

ADVISER USE ONLY  
NOT FOR RETAIL CLIENTS

# Challenger Guaranteed Annuity (Liquid Lifetime)

Complement  
your clients'  
retirement income  
with guaranteed  
income for life



## Challenger Guaranteed Annuity (Liquid Lifetime)

### Retirees value regular and stable income

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 such as market falls can have a major impact on their retirement savings and investments.

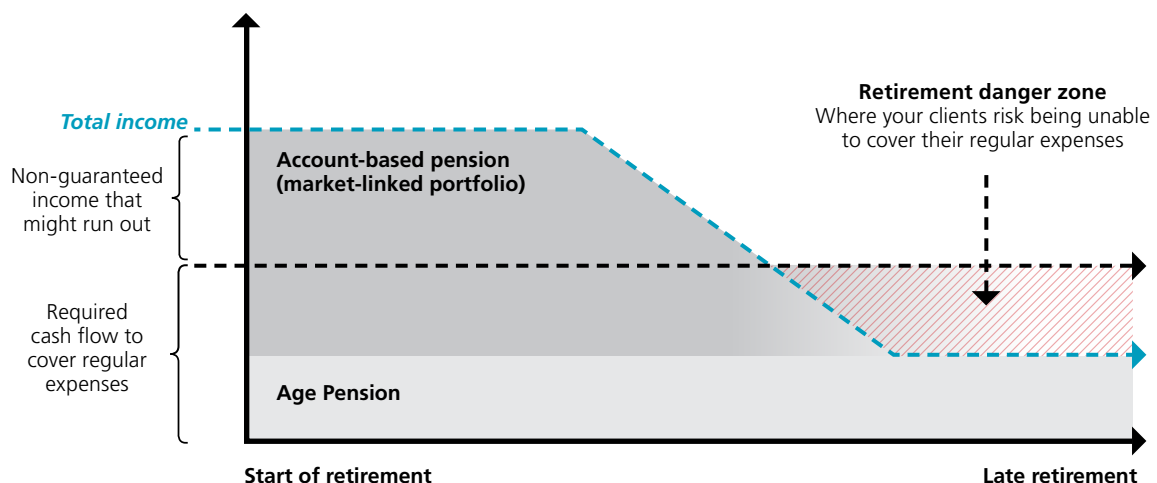


### Retirement risks

While no two retirement plans are the same, clients generally face the same key risks in retirement, including:

- **Longevity risk.** The risk of living longer than expected, resulting in retirement savings being insufficient to finance their lifestyle for life.
- **Market and sequencing risk.** The impact of varying investment returns (especially negative returns) and the order and timing of returns on the value of their investments during retirement.
- **Inflation risk.** The risk that inflation will increase the cost of living over time, decreasing their spending power and standard of living.

In the later stages of retirement, these retirement risks mean that if your client only invests in market-linked investments, including via an account-based pension, there is a real chance that they will end up in what we call the 'retirement danger zone'. As illustrated below, this is a period in the later stages of retirement where your clients may be unable to cover their regular expenses.



<sup>1</sup> National Seniors Australia and Challenger, *Once bitten, twice shy: GFC concerns linger for Australian seniors*, July 2018

# Building a comprehensive retirement portfolio

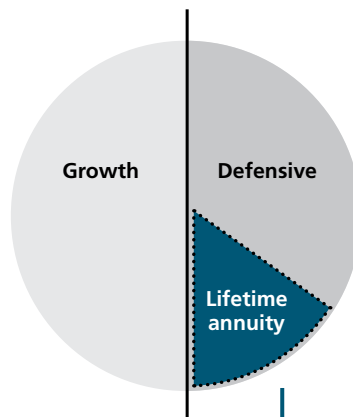
A comprehensive retirement portfolio helps protect against key risks in retirement by combining:

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

Lifetime annuities complement other retirement investments and sources of income, such as account-based pensions and the Age Pension. They provide a secure lifetime income which can be used as the foundation of your client’s retirement portfolio.

This guaranteed level of income can help your clients fund their regular living costs throughout their retirement and keep them out of the retirement danger zone later in life.

## Investment portfolio

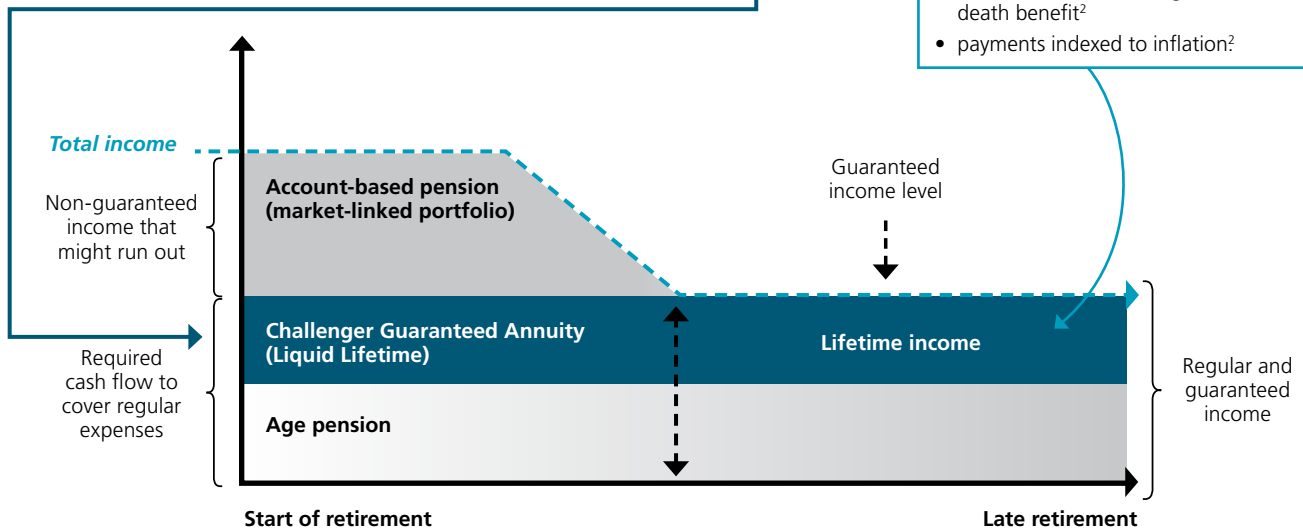


**Key features**

This strategy helps to future-proof income in retirement by providing:

- guaranteed income payments for life
- flexibility to withdraw and be paid a lump sum if circumstances change within the withdrawal period<sup>2</sup>
- known estate value via guaranteed death benefit<sup>2</sup>
- payments indexed to inflation?

A portion of your clients defensive investments is used to help protect them against the retirement danger zone



This diagram is illustrative only and may not reflect all payment options. It may include other income sources such as term annuities, term deposits, shares, managed funds and cash.

2 Clients can ask us to change these features in return for different starting payments. But the choice is totally theirs.

# About Challenger Guaranteed Annuity (Liquid Lifetime) Flexible Income (Immediate payments) option

Liquid Lifetime is a secure investment that pays a regular income for life in return for a lump sum investment. The Flexible Income (Immediate payments) option starts paying your client a lifelong income immediately. It 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.

## Helping your clients to spend confidently in retirement

Using the Challenger Retirement Spending Planner<sup>5</sup> as a guide, couples with a modest lifestyle can expect to spend about \$42,100 on basic living expenses each year – which covers utility bills, groceries and clothing.

With the full Age Pension for couples currently at \$36,301 p.a.<sup>6</sup> this leaves a shortfall of close to \$6,000 p.a.

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 \$6,000 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.

## Tailored payment options

There are four payment options to choose from:

- Full CPI indexation. Regular payments will be indexed annually in-line with changes in CPI (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).
- Fixed payments that never change (called 'no indexation').

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

New legislation determines the assets and income test treatment of lifetime income streams commenced on or after 1 July 2019.

For the Liquid Lifetime Flexible Income (Immediate payments) option, under the income test 60% of payments will be assessed.

Under the assets test just 60% of any investment amount will count as an asset to age 84 (or for a minimum of five years) and just 30% will count as an asset thereafter.

For asset test sensitive clients this 40% then 70% reduction in assessable value may deliver an immediate increase in your clients Age Pension entitlements.

<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> Please refer to Guaranteed death benefit on page 5.

<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 (March 2019 quarter) for a comfortable lifestyle in post-work years.

<sup>6</sup> Centrelink rates as at 20 March 2019.

## What happens if my clients' circumstances change?

While the Liquid Lifetime Flexible Income option 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.

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.

If your client withdraws their investment, their withdrawal value will take into account the cost to us of breaking the investment, and movements in interest rates between the time they invested and when they choose to withdraw. If they withdraw, then their regular payments stop.

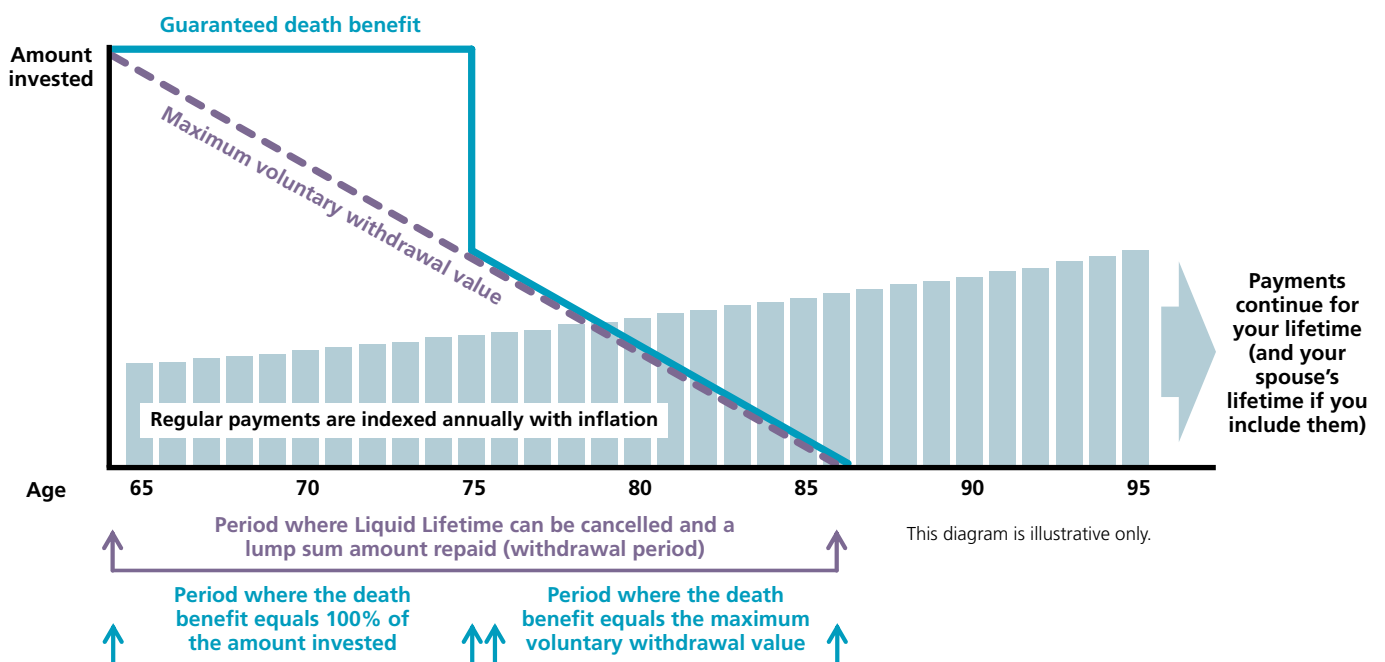
### Guaranteed death benefit

For half the withdrawal period (rounded down to a whole year), we will pay a guaranteed death benefit equal to 100% of the amount invested to your client's nominated beneficiaries or their estate. For the remainder of the withdrawal period, the death benefit will be the same as the maximum withdrawal value.

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

### Flexible Income (Immediate payments) illustration

This example is based on a 65-year-old female.



## Why lifetime annuities?



Greater certainty over future cash flow



Flexibility to withdraw if your clients' circumstances change



A smart defensive investment offering competitive guaranteed payment rates

## 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 **1800 621 009**

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 consider the suitability of the product for your client's circumstances before a decision to invest is made. A copy of the PDS is available at [challenger.com.au](https://challenger.com.au) or by contacting our Adviser Services Team on **1800 621 009**.

The information in this document is current as at 1 June 2020 unless otherwise specified and is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger, our, we, us), the issuer of Challenger Guaranteed Annuity (Liquid Lifetime). The information in this document is general information only about our financial products. It is not intended to constitute financial product advice. Investors should consider the Target Market Determination (TMD) and Product Disclosure Statement (PDS) and the Statement of Advice prepared by their financial adviser before making an investment decision. This information has been prepared without taking into account any person's objectives, financial situation or needs. Each person should, therefore, consider its appropriateness having regard to these matters and the information in the Target Market Determination (TMD) and Product Disclosure Statement (PDS) for the product before deciding whether to acquire or continue to hold the product. A copy of the TMD and PDS is available at [challenger.com.au](https://challenger.com.au) or by contacting our Adviser Services Team on 1800 621 009. Any examples shown in this document are for illustrative purposes only and are not a prediction or guarantee of any particular outcome. This document may include statements of opinion, forward looking statements, forecasts or predictions based on current expectations about future events and results. Actual results may be materially different from those shown. This is because outcomes reflect the assumptions made and may be affected by known or unknown risks and uncertainties that are not able to be presently identified. Where information about our products is past performance information, past performance is not a reliable indicator of future performance. Any illustrations involving taxation, Centrelink rules or benefits and/or Department of Veterans' Affairs rules or benefits are based on current laws at the date of currency specified in this document and these laws may change at a future date. Challenger gives no representation or warranty (express or implied) as to its accuracy, completeness or reliability. The information presented in this document is not intended to be a complete statement or summary of the matters to which reference is made in this document. To the maximum extent permissible under law, neither Challenger nor its related entities, nor any of their directors, employees or agents, accept any liability for any loss or damage in connection with the use of or reliance on all or part of, or any omission inadequacy or inaccuracy in, the information in this document.