their clients. It also provides a flexible and powerful capability that can help super funds address longevity risk, she said.

"An unprecedented number of Australians retire every day. We want them to get the retirement they deserve, one in which they spend well and live well. While many retirees enjoy the safety and security of a guaranteed income stream and no market risk, others may prefer to have exposure to investment markets' ups and downs. People are living longer, and many retirees are more financially aware than in the past. They want to stay invested in markets to have the potential to grow their income over time while accepting some downside risk.

"Our market-linked lifetime annuity will be offered to retirees as the government moves to legislate the Retirement Income Covenant. The Covenant will, over time, create a deeper market in retirement income solutions, that will give retirees more choice and flexibility in how they manage their retirement savings."

Ms Murphy said the new annuity option was developed with financial advisers to help deliver suitable outcomes for their clients.

"Challenger consulted with a wide range of advisers in designing the market-linked lifetime annuity, with more than 80 per cent of advisers saying they would seriously consider the option to complement their clients' other sources of income," she said.

"Lifetime annuities are not an all or nothing proposition. They can be part of a retirement portfolio and complement other sources of income in retirement. Annuities make your retirement income last a lifetime and enable you to spend confidently. They provide certainty and control over estate planning outcomes and most importantly help to overcome the worry that you might become wholly dependent on the Age Pension.

“Combining the benefit of a regular income and exposure to investment markets, with the flexibility to review annually, is a compelling option that will drive strong interest from advisers and their clients. The combination will help overcome the anxiety many retirees have about outliving their retirement savings.

“In launching the market-linked indexation payment options, we have provided financial advisers with an opportunity to introduce the lifetime annuity concept to clients earlier while the client may have a higher risk-return tolerance and then, over time, adjust the risk profile inside the annuity to match the client’s reducing risk tolerance,” Ms Murphy added.

At 30 June 2021, Challenger Life had \$22 billion in assets under management. The company has been at the forefront of the evolution of the annuity market for nearly 25 years and provides thousands of Australians with a regular income.

For more information visit www.challenger.com.au/market-linked

About the market-linked lifetime annuity

Liquid Lifetime pays monthly income for life in return for a lump sum investment. Up until now annuities offered through this product have either been indexed to the Consumer Price Index or the RBA cash rate or fixed.

With the market-linked payments option retirees can gain exposure to investment markets, choosing from five different indexation options: cash, conservative, conservative balanced, balanced, or growth. These are constructed from different combinations of investment market indices: AusBond Bank Bill; AusBond Government; MSCI World Net Ex Au; and S&P/ASX200 net return.

Challenger lifetime annuities have distinct features:

- Challenger does not charge investment management fees and monthly payments are generally tax free if super money was used to invest.
- While lifetime annuities are designed to be held for life, there is a long period based on life expectancy where customers have the flexibility to access a lump sum if their circumstances change*.
- A long death benefit period based on life expectancy where a lump sum is payable to the customer’s estate or nominated beneficiaries. The death benefit can be up to 100% of the amount invested*.

A lifetime annuity might immediately boost a retiree’s Age Pension entitlements under the asset test rules as just 60 per cent of any investment amount in a Challenger annuity is included as an asset to age 84 (or for a minimum of five years) and just 30% is included as an asset thereafter.

* The customer can ask us to change these features in return for different starting payments.

Disclaimer

Age Pension benefits described above will not apply to all individuals. Age Pension outcomes depend on an individual (or couple's) personal circumstances and may change over time. While lifetime income streams may immediately benefit some Age Pension eligible retirees who are assessed under the assets test, in later years, if assessed under the income test, any ongoing Age Pension benefits may be reduced. For Liquid Lifetime (Market-linked payments), only the first year's monthly income amount is guaranteed. After the first year, monthly payments will move up or down annually adjusting to the changes in the customer's chosen market-linked indexation payment option. In periods of strong market performance, any Age Pension benefits may reduce to reflect the higher income received.

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About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates three core investment businesses, a fiduciary Funds Management division, an APRA-regulated Life division, and an APRA-regulated authorised deposit-taking institution. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

Challenger Life (ABN 44 072 486 938, AFSL 234670) provides regular income to thousands of customers. We're a multi-award-winning Life Company and have \$22 billion in assets under management (as at 30 June 2021).

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.

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