

# A guide to annuities

Look forward with confidence in your retirement



# What is an annuity?

## An annuity is a financial product that can be used to provide you regular income in retirement.

Annuities provide a guaranteed regular income for life, or for a chosen investment term, helping to give peace of mind in retirement.

An annuity complements other retirement investments and sources of income, such as a pension from your super and the Age Pension. They can be used as the foundation of your retirement portfolio.

### Types of annuities

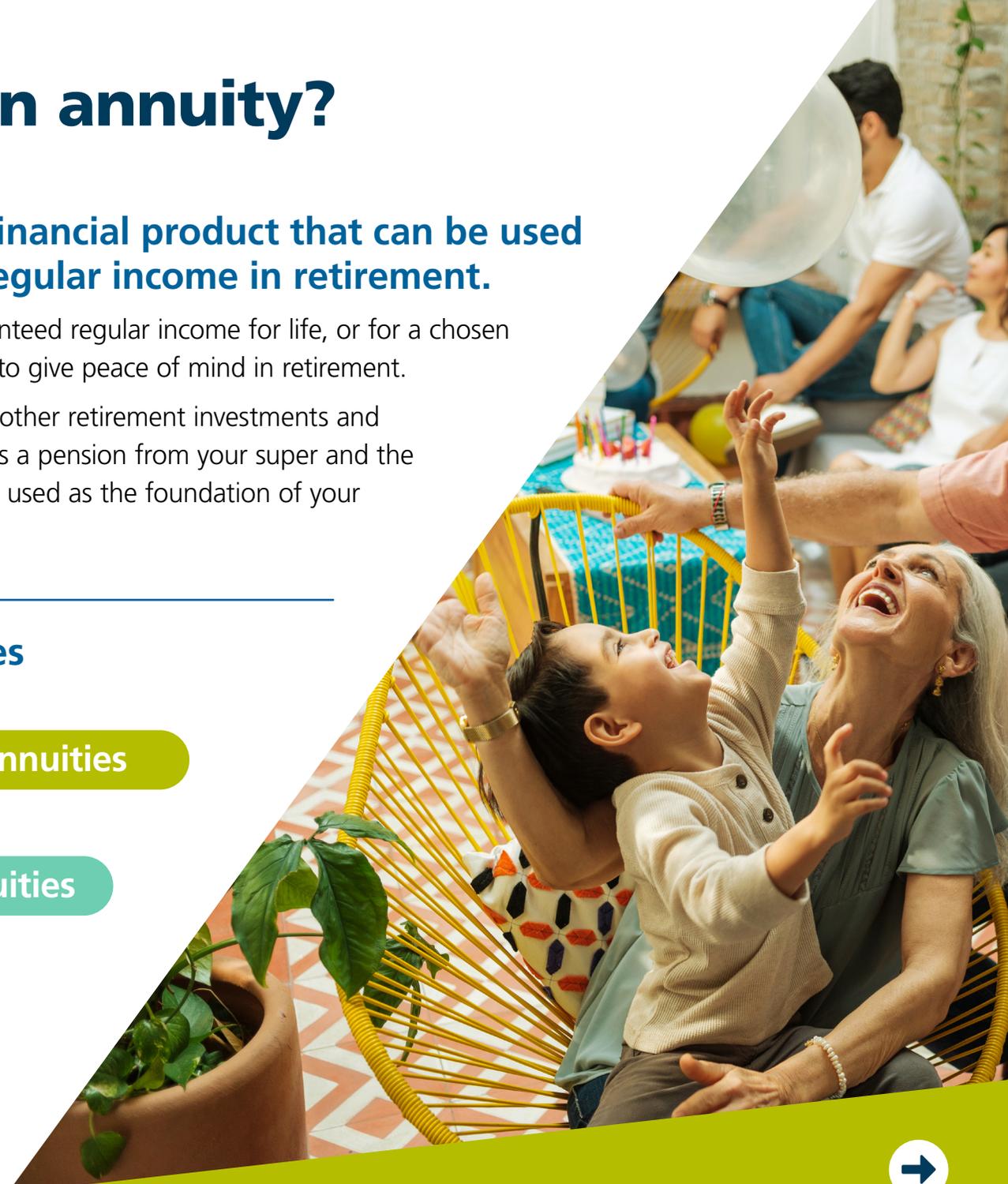


Lifetime annuities



Term annuities

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# Types of annuities

Here's a quick guide to the different types of annuities available:



## Lifetime annuities

Will pay you a guaranteed regular income for life, regardless of how long you live, helping to give peace of mind in retirement.

### Features at a glance

- Guaranteed regular payments for life (and your spouse's life if you choose)
- Payments that start immediately or, for some payment options, on a future date you choose (if using super savings to invest)
- Payments that can keep pace with inflation
- Can pay a lump sum death benefit to your family or estate within a known withdrawal period
- Can offer the flexibility to withdraw and be paid a lump sum within a known withdrawal period if your circumstances change
- You can use your super or personal savings to invest
- Payments are tax free if you use your super to invest and you are aged 60 or over

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# Types of annuities

Here's a quick guide to the different types of annuities available:



## Term annuities

Provides a guaranteed, regular income for a fixed term you choose with flexible capital return options at maturity.

### Features at a glance

- Regular payments for a fixed term of your choice
- You can choose the frequency of your payments
- You can choose to have your investment repaid at the end of the fixed term or have some or all of it repaid throughout the fixed term as part of your regular payments
- Payments that are guaranteed regardless of how share markets perform
- You can use your super or personal savings to invest
- Payments that are tax free if you use your super to invest and you are aged 60 or over

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# Why choose an annuity?

## Retirement is a life-changing event. As you adjust to your new lifestyle, you'll need to think differently about your finances.

Moving from earning an income to drawing on your retirement savings and investments can be a big shift mentally. And it can bring up financial concerns you haven't thought too much about before, such as:

- the risk of outliving your retirement savings and becoming completely reliant on the Age Pension
- the impact of market conditions on the value of your investments during your retirement
- the risk that over time inflation will increase the cost of living. This means the income received from your investments may also need to increase in line with inflation to maintain your standard of living.

Annuities can help to address these concerns so you can relax and enjoy your retirement.

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### Benefits of annuities



#### Guaranteed regular income

They provide a guaranteed regular income, either for your lifetime or for a fixed term of your choice.



#### Protection from key retirement risks

They give you an additional layer of protection for life, or for a chosen investment term. They can act as a safety net.



#### Helping you to spend confidently in retirement

Annuities can be used to help cover your living costs and maintain your standard of living while in retirement.



# Why choose an annuity?

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## Is an annuity right for me?

When determining whether an annuity is right for you, it may help to focus on what your retirement goals are in more concrete terms. For example, working out how much your basic expenses are, how much you will need for a more comfortable lifestyle, if the Age Pension will be enough or whether you need an additional source of income to meet these goals.

If you value the security of a guaranteed regular income for a fixed term or for the rest of your life, then an annuity may be a suitable investment option for you. In all cases, we recommend you speak to a financial adviser.



# Modern annuities for today's retiree

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We understand that your retirement goals and lifestyle needs are unique. That's why we offer a choice of annuities to suit you. You can use part of your super or personal savings to invest with a minimum investment amount of \$10,000.



## Lifetime annuities

### Challenger Lifetime Annuity (Liquid Lifetime)

We all want different things from retirement but share a common need: income. Challenger lifetime income products deliver guaranteed regular income payable for life, regardless of how long you live.

With a Challenger lifetime annuity as part of your retirement plan you can build a more resilient investment portfolio because the payments from your annuity are guaranteed to be payable for your lifetime. Liquid Lifetime options can provide:

- guaranteed regular payments for life (and your spouse's life if you choose)
- payments that start immediately or, for some payment options, on a future date you choose (if using super savings to invest)
- payments that are fixed, that keep pace with inflation, or are linked to changes in the RBA cashrate or investment markets
- a long period where you can access a lump sum if your circumstances change<sup>1</sup>
- a long death benefit period where a lump sum is payable to your estate or nominated beneficiaries<sup>1</sup>
- regular income is tax-free if you use your super to invest. If you invest with other non-superannuation personal savings, only part of your income is taxable

<sup>1</sup> You can ask us to change these features in return for different starting payments. But the choice is totally yours.



# Modern annuities for today's retiree

We understand that your retirement goals and lifestyle needs are unique. That's why we offer a choice of annuities to suit you. You can use part of your super or personal savings to invest with a minimum investment amount of \$10,000.



## Term annuities

### Challenger Guaranteed Annuity (Fixed Term)

A secure investment that provides a guaranteed, regular income for a fixed term you choose:

- the choice of a fixed term between one year and 50 years
- the choice of monthly, quarterly, half-yearly or yearly payments
- your investment repaid at the end of the fixed term unless you choose to have some or all of it repaid throughout the fixed term as part of your regular payments
- if you are using some of your super to invest in a Challenger term annuity, your regular payments are tax-free. If you invest with non-super money the tax treatment will be different



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# About Challenger

## Challenger is focused on providing customers with financial security for a better 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.

As Australia's largest annuity provider, we provide regular income payments to thousands of Australian retirees. Our lifetime annuities help to protect retirees from the risk of running out of money late in life.

The retirement incomes we pay are backed by a high-quality investment portfolio, including fixed income and commercial property investments. These investments generate regular and predictable investment income, which we use to fund retirement incomes paid to our customers.

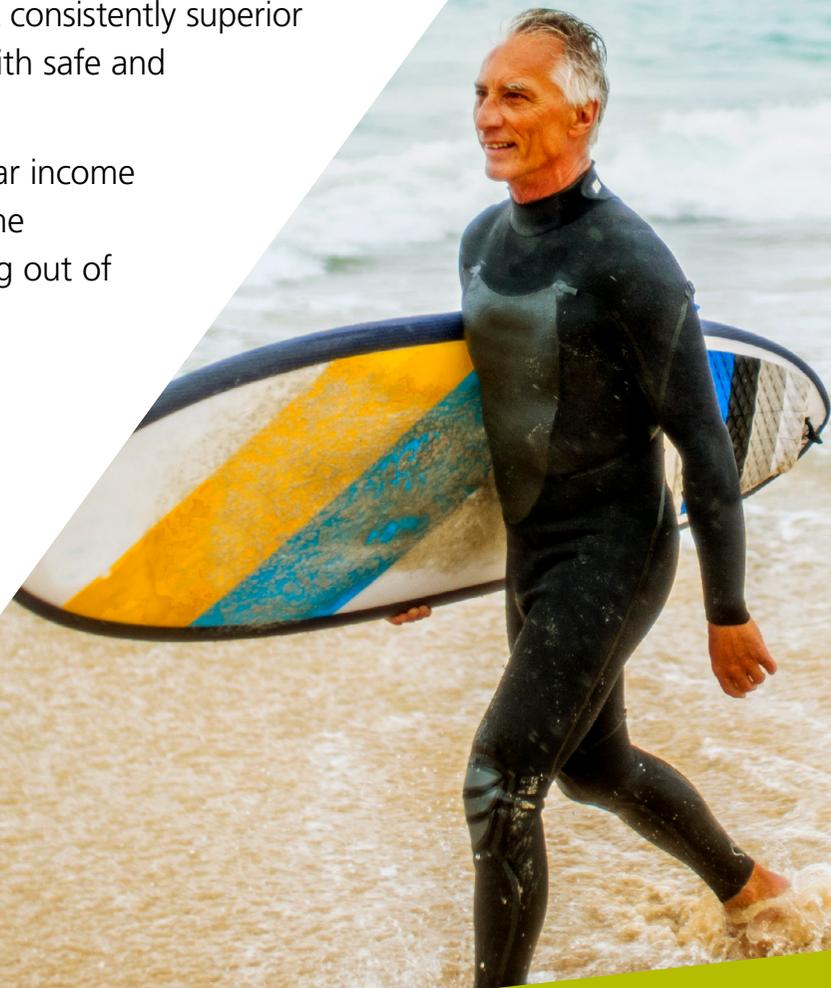


**#1 LARGEST ANNUITY PROVIDER IN AUSTRALIA**



**14X WINNER OF AFA STRATEGIC INSIGHT 'ANNUITY PROVIDER OF THE YEAR'**

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# How we cover our promises made to you

Challenger annuities are provided by Challenger Life, a Life Company regulated by the Australian Prudential Regulation Authority (APRA). APRA is the authority that regulates the banking, insurance and superannuation industries.

When you invest in a Challenger annuity your capital investment goes into a fund along with the capital received from other annuity customers. This fund is known as the statutory fund, and all regular payments to our annuity customers are paid from this fund. We are also required by APRA to invest our own money into the fund. This statutory fund is required to hold enough capital to withstand a significant share market shock event.

Challenger Life is subject to detailed legislative and regulatory requirements designed to ensure that your investment is kept safe. APRA actively monitor our investments with the aim of ensuring that we can meet the promises that we have made to you both now and into the future.

If at any time we do not achieve investment returns that are sufficient to cover all the promises that we have made to our annuity customers, we must cover the shortfall from the money we have invested in the fund.

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# Frequently asked questions

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## Challenger Lifetime Annuity (Liquid Lifetime)

## Challenger Guaranteed Annuity (Fixed Term)

### What if I need access to my investment?

There's flexibility to cancel the investment at any time during your life expectancy, up to a maximum of 27 years (rounded down to a whole year), so you have access to a lump sum if you ever need it. The maximum withdrawal value starts at 100% of the amount invested and steadily reduces to nil.<sup>2</sup>

While you should only invest in a fixed term annuity if you plan to remain invested for the full fixed term, you can ask to be repaid a lump sum amount if your circumstances change.

### What if I die early after investing in an annuity?

A guaranteed death benefit is payable for the duration of your life expectancy with the death benefit equal to 100% of the amount invested for the first half of life expectancy. The maximum amount that could be received by your estate or beneficiaries depends on the time which has passed since you invested in the annuity up to the date of your death. We don't reduce the death benefit for any income that has already been paid to you. You have the flexibility to remove this feature in return for higher regular payments.

With fixed term annuities, the remaining benefits are paid to the beneficiaries you have nominated or to the surviving owner if you have invested jointly with another person.

If you die before the end of the investment term, and your regular payments continue to be made to your reversionary, nominated beneficiary or estate, a withdrawal value can be calculated to enable the regular payments to be converted to a lump sum payment.

<sup>2</sup> The actual withdrawal value we pay you is impacted by movements in interest rates and an allowance for the cost to us of breaking the investment. That is why it is only possible to determine the withdrawal value at the time of withdrawal.



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## Challenger Lifetime Annuity (Liquid Lifetime)

## Challenger Guaranteed Annuity (Fixed Term)

**Do I have to put all my savings into the annuity?**

No. Challenger annuities are designed to help provide a foundation of guaranteed regular income for your retirement portfolio. Investing some of your retirement savings or super in a Challenger lifetime annuity will give you a monthly income for life. You can invest as little as \$10,000.

You don't have to invest all of your money into a Challenger fixed term annuity. You can invest only a part of your retirement savings and receive a secure regular income for a fixed term you choose and a range of capital return options on maturity.

**What if the cost of living goes up?**

Payments from Challenger annuities can be linked to yearly inflation changes or linked to changes in the RBA cash rate, helping you to continue to afford tomorrow what you can afford today.

You can choose inflation linked income to help protect your lifestyle.<sup>3</sup> Inflation measures the change in the cost of living over time. With level income, your retirement lifestyle could become unaffordable.

**Are there any fees?**

There are no ongoing product fees (now or in the future); all product costs are incorporated when we set your starting payment.

<sup>3</sup> Only available where you have asked for the full investment amount to be returned to you throughout the fixed term.



# Frequently asked questions

## About Challenger

### How does Challenger make its money?

We invest the money you give us. If we achieve investment returns that are above the amount required to cover the promises made to our annuity customers, we keep the excess amount. This is how we make a profit. If we do not achieve investment returns that are sufficient to cover all promises made to our annuity customers, we cover the shortfall from our own money.

### How safe is Challenger?

Challenger annuities are provided by Challenger Life, a Life Company regulated by the Australian Prudential Regulation Authority (APRA). APRA is the authority that regulates the banking, insurance and superannuation industries.

### How does Challenger cover the promises made to their customers?

When you invest in a Challenger annuity your capital investment goes into a fund along with the capital received from other annuity customers. This fund is known as the statutory fund, and all regular payments to our annuity customers are paid from this fund. We are also required by APRA to invest our own money into the fund. This statutory fund is required to hold enough capital to withstand a significant share market shock event.

Challenger Life is subject to detailed legislative and regulatory requirements designed to ensure that your investment is kept safe. APRA actively monitor our investments with the aim of ensuring that we can meet the promises that we have made to you both now and into the future.

If at any time we do not achieve investment returns that are sufficient to cover all the promises that we have made to our annuity customers, we must cover the shortfall from the money we have invested in the fund.

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Conducting your own research into annuities before making any decisions can help you to work out what's right for you. Your financial adviser can help with this.

You can find out more about Challenger annuities by visiting our website [challenger.com.au](http://challenger.com.au), reading the Target Market Determination and Product Disclosure Statement for each product (available on our website), or by calling us.

## Step one Get a quote

Your financial adviser can arrange a quote for you, or you can do this yourself by calling us. The quote is obligation free and will be valid for 14 days.

## Step two Send us your application

If you decide to invest in an annuity, you can apply by providing us with:

- a completed and signed (or 'e-signed') application form
- your quote (if your quote has expired, then your regular payments will be calculated on the day we process your application)
- your identity verification documents (these are outlined in the application form)
- your initial capital investment (by direct debit or cheque) if you're using non-super money to invest in the annuity
- rollover information if you're using super money to invest in the annuity.

## What happens next?

If your application is successful, we'll send you a Policy Document and Investor Certificate that sets out the terms and conditions of your annuity.

We'll also send you a Centrelink schedule for social security purposes. You should read these documents carefully and speak to us or your financial adviser if you have any questions.



# Why financial advice is important

Your finances are an essential part of feeling comfortable and confident about your future. So it's worth getting an expert involved in exploring options and making a plan for a secure income that will have you covered, throughout retirement.

## Making informed decisions

Seeking advice is often about finding out what you don't know. 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 for opening up this world of opportunity and then narrowing it down according to your needs. They can guide you towards the right mix of investment and income options for your retirement.

## Getting access to benefits

Your own savings may not be your only source of income in retirement. As well as creating a financial plan for your savings and assets, a financial adviser can also ensure you receive any Government benefits you may qualify for, such as the Age Pension.

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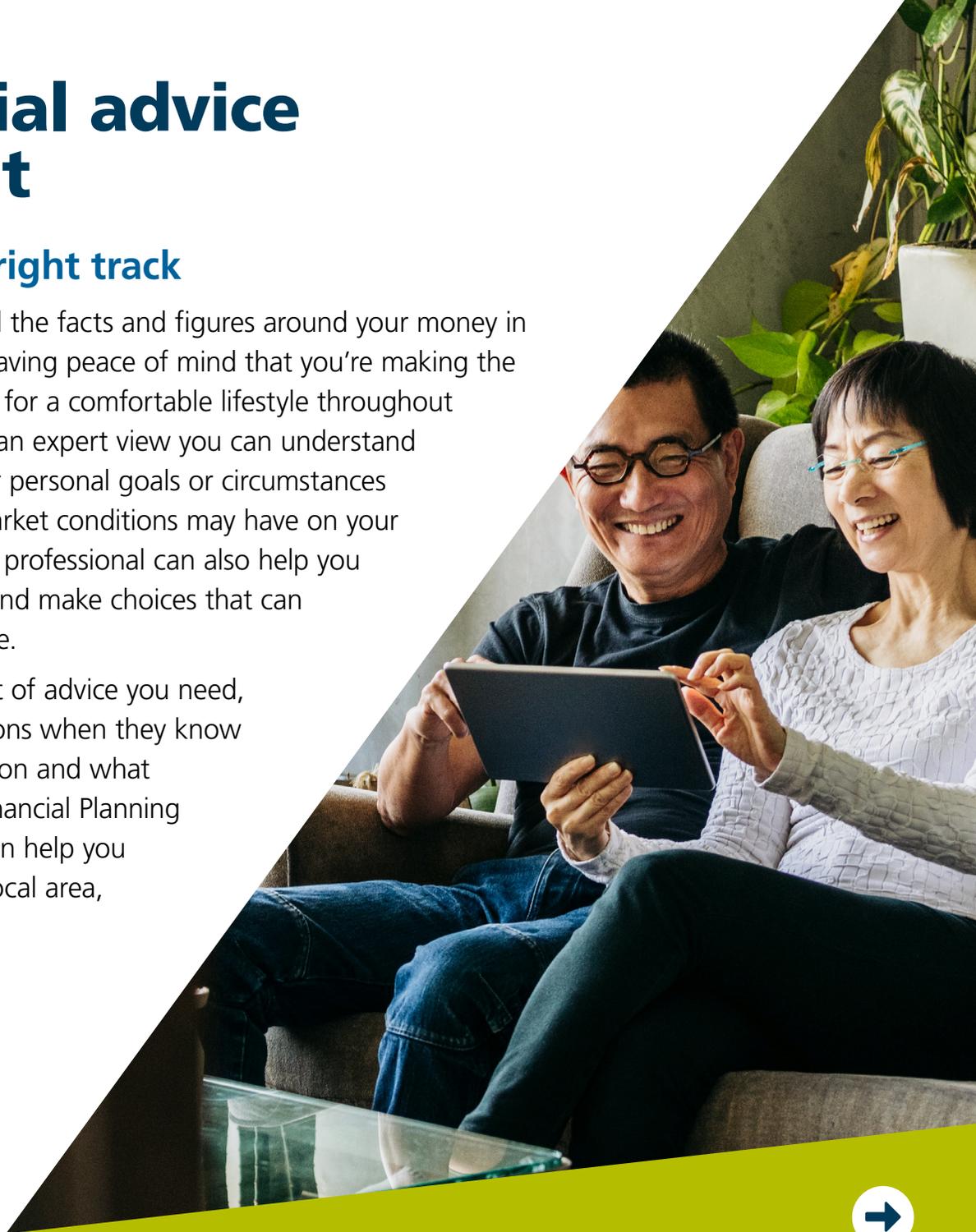
# Why financial advice is important

## Keeping you on the right track

Advice can help you understand the facts and figures around your money in retirement. But it's also about having peace of mind that you're making the most of your savings to prepare for a comfortable lifestyle throughout retirement. With the benefit of an expert view you can understand the impact that changes to your personal goals or circumstances and external factors, such as market conditions may have on your retirement. Having input from a professional can also help you avoid taking unnecessary risks and make choices that can secure your finances and lifestyle.

If you're unsure about what sort of advice you need, your adviser can make suggestions when they know more about your financial position and what your goals are for the future. Financial Planning Association of Australia (FPA) can help you find a financial adviser in your local area, visit [fpa.com.au](https://www.fpa.com.au).

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# Need more information?

## To find out more about annuities or to arrange a quote:

 [Visit challenger.com.au](https://challenger.com.au)

 [Speak to your financial adviser](#)

 [Call 13 35 66](tel:133566)

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