

# Guaranteed regular income for life

Lifetime Annuity (Liquid Lifetime)

Guaranteed and market-linked  
solutions

# Retirees value a regular income for life

While retirement can be the most enjoyable part of your client's life, it can also involve a lot of financial decisions. No matter how well prepared your client may be for their retirement, unexpected events can have a major impact on their retirement savings and investments.

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**83%**

of retirees rated their desire for retirement income that will last the rest of their life as very important.<sup>1</sup>



**81%**

of retirees rated their desire for retirement income that adjusts to inflation as very important.<sup>1</sup>



**91%**

of retirees rated their desire for regular income for essentials as very important.<sup>1</sup>

<sup>1</sup> National Seniors Australia and Challenger (2023) *The cost of living and older Australians' financial wellbeing*.

# Retirees value a regular income for life

## Retirement risks

While no two retirement plans are the same, clients generally face the same key risks in retirement. These are things you can prepare for with planning and Challenger's products.

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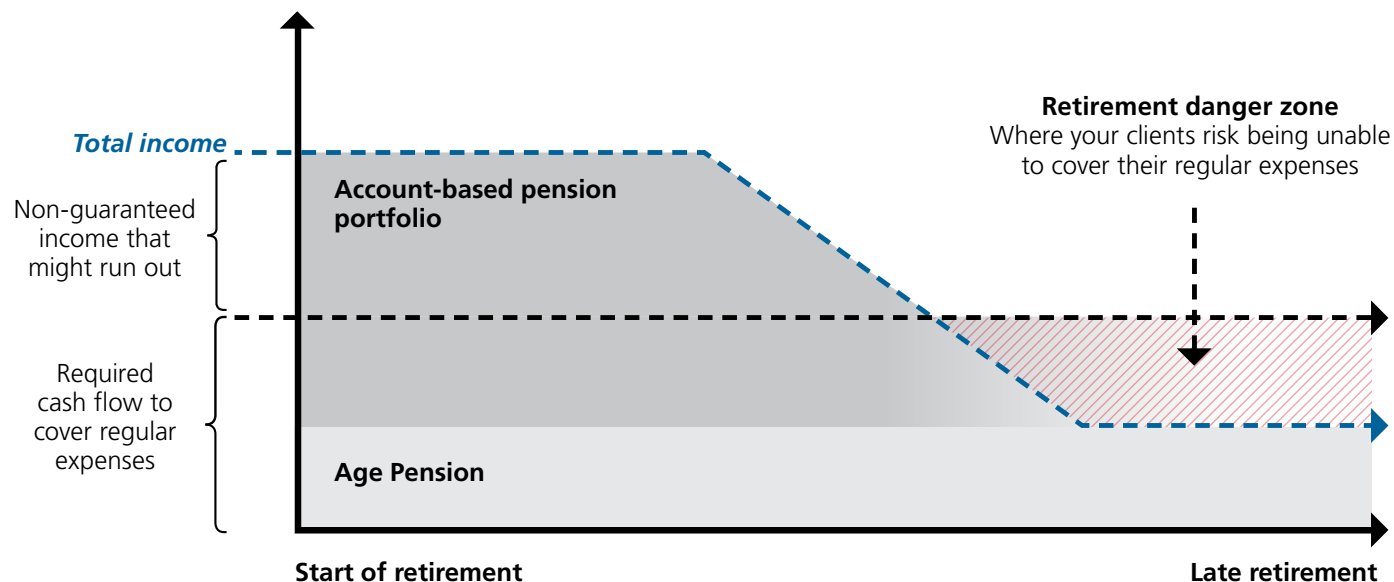


If unaddressed, these retirement risks can lead to clients ending up in what we call the 'retirement danger zone'. As illustrated on the next page, this is a period in the later stages of retirement where your clients may be unable to cover their regular expenses.

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A comprehensive retirement portfolio helps protect against key risks in retirement by combining:

- a lifetime income stream, such as a lifetime annuity; and
- a flexible income stream such as an account-based pension.

The combination of a lifetime annuity and account-based pension can provide a foundational layer of income, helping your clients fund their living costs through retirement.



# Monthly payments – for the rest of your client's life

Liquid Lifetime pays a regular income for life in return for a lump sum investment. Liquid Lifetime starts paying your client a guaranteed lifelong income immediately,<sup>2</sup> and has a withdrawal value and a guaranteed death benefit for a period based on your client's life expectancy.

## Here's what your client will receive:

- monthly payments for the rest of their life (and their spouse's life if they choose), no matter how long they may live
- payments that keep pace with inflation (indexed to CPI)<sup>3</sup> payments that are guaranteed, regardless of how investment markets perform
- up to 100% of their investment repaid to their nominated beneficiaries or estate if they die early<sup>4</sup>
- a withdrawal value for a long period based on their life expectancy – just in case their circumstances change, and they no longer require lifelong income<sup>4</sup>

**100% of your client's investment**

paid to their beneficiary if they die early



<sup>2</sup> If the immediate payment option is selected. There is also a deferred payment option. [See the PDS for more for information.](#)

<sup>3</sup> Your client can ask us to only partially index payments annually with movements in the CPI (called 'partial CPI'), to have payments linked to changes in the Reserve Bank of Australia (RBA) cash rate (called 'RBA cash linked') or to have fixed payments (called 'no indexation') in return for different starting payments..

<sup>4</sup> See more information on these benefits on page 11.

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# Helping your clients to spend confidently in retirement

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## Calculating retirement spending needs

Using the [Challenger Retirement Spending Planner](#)<sup>5</sup> as a guide, couples with a modest lifestyle can expect to spend \$45,947 on basic living expenses each year – which covers utility bills, groceries and clothing. With the full Age Pension for couples currently at \$42,988 p.a.<sup>6</sup> this leaves a shortfall of nearly \$3,000 p.a.

## Create a quote today

Using Challenger's eQuote, you can calculate how much of a client's retirement assets will be required to acquire a guaranteed, CPI indexed lifetime income stream of \$3,000 p.a (or any other amount to meet your client's particular needs). This income, combined with any Age Pension your client may be eligible for, can help ensure that they can always meet their essential living expenses – helping to keep them out of the retirement danger zone.

<sup>5</sup> The Retirement Spending Planner has been prepared by Challenger and is intended as a simple tool to help you determine your client's needs and wants in retirement and compare their position with the ASFA Retirement Standard (June 2023 quarter) for a comfortable lifestyle in post-work years.

<sup>6</sup> Centrelink rates as at 20 September 2023.

# Payment options

## Indexation options

There are four payment options to choose from:

- **Full CPI indexation.** Regular payments will be indexed annually in-line with changes in CPI, whether it be an increase or decrease (this is the default option).
- **Partial CPI indexation.** Regular payments are indexed annually in line with any increase in the CPI that is greater than 2% (for example if the change in CPI is 3% payments will increase by 1%). If the change in CPI is negative, payments reduce.
- **RBA cash rate linked payments.** Regular payments will change whenever there is a change in the RBA cash rate (whether it be an increase or decrease).
- **No indexation:** fixed payments that never change.

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# Market-linked payments option

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Our market-linked payments combine the benefits of a monthly income for your client's lifetime and exposure to investment markets while offering flexibility to switch your client's indexation payment options annually.

Payments move up and down annually with changes in the market-linked indexation payment option chosen by your client – only the first year's monthly income amount is guaranteed.<sup>7</sup>



<sup>7</sup> See more information on these benefits on page 11.



# Market-linked payments option

## Control the asset allocation with five different indexation payment options to choose from

With Challenger's market-linked lifetime annuities, your client can choose from five different indexation payment options enabling you to match the payment allocation to your client's risk profile (across both defensive and growth assets). These five payment options are:

- Cash index;
- Conservative index;
- Conservative balanced index;
- Balanced index and
- Growth index.

Information on each option can be found in the [Liquid Lifetime PDS](#).

The higher the exposure to growth assets your client's chosen indexation payment option has, the more volatile their yearly indexation rate is likely to be (meaning there is a higher likelihood that their regular payment amount will change significantly up or down year to year).

Only the first year's monthly income amount is guaranteed. After the first year, **monthly payments will move up and down annually** adjusting to the changes in your client's chosen market-linked indexation payment option.

Payments will be indexed after each anniversary of the start of your client's Liquid Lifetime annuity (i.e. the first payment to be indexed will be the 13th monthly payment). If the change in your client's chosen indexation payment option is positive, their regular payments will increase, and if the change in your client's indexation payment option is negative, then their payments will reduce. In periods of poor performance, payments can index down below the starting payment. In periods of strong market performance, your client's Age Pension benefits may reduce to reflect the higher income received.

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# Market-linked payments option

## Flexibility to switch market-linked indexation payment options annually

Challenger's market-linked lifetime annuities gives you the flexibility to switch your client's indexation payment option at no cost every year on your client's policy anniversary date.

Before each investment anniversary, your client can choose to switch their indexation payment option. If they choose to switch, the change will be effective from the next anniversary day. A request to switch must be received by Challenger at least 14 days prior to the next anniversary day. If your client chooses to switch their option, the first payment to be indexed by the new payment option will be the 13th monthly payment after the change.

## Choose to have higher starting payments

The Accelerated payment option allows your client to choose to have higher starting payments in return for reducing future indexation by between 1% - 5% p.a.

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While Liquid Lifetime is designed to be held for life, there is a long period based on life expectancy where your client can access a lump sum if their circumstances change.<sup>8</sup>

The maximum withdrawal value starts at 100% of the investment amount and progressively reduces until it reaches zero at the end of the withdrawal period (see diagram in the next page).

If your client withdraws their investment, their withdrawal value is impacted by movements in interest rates, their chosen index, and an allowance for the cost to us of breaking the investment, and cannot exceed the maximum.

If they withdraw, then their regular payments stop.

## Guaranteed death benefit and money back guarantee

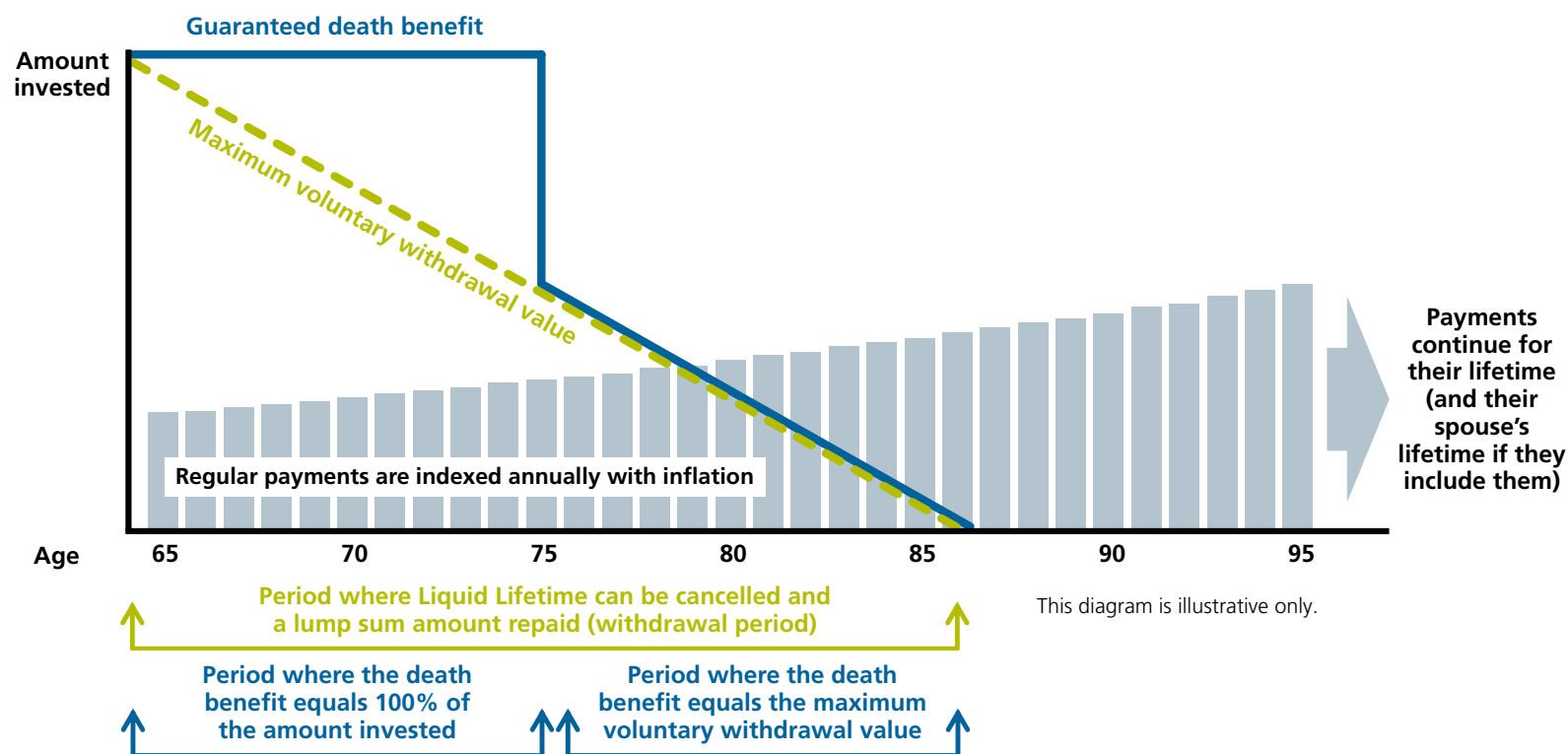
For half of the withdrawal period (rounded down to a whole year), there is a money back guarantee. During this period we will pay a death benefit to your client's nominated beneficiaries or their estate equal to 100% of the amount invested. This amount is not reduced by any payments made up until the time of death, although it may be subject to tax if Liquid Lifetime was purchased with non-super money. For the remainder of the withdrawal period, the death benefit will be a guaranteed amount equal to the maximum withdrawal value (see diagram in the next page).

If your client passes away outside of the withdrawal period (and does not have a reversionary spouse), then their monthly payments will cease.

<sup>8</sup> Your client can ask us to remove this feature in return for higher starting payments, called the Enhanced income option.

# What happens if my clients' circumstances change?

Illustration based on a 65 year old woman with **immediate payments option**



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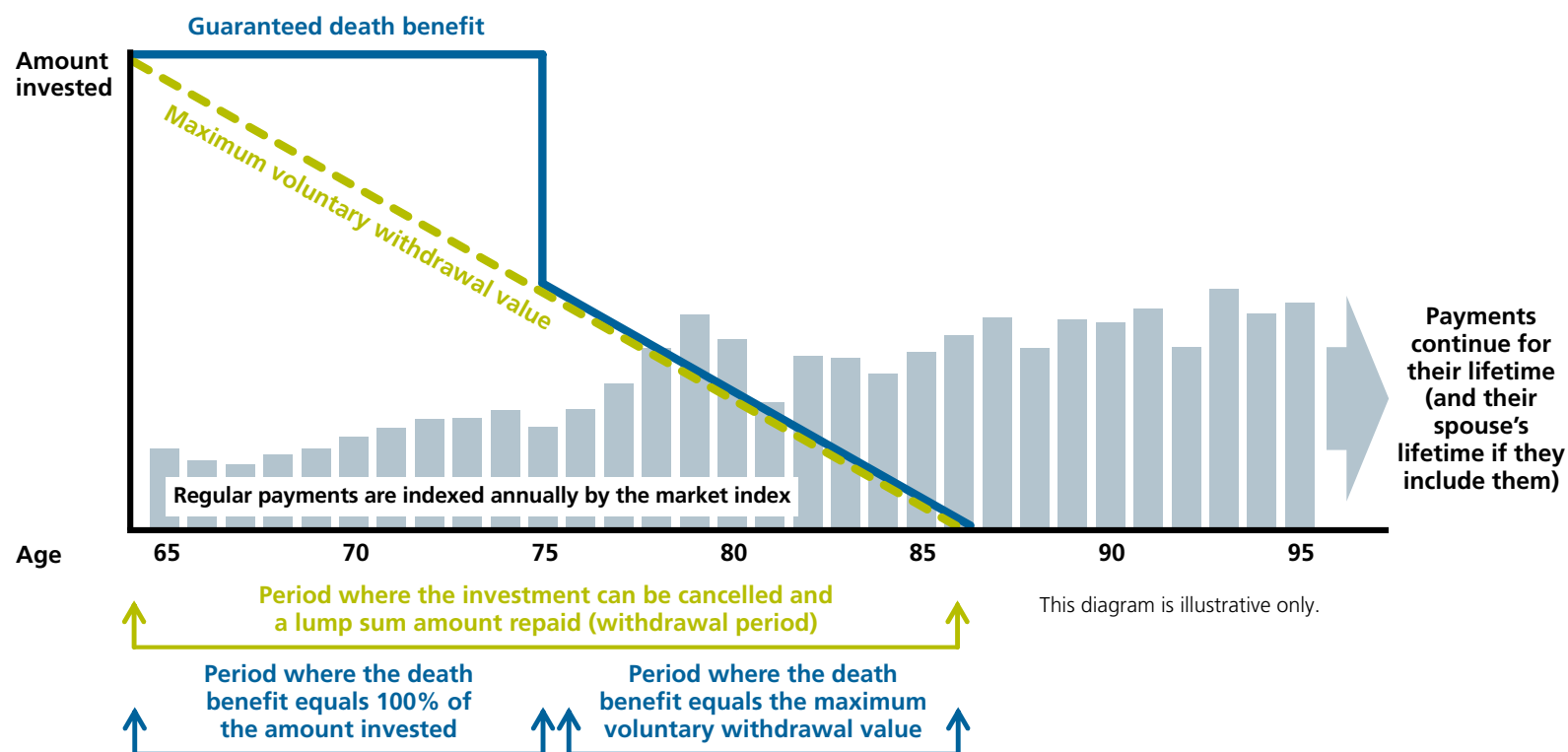
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# What happens if my clients' circumstances change?

Illustration based on a 65 year old woman with **market-linked payments option**



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# Why lifetime annuities?

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**Cash flow for life.**



**Provides different payment solutions to suit your clients' financial circumstances and needs.**



**Flexibility to withdraw if your clients' circumstances change.**






**Your clients may be eligible for an immediate increase in their Age Pension**



# We're always ready to support you and your clients

Challenger has a range of tools to help you and your clients plan for their retirement, including calculators, videos and case studies. To access them or find out more:

-  Log in, or register for AdviserOnline at **[adviseronlineportal.com.au](https://adviseronlineportal.com.au)**
-  Speak to your Challenger BDM
-  Call **13 35 66**

As with all investments, Liquid Lifetime carries some risks. The key risks and how they are managed are described in the Product Disclosure Statement (PDS). 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 client's circumstances before a decision to invest is made. A copy of the PDS and TMD is available at **[challenger.com.au](https://challenger.com.au)** or by contacting our Adviser Services Team on **13 35 66**.

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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 your client'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. 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 your clients' chosen market-linked indexation payment options. In periods of strong market performance, any Age Pension benefits of your clients may reduce to reflect the higher income received.

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