

Challenger Guaranteed Annuity (Fixed Term Direct)

Get guaranteed
regular income for
a fixed investment
term that you
choose



**Product Disclosure Statement
(PDS)**

Dated 28 April 2023
(SPIN CHG0005AU)

Issuer

Challenger Life Company Limited
(ABN 44 072 486 938)
(AFSL 234670)

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About this PDS

This PDS relating to the **Challenger Guaranteed Annuity** (also referred to as **Fixed Term Annuity** or the **Annuity**) provides information to help you assess if the Annuity is a suitable investment for you. You should fully read this PDS before investing.

The information in this PDS is general information only and does not take into account your particular investment objectives, financial situation or needs. You should consider whether you need professional advice, particularly about taxation, retirement planning and investment risk tolerance, before investing.

The information in this PDS is current as at the date shown on the front cover. However, some information can change from time to time. If a change is considered materially adverse, we will issue a supplementary or replacement PDS. We may also provide updates to you electronically with your agreement or via our website. For updated information about the Annuity, visit the website shown on the back cover of this PDS or consult your financial adviser. We will send you a copy of any updated information free of charge on request.

The Annuity is issued 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.

Challenger Life is a registered life company under the *Life Insurance Act 1995* (Cth) (**Life Act**), and is regulated by the Australian Prudential Regulation Authority (**APRA**). Investments go into a secure fund along with the investments received from other annuity investors. This is known as a 'statutory fund', (**Statutory Fund**) which Challenger Life is required to maintain under the Life Act. APRA monitors the Statutory Fund's investments, the aim of which is to ensure that Challenger Life can meet payment promises to investors. If at any time Challenger Life does not achieve investment returns that are sufficient to cover all the promises Challenger Life has made to annuity investors, Challenger Life must cover the shortfall from the money Challenger Life has invested in the Statutory Fund. The regular income Challenger Life agrees to pay annuity investors is guaranteed for the chosen investment term.

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.**

The Annuity will be issued only when an application in the form approved by Challenger is received and the money used to buy the Annuity has cleared. The invitation to invest under this PDS is only available to persons receiving this PDS in Australia and is subject to the terms and conditions described in this PDS and the Policy Document (see page 13). You should read these documents before investing. We reserve the right to withdraw the invitation to invest and withdraw this PDS. In the event of any inconsistency between the terms of the Policy Document and the terms of this PDS, the terms of the Policy Document prevail.

Who is Challenger?

Challenger has been providing financial services to Australians since 1985 and is the largest provider of annuities in the country. Our vision is to provide customers with financial security for a better retirement.

Challenger Limited is our parent company, an ASX-listed company with group assets under management of \$99 billion¹. It is regulated by the Australian Prudential Regulation Authority (APRA). To learn more about Challenger, visit challenger.com.au/about-us.

Our promise to pay you income is not impacted by any movements in Challenger Limited's share price.

Challenger provides reliable income to investors through its management of more than \$23 billion in assets¹.

What is a Fixed Term Annuity?

A Fixed Term Annuity provides regular income for a fixed investment term that you choose in return for a lump sum investment. Term annuities are a secure investment offered by a life insurance company and operate in a similar way to a term deposit available from a bank².

The regular income we agree to pay you and the return of the amount invested is guaranteed by us regardless of how investment markets perform – giving you peace of mind.

A Fixed Term Annuity is a secure investment offered by a life insurance company that operates in a similar way to a term deposit².

¹ As at 31 December 2022.

² Annuities are not covered by the Australian Government's Financial Claims Scheme, which protects certain types of deposits in the event that a bank, building society or credit union fails. There may be additional withdrawal penalties that apply to an annuity (see page 4).

How a Fixed Term Annuity works

Annuities are a secure investment – we offer a rate of return at the start of your investment and guarantee to pay it for the agreed fixed term regardless of how investment markets perform.

When you invest in a Fixed Term Annuity, your investment goes into a secure fund along with the investments received from other annuity investors. This fund is known as the 'statutory fund', and all regular payments to our annuity investors are paid from this fund. We are also required by APRA to invest our own money into the fund.

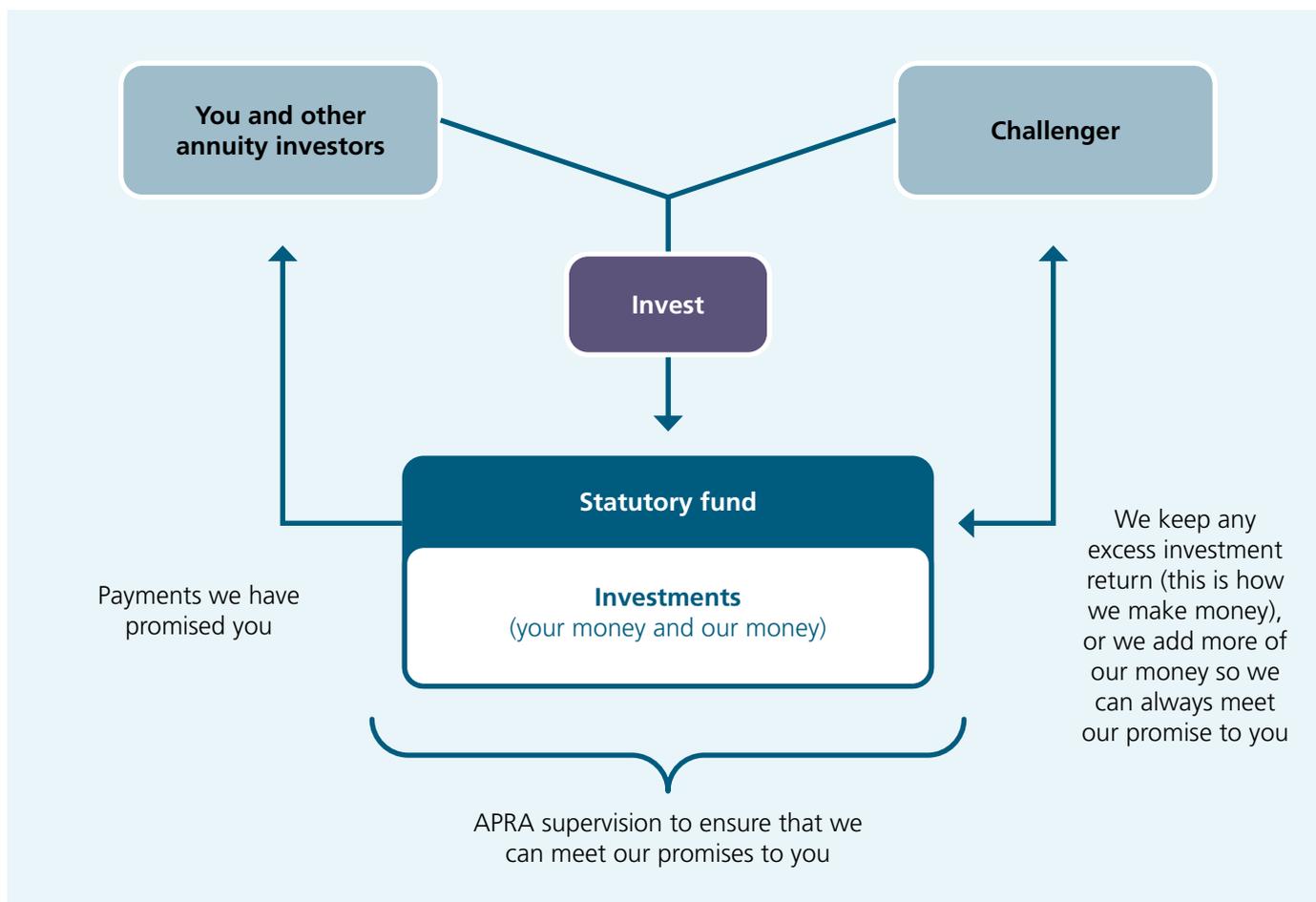
APRA monitors the statutory fund's investments, the aim of which is to ensure that we can meet the promises that we have made to you. APRA is the authority that regulates the banking, insurance and superannuation industries. If at any time we do not achieve investment returns that are sufficient to cover all the promises that we have made to our annuity

investors, we must cover the shortfall from the money we have invested in the fund.

As at 31 December 2022, we had approximately \$3 billion of our own money invested in the funds that we manage. That's more than enough to ensure that we could continue to cover all promises made to our annuity investors even if a one in 200-year investment market shock event occurred.

To further protect your investment, APRA can require us at any time to invest more of our own money into the fund or tell us to change the statutory fund's investments. The aim of this supervision is to ensure that we can meet our payment promises to you now and into the future, and is the reason why an Annuity is a secure investment.

The regular income we promise to pay you is not impacted by any movements in Challenger Limited's share price.



Product features

Snapshot

- Operates in a similar way to a term deposit available from a bank³.
- You can only use your personal (non-superannuation) savings to invest.
- You choose the fixed term of between 1 year and 5 years.
- You have the choice of monthly or yearly payments.
- Your investment is repaid at the end of the fixed term.
- Payments are guaranteed regardless of how investment markets perform.

	The summary	The detail
Who can invest?	Anyone aged 18 years and older.	<ul style="list-style-type: none">• The minimum investment is \$10,000.• You can invest jointly with another person.• A self-managed superannuation fund (SMSF) can invest.• You should consider the Fixed Term Annuity Target Market Determination (TMD) before making a decision about whether to invest. A copy of the TMD can be obtained by calling us or online (see back cover).
What terms are available?	You can choose an investment term of 1 to 5 years.	The term you select must be a whole year and cannot change after you invest.
How often will I be paid?	You can choose to receive payments monthly or yearly.	Your regular payments will be paid by electronic transfer to your bank, building society or credit union account at the end of the payment frequency you have chosen. For example, if you choose to be paid monthly, the first payment will be made one month after investing. If you choose to be paid yearly, the first payment will be made one year after investing. If you invest for a 1-year fixed term, you cannot choose to receive yearly payments. Once your Annuity starts, you cannot change your choice.
What interest rate will I receive?	We offer competitive rates based on current investment market conditions.	Our competitive rates are generally updated each Monday.
When is my original investment repaid to me?	It will be repaid at the end of the fixed term.	At the end of the fixed term, you can choose to roll over your investment for a further term. The rate of return you will receive on the extension will be based on rates at that time. For additional information, see section 12 of the enclosed Policy Document. If you do not choose to roll over your original investment for an additional term, your original investment will generally be repaid to you on the first business day after the end of the fixed term. Where you have made a partial withdrawal, the amount available to be rolled over or repaid at the end of the fixed term will be less than the amount invested as a result of the withdrawal.

³ Annuities are not covered by the Australian Government's Financial Claims Scheme, which protects certain types of deposits in the event that a bank, building society or credit union fails. There may be additional withdrawal penalties that apply to an annuity (see page 4).

	The summary	The detail
Will my regular payment amount change over time?	No.	<p>We guarantee the amount of regular income at the start of your fixed term and your payments will not change.</p> <p>If you make a partial withdrawal, your regular payments and/or capital value will be reduced. If you make a full withdrawal, your regular payments will cease and the Annuity will end.</p>
What tax will I pay on my regular payments?	The tax treatment of your Annuity will depend on your personal circumstances and the type of investor you are.	<p>Your regular payments may be subject to tax. If you are investing as an SMSF you should seek your own tax advice.</p> <p>For further information on tax and your Annuity, see page 9.</p>
Can I add more money to my investment?	No	You cannot add more money to your Annuity after it has started; however, you can commence a new, additional Annuity at any time.
Can I withdraw before the end of the fixed term if my circumstances change?	Yes. While you should only invest 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.	<p>You can withdraw from the Annuity before the end of the investment term (in part or in full). However, the Annuity is designed to be held until the end of the investment term and so you might not receive the benefits you would have, had you not withdrawn.</p> <p>If you withdraw before the end of the fixed term, there is a penalty and the withdrawal value may be less than what you invested, even after taking into account payments you have already received. This is because the competitive rates that we offer can only be provided because we invest your money for the full investment term that you have chosen.</p> <p>The calculation of a lump sum withdrawal value after death may be greater than the withdrawal value if you chose to withdraw before the end of the fixed term, in recognition that withdrawal after death was not a voluntary withdrawal.</p> <p>The early withdrawal value calculation is impacted by changing interest rates, which means it is only possible to determine the withdrawal value at the time of withdrawal. If you withdraw in full, your regular payments stop. Set out below is an example, which is an illustration only. Actual outcomes will depend on factors such as inflation and prevailing interest rates.</p> <p>For additional information, see section 6 of the enclosed Policy Document.</p>

The summary

Can I withdraw before the end of the fixed term if my circumstances change? (continued)

The detail

Withdrawal example

You invest \$100,000 for five years at a rate of 4.95% per annum⁴, and have all your investment repaid to you at the end of the term (RCV100)⁵. We pay you annual payments of \$4,950.

If you want to withdraw your Annuity at the end of the third year (after receiving three annual payments of \$4,950), an estimate of your Annuity's withdrawal value is:

Change in interest rates since investing	Estimated withdrawal value	Annual payments received	Total received since investing
Decrease in rate of 2%	\$98,171	\$14,850	\$113,021
Decrease in rate of 1%	\$97,607	\$14,850	\$112,457
No change to rate	\$95,838	\$14,850	\$110,688
Increase in rate of 1%	\$94,118	\$14,850	\$108,968
Increase in rate of 2%	\$92,445	\$14,850	\$107,295

What happens to my investment if I die before the end of the fixed term?

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 invest as an individual, you can nominate one or more beneficiaries to receive the remaining benefits of the investment should you die during the investment term. You can add a beneficiary or change a beneficiary nomination at any time.

If you nominate your estate or a single beneficiary and you die during the fixed term, regular payments (and any amount payable at the end of the fixed term) will be paid to the beneficiary. They can also elect to withdraw the payments as a lump sum.

If you nominate multiple beneficiaries and you die during the fixed term, the beneficiaries will be paid a lump sum. If a beneficiary predeceases you, then their portion will be paid to the remaining beneficiaries. If all beneficiaries predecease you, the withdrawal value will be paid as a lump sum to your estate.

If you invest jointly with another person and one of you dies, ownership will transfer in full to the surviving owner. After transfer, the surviving owner can nominate one or more beneficiaries to become the owner of the investment (and to receive the remaining benefits of your Annuity) should they die during the investment term.

⁴ The illustration is based on our rates and interest rates effective 23 November 2022.

⁵ The amount of your original investment to be repaid at the end of the fixed term is called your 'residual capital value' (RCV). 'RCV100' meaning 100% of the amount invested is repaid at the end of the fixed term.

What are the risks of investing?

All investments carry some risk. Listed below are the key risks that you should take into account when deciding whether a Fixed Term Annuity is right for you.

Withdrawal risk

This is the risk that if you voluntarily withdraw or die before the end of the fixed term, you may receive back less money than you invested and less money than you would have received had you held the Annuity for the full investment term.

The withdrawal value of the Annuity will vary over time because it depends on changing factors, including how long you've held the Annuity for and prevailing market rates at that time. Any lump sum payable on death during the investment term is calculated similarly to the withdrawal value for voluntary withdrawal, and so this risk also applies to withdrawal on death.

To protect against this risk of early death and receiving back less money than you invested, you can nominate a single beneficiary to continue receiving the regular payments until the end of the fixed term. The beneficiary will also be paid that amount at the end of the fixed term.

Regulatory risk

Government policies and laws may change in the future, which may impact your personal circumstances.

In such circumstances, we may be required to change the terms and conditions of your Fixed Term Annuity if changes to tax or other laws impact your investment or, if necessary, to comply with any law, ruling or determination of any relevant government authority.

We will generally notify you in advance of any material change to your policy before it occurs, and in any event as soon as practicable after the change. Where a change is not materially adverse to you, we will give you notice of the change no later than 12 months after the change has occurred.

Counterparty risk

This is the risk that we become unable to meet our commitments to you. However, we are subject to detailed legislative and regulatory requirements designed to ensure that this does not occur.

Challenger is regulated under the Life Act and the prudential standards made under it, which prescribe minimum capital and solvency requirements for Challenger as well as for the annuity business it writes. APRA actively supervises Challenger's compliance with these requirements, which are designed to ensure that we are able to meet our obligations to investors. For example, Challenger is required to hold at least enough capital to withstand a one in 200-year investment market shock event. APRA can require us at any time to change how we invest or tell us to invest more capital into the fund.

Even so, unforeseen and extreme circumstances that might impact our ability to make payments to you can never be completely ruled out.

Inflation risk

This is the risk that the real value of your regular payments may reduce over time as a result of inflation.

Fees and other costs

There are no fees or charges payable to us, although you can agree for us to pay fees on your behalf for financial advice and other services.

We may provide benefits to financial services intermediaries where the law permits us to do so. If we do, we will do so using our own money. We maintain a register of these benefits in accordance with relevant regulatory requirements. If you would like to review this register, please contact us.

No fees – how do we make money?

We simply invest the money you give us. We take the costs of providing the Annuity (including payments to a third-party administrator if applicable) into account when setting the amount of your regular payments, and we also make various assumptions about potential investment returns. If we achieve investment returns that are above the amount required to cover the promises made to our annuity investors, we keep the excess amount. This is how Challenger makes a profit. If we do not achieve investment returns that are

sufficient to cover all promises made to our annuity investors, we cover the shortfall from our own money.

Adviser service fees

We only pay fees to a financial adviser where you ask us to. **You do not have to authorise or consent to the payment of these fees.** We can only pay fees to your financial adviser where they are authorised to receive fees by their licensee.

You can authorise us to pay fees for services provided to you by your financial adviser and, in the case of the upfront adviser service fee, for facilitating the issue of the Annuity on behalf of Challenger. Where you authorise that, we will pay those fees to the Australian financial services licensee responsible for supervising your financial adviser (or your financial adviser directly if they are the licensee).

You can instruct us to pay fees (if any) as outlined in the table below. Alternatively, you can choose to pay your adviser directly. When you consent to paying a regular adviser service fee, you will be asked to reconfirm the consent on a regular basis.

Upfront adviser service fee

You can ask us to pay your financial adviser a one-off fixed-dollar fee.

If you agree to pay an upfront adviser service fee, the amount of your regular payments will be less than if you did not agree to pay a fee. The maximum fee you can ask us to pay your financial adviser depends on the fixed term you choose:

Fixed term	Maximum fee per \$50,000 invested (including GST)
1 year	\$275
2 years	\$550
3 years	\$825
4 or more years	\$1,100

If you withdraw your Annuity, or your Annuity is withdrawn due to death, we may require that all or part of the upfront adviser service fee be repaid to us (by your financial adviser). This is because the upfront adviser service fee is calculated on the basis that the Annuity is held for the full investment term.

Any fee that you ask us to pay will also be shown on the investment confirmation you receive after investing with us.

Regular adviser service fee

You can ask us to pay your financial adviser a regular fixed-dollar fee.

For example, if you agree to pay a regular adviser service fee of \$300 per annum (including GST), and you receive after-tax monthly regular payments of \$1,000, we will deduct \$25 (\$300/12 monthly payments). We will pay an adviser service fee of \$25 each month and pay you \$975.

The regular adviser service fee can be cancelled or varied by you at any time by telling us or your financial adviser. The regular adviser service fee will only be paid where payments are sufficient to cover the fee.

Any fee that you ask us to pay will be shown on your investment confirmation and on the annual statement we send you each year.

Other important information

How we invest

Challenger will invest the assets of the statutory fund, subject to investment restrictions in the Life Act. Generally, the fund will be invested in cash, shares, government and corporate bonds, convertible notes, debt instruments, geared and ungeared property investments, infrastructure investments, equities and other assets. The investment objectives for the fund include to achieve consistent returns on investment and to match the cash flow in from investment returns with cash flow out to investors so that all present and future guaranteed payments can be made to all investors.

The name of Challenger's statutory fund that your money will go to when you buy the Annuity is Challenger's Statutory Fund No. 2. All references to guarantees refer to payments Challenger promises to pay under the Policy Document.

Labour standards and environmental, social and ethical considerations

Challenger takes account of labour standards and environmental, social and ethical considerations in selecting, retaining and realising an investment through its adherence with Challenger Limited policies related to responsible investment.

Challenger Limited is a signatory to the Principles for Responsible Investment (PRI) and aims to be a responsible investor by considering environmental, social and governance (ESG) factors when investing the assets of the statutory fund. In signing up to PRI, Challenger Limited has committed to extending ESG integration activities across its investments, as we recognise that such factors are important factors impacting investment performance over the longer term. While Challenger takes into account ESG considerations when investing the assets of the statutory fund, we do not adhere to any particular set of standards and have no predetermined view as to what constitutes such considerations, or the extent to which they will be taken into account in our investment management practices.

Further details of Challenger Limited's approach to responsible investment are set out in the Responsible Investment Policy available at challenger.com.au.

Social security

Centrelink and Department of Veterans' Affairs entitlements are determined by two means tests – an assets test and an income test.

The Annuity is assessed as follows:

Annuity term	Assets test	Income test
Short-term annuity		
An annuity with a term of five years or less and not considered to be a long-term annuity.	The amount invested.	Deeming rules apply. Under these rules, an assumption is made that financial investments earn a certain amount of income, regardless of the income they actually earn.
Long-term annuity		
An annuity with a term that is greater than five years or equal to or greater than the investor's life expectancy.	The amount invested.	Regular payments received.

Where you are over Age Pension age, the social security treatment of your Annuity under the assets test and income test will be outlined on your payment quote.

This is general information only, and we recommend you get advice regarding your individual circumstances. Your local Centrelink or Department of Veterans' Affairs office can help answer any questions you may have. Your financial adviser can also help.

Information for non-Australian tax residents

You must be an Australian resident to apply for this Annuity. You must receive information about the Annuity and sign the Application form in Australia.

As a result of an increased international focus on account holder data exchange, a number of countries have legislated that financial institutions (which includes us) identify and report certain information about the financial accounts of investors. The regimes include the United States Foreign Account Tax Compliance Act (FATCA), and the Organisation for Economic Co-operation and Development (OECD) Common Reporting Standard (CRS).

To comply with our obligations under various reporting legislation, we will provide to the Australian Taxation Office (ATO) such data as required in respect of your investment with us. This will be required if you are a US citizen or a foreign tax resident of any jurisdiction outside of Australia.

If at any time you are required to provide tax residency information to us and have chosen not to provide it, we will be required to make a report to the ATO. If we attempted to confirm your tax status with you but have been unable to do so, we may still be required to notify the ATO.

Tax in general

The tax information contained in this PDS only applies to individual Australian tax resident investors (who are either an Australian citizen or a permanent visa holder) and sets out our understanding of current tax legislation as at the date of this document. If you are investing as an SMSF or you are a non-resident investor or a temporary visa holder, you should seek your own tax advice. The legislation and its interpretation could change in the future. We recommend that you seek the advice of a tax adviser before investing.

Tax when you buy an Annuity

There is no tax payable when you buy an Annuity.

How regular payments are taxed

The regular payments you receive from the Annuity are included in your assessable income for tax purposes.

Pay As You Go (PAYG) withholding tax

The regular income you receive from your annuity may be subject to Pay As You Go (PAYG) withholding tax, which Challenger is required to deduct and remit to the ATO. The amount of PAYG tax deducted, if any, may be reduced by any relevant offsets and the tax-free threshold (if applicable). Note that PAYG tax deducted is not a final tax and a greater or lesser amount of tax may apply upon assessment of your annual income tax return. At the end of each financial year, we will send you a PAYG Payment Summary and tax information with details to assist you with preparing your income tax return.

Providing your Tax File Number to us

By completing a Tax File Number (TFN) Declaration, the PAYG tax deducted from your regular payments may be reduced. The TFN Declaration also allows you to apply for a tax-free threshold. You should consult your financial adviser or tax adviser to ascertain whether you are eligible to claim the tax-free threshold.

It is not an offence not to quote your TFN, but if you choose not to quote it, it may be necessary to deduct tax at the highest marginal rate (plus applicable Government levies). Your TFN will be used for legal purposes only, including providing information to the ATO so that your tax can be properly assessed. The collection of TFNs is authorised by taxation and privacy laws.

Seniors and pensioners tax offset

You might be eligible to claim the seniors and pensioners tax offset (SAPTO). The amount of the SAPTO you will get will depend on your personal circumstances. If you are eligible and wish to claim SAPTO, please complete the TFN Declaration and the Withholding Declaration.

How a withdrawal is taxed

A withdrawal from an Annuity may be comprised for tax purposes of a repayment of capital as well as income. The income component of the lump sum payment may be taxed in the hands of the recipient.

How death benefits are taxed

Death benefits and their tax consequences can be complex. We recommend that you seek financial and tax advice in respect of your own circumstances.

	Death benefit payment	Taxation treatment of death benefit
Single nominated beneficiary	Regular payments (and any residual capital value) are made to the beneficiary. They can then elect to withdraw the payments as a lump sum.	The income component of the regular payments will be taxed at the beneficiary's marginal tax rate (plus applicable Government levies). The capital component of the lump sum is tax free. The income component ⁵ of the lump sum is taxed at the beneficiary's marginal tax rate (plus applicable Government levies).
Multiple nominated beneficiaries	Beneficiaries receive a lump sum payment. If a beneficiary predeceases you, then their portion will be paid to the remaining beneficiaries. If all beneficiaries predecease you, your Annuity will be paid as a lump sum to your estate.	The capital component is tax free. The income component ⁵ is taxed at the beneficiaries' marginal tax rate (plus applicable Government levies).
Estate	Regular payments (and any residual capital value) are made to the estate. The payments can then be withdrawn as a lump sum.	The income component of the regular payments will be taxed in the hands of the estate. The capital component is tax free. The income component ⁵ is taxed in the hands of the estate.

Privacy and personal information

This section of the PDS explains how we collect, use and disclose your personal information, with further detail available in our Privacy policy (available at challenger.com.au).

We collect, use and exchange your personal information to process your application; provide and administer your Annuity and send you information; improve and personalise our products and services; inform you about other products and services that may be useful to you; conduct product and market research; and comply with our obligations under the law, including in respect of anti-money laundering, financial services, taxation and life insurance.

We collect personal information from you and, if relevant, from your financial adviser or administrator. We may take steps to verify the information collected. Where you provide us with personal information about someone else (for example, your reversionary beneficiary, power of attorney or related persons, including the beneficial owners connected with your investment), you must have their consent to provide their personal information to us and have shown them this 'Privacy and personal information' section of the PDS.

We will also collect personal information, which may include sensitive information, to comply with our legal obligations to assess your suitability for our products and to ensure that our products are distributed correctly.

If you choose not to provide some of your personal information to us, the following may apply (depending on the type of information):

- TFN: We may have to deduct tax at the highest marginal rate (plus applicable Government levies) from regular payments made to you.
- Bank account details: We may not be able to pay withdrawal proceeds or regular payments to you.
- Tax residency information: We may not be able to process your request, and we may be required to notify the ATO if incomplete information is provided.
- Incomplete application: We may not be able to process your application.
- Insufficient identity verification documents/records: We may not be able to process your application or make payments to you.

Disclosing your information

We disclose your information to your financial adviser if relevant. In addition, we may disclose information we hold about you if you consent to the disclosure; if the disclosure is required or authorised by law; to organisations acting on our behalf (for example, sending your statements or providing administration services); to professional service firms that provide services to us such as legal and audit services, or data or information services; to reinsurers; to related companies; to electronic identity verification service providers, in order for identity information (about you or related persons connected

⁵ A lump sum will not have an income component if it is less than your initial capital investment less deductible amounts already returned.

with your investment) to be verified against relevant government and other databases, for the purpose of complying with anti-money laundering laws; to organisations with which we have an association and you are a member (such as National Seniors Australia); or otherwise in accordance with our Privacy Policy.

Overseas disclosure

Challenger does not currently disclose personal information to recipients in foreign countries.

However, in some cases, personal information may be used (or accessed) by third-party service providers located overseas to perform certain administrative functions in relation to your Annuity. Challenger has reviewed these arrangements to ensure appropriate security protections are in place to protect and control the personal information of its annuitants. If you would like further information, please contact us (see back cover).

Direct marketing and opting out

From time to time, we or our related companies may contact you to tell you about other products and services that might be useful to you, including financial, superannuation, investment, insurance and funds management products and services. Please contact us (see back cover) if you do not want to receive any of this kind of marketing material.

Accessing or updating your information

You can request access to the information we hold about you (and any reversionary) or update personal information by contacting us (see back cover). If you believe your personal information has been misused and would like to make a complaint, please see the 'Complaints' section. Our Privacy Policy also contains this information, as well as further details about our handling of personal information. You can obtain a copy of our Privacy Policy at challenger.com.au or by contacting us.

Some requests may require additional verification or supporting documentation prior to processing.

Customer Identification Program

As part of the application process, we will electronically verify your identity (including, where applicable, the identity of any beneficial owners or related persons). If electronic verification can't be undertaken, we may ask you for additional identity verification documents and/or information.

In certain circumstances we may require the identity verification documentation to be certified.

Communications

You agree that Challenger may give you any notice, document or other information required to be given to you under law (or the agreement with you) in one of the following ways (where permitted by law):

- by sending it to an email address you have provided for you or your adviser;
- by sending you or your adviser an email or other electronic communication providing a website reference or hypertext link to the notice, document or information; or
- by making the notice, document or information available on the website or such other website as notified to you or your adviser from time to time.

Information you will receive after investing

After you invest, you will be sent an Investor Certificate which, together with the Policy Document contained in this PDS, sets out the relevant terms and conditions. We will also send you a Centrelink schedule for social security purposes. You should read these documents carefully and contact us if you have any questions.

Please keep your Policy Document and Investor Certificate in a secure place, as they are important documents. A charge may apply if you misplace these documents as we may advertise for missing policies, and the Life Act allows us to recover some of these expenses from you.

While we take all care in producing your Investor Certificate and other investment documentation, we reserve the right to correct the documentation if we make an administrative error.

Each year, you will receive an annual statement with details of your Annuity, including payments made over the period and other relevant information.

If you are an individual investor, you will be sent a PAYG payment summary and tax information to assist you in completing your annual tax return.

On maturity

The Annuity's maturity date is the last day of its investment term.

We will notify you at least 30 days prior to your Annuity's maturity date. At this time you can choose to:

- roll over your capital for a further term;
- buy a new Annuity with different options; or
- have your capital repaid to you as a lump sum.

Where you do not confirm your choice before the end of your investment term, we will automatically make the capital repayment to your nominated bank account or, where you do not have a nominated bank account, we will send you a cheque.

Keeping us informed

It is important that we have the correct details for you or any nominated beneficiaries so that we can communicate with you and provide you with important information. To update your contact details, please contact us (see back cover).

Complaints

As part of our commitment to providing quality services to our clients, we endeavour to resolve all complaints quickly and fairly. Our policy is to acknowledge any complaint within 24 hours or as soon as practical after receiving it and investigate, properly consider and decide what action (if any) to take and to communicate our decision to you within 30 calendar days for standard complaints. Different timeframes apply for trustee, superannuation and death benefit distribution complaints.

If you have a particular complaint regarding your financial product or investment, please do not hesitate to contact us by calling our Investor Services team on 13 35 66 or by writing to:

Complaints and Dispute Resolution Officer
Challenger
GPO Box 3698
Sydney NSW 2001

If you are not happy with our response or how the complaint has been handled (or if we have not responded within 30 days), you may contact the following external dispute resolution scheme:

Australian Financial Complaints Authority (AFCA)
GPO Box 3
Melbourne VIC 3001
Tel: 1800 931 678
Email: info@afca.org.au
www.afca.org.au

AFCA provides fair and independent financial services complaint resolution that is free to consumers. There are some time limits for lodging certain complaints including those related to a death benefit. Please consult the AFCA website to find out if or when the time limit relevant to your circumstances expires.

Cooling-off rights

By law, you have a cooling-off right. This means you can change your mind after investing and ask for your money to be repaid (less any tax we are required to deduct from the amount invested and adjustments for interest rate and/or investment market movements).

To be valid, your request must be made in writing and must be received by us within 14 days from the end of the fifth business day after the day you invested. Requests should be sent to the address shown on the back cover of this PDS.

Your money will be paid back to the bank account you provided at the time of investment.

The cooling-off rights do not apply again if you choose to roll over for a further investment term at the end of your initial fixed term.

Policy Document

Guaranteed Annuity (Fixed Term Direct)

Your policy consists of two parts: this Policy Document and your Investor Certificate. You should read these documents carefully and keep them in a safe place.

In this Policy Document, references to 'you' and 'your' are references to the policy owner or, in the case of joint owners, the policy owners.

Your policy is a legal contract between you and Challenger Life Company Limited (ABN 44 072 486 938) (Challenger Life) (also referred to as 'we', 'our', and 'us'). This Policy Document is deemed to be issued to you only after your valid application form is accepted by Challenger Life and the money used to buy the policy has cleared. While we take all care in producing your Investor Certificate and other investment documentation, we reserve the right to amend the documentation if we make an administrative error.

Your policy is administered as part of the Challenger Life Statutory Fund No. 2 and does not share in any surplus generated by the fund.

References in this Policy Document to regular payments include regular payments made following a rollover for a further term.

1. Commencement date

The commencement date of your policy will be the date that your application is accepted by Challenger Life. The first regular payment will be made at the end of the first payment frequency period you have chosen, calculated from the commencement date.

2. Term

The term of the policy is as specified in your Investor Certificate and can be between 1 and 5 years (in whole years). Subject to section 12 of this Policy Document, the policy will end at the end of your chosen investment term. It will also end if you make a full withdrawal, in accordance with section 5 of this Policy Document, or if a lump sum is payable on your death in accordance with section 11 of this Policy Document.

3. Regular payments

The purchase price you paid purchases the regular payments described in your Investor Certificate. The payments will be made monthly or yearly (as chosen at the start of the policy) until the end of the term of the policy. The payment frequency you have chosen is shown in the Investor Certificate.

The payments will be paid by electronic transfer to your bank, building society or credit union account.

For joint owners, the regular payments will be made in the proportions shown in the Investor Certificate, or otherwise in equal shares. Regular payments will continue to be made until the end of the term as long as at least one policy owner is alive, or otherwise in accordance with section 11 of this Policy Document.

At the end of the term of the policy you can roll over that RCV for a further term at the prevailing rates, or you can have that residual capital repaid to you. If you have the residual capital paid to you, your policy will end.

4. Indexation

Your policy has no indexation. This means regular payments are based on a fixed rate of return over the policy term and do not change (unless you make a partial withdrawal whereby payments will be adjusted to reflect the withdrawal).

5. Withdrawal requests

A request to withdraw must be made in writing and signed by you.

You can make partial or full withdrawals from your policy. If you make a partial withdrawal, your regular payments and/or capital value will be reduced. If you make a full withdrawal, your regular payments will cease and the policy will end.

If you die during the term of the policy and your regular payments continue to be made to your reversionary beneficiary or estate in accordance with section 11 of this Policy Document, they may withdraw from the policy and are deemed to be you for the purposes of this section of this Policy Document.

If you die during the term of the policy and a lump sum is payable, there may be a period of time between death and payment of the lump sum. Where this occurs, the regular payments that you would have received during that period (had you been alive) will be suspended, earning interest at the Reserve Bank of Australia official cash rate, until the withdrawal value is calculated in accordance with section 6 of this Policy Document. Those suspended payments (plus the interest earned) will be included in the withdrawal value payable.

The withdrawal value calculation may be amended to reflect legislative change.

The withdrawal value of your policy is calculated in accordance with section 6 of this Policy Document.

6. Minimum withdrawal value

The minimum withdrawal value will be no less than the amount prescribed under the *Life Insurance Act 1995* (Cth).

The minimum withdrawal value calculation will be at least the present value of the future regular payments due for the remainder of the policy term. The future payments are discounted at a rate no more than the greater of that prescribed by law, which is currently:

- a) the yield on a Commonwealth Government Security with a term nearest to the remainder of the policy term plus 4%; or
- b) the gross yield implicit in the pricing of the policy at the time of issue.

Challenger reserves the right to vary the discount rate applied to the calculation of individual withdrawal values, provided they all meet the minimum standard.

The withdrawal value calculation may be amended to reflect legislative change.

7. PAYG taxation

If required, Challenger Life deducts Pay As You Go (PAYG) withholding tax from each regular payment and from any lump sum withdrawal, as prescribed by relevant tax legislation.

8. Other government taxes, charges or imposts

Challenger Life has the right to recover from you, by deductions from your regular payments and/or any lump sum withdrawal, any stamp duty, tax, or other government charges or imposts or a proportionate part thereof that may be imposed in respect of this policy or this class of business.

9. Changes in legislation

Challenger Life reserves the right to:

- a) adjust regular payments and tax instalments as a result of any change in tax or other relevant legislation;
- b) vary, without prior notice to the policy owner(s), any of the terms and conditions of the policy in order to comply with any requirements of, or as a result of, any amendments to any relevant laws or the rulings or determinations of the Commissioner of Taxation, the Australian Prudential Regulation Authority or any other statutory authority which has jurisdiction in respect of this Policy Document as a matter of law.

Challenger Life will advise you of any changes to the conditions relating to your policy as disclosed at the time of its issue in writing either in your annual statement or by other means.

10. Notices

All notices and statements sent to you will be sent by any means we determine. Any letter or notice sent to Challenger Life must be sent by prepaid post to the address set out in the current Product Disclosure Statement for the policy or otherwise any other means determined by us. Your Policy Number must be quoted in all correspondence.

11. Beneficiaries

In this section, all references to a lump sum are a reference to a withdrawal value calculated in accordance with section 6 of this Policy Document.

Any person entitled to receive regular payments in accordance with this section will also receive any residual capital payable at the end of the investment term, unless they choose to roll over the policy in accordance with section 12 of this Policy Document or they choose to withdraw from the policy in accordance with section 5 of this Policy Document.

Before any payment can be made in accordance with this section, Challenger Life requires satisfactory proof of death. You can change your nominated beneficiary or beneficiaries at any time by notice to Challenger Life, in writing and signed by you, and such valid change replaces all previous nominations.

For the avoidance of doubt, if a joint policy owner dies during the policy term, then their regular payments will continue to be made, along with any residual capital value, to the surviving joint owner. No payment can be made in accordance with this section of the Policy Document unless the surviving joint owner also dies during the policy term.

You can nominate anyone to be your beneficiary or beneficiaries.

If you die during the investment term and you have a sole nominated beneficiary, we will continue to make the regular payments to them. If you have not nominated any beneficiaries, we will continue to make the regular payments to your estate.

If you nominate multiple beneficiaries and you die before the end of the policy term, we will pay those beneficiaries a lump sum in the proportions you have specified, or otherwise in equal proportions. If a beneficiary predeceases you, their proportion will be distributed pro rata to the remaining beneficiaries. If all beneficiaries predecease you, we will make the lump sum payment to your estate.

12. Maturity

You have a right to roll over the residual capital for a further term (unless we remove this right by giving you 30 days notice). If you nominate to roll over your residual capital for a further term under this policy, the rate of return you will receive on your residual capital value for the period of the extension will be based on Challenger Life's rates at that time.

If at the end of the term you do not want to roll over the residual capital into a further term, you must provide Challenger Life with details of where you wish us to pay the residual capital before the end of the policy term of this policy. If you do not provide such details to us, the residual capital value will be held in a non-interest bearing account until we will pay the residual capital value to your nominated bank account or, if you do not have one, by cheque.

13. Lost policy

Challenger Life reserves the right to recover the costs of replacing a lost Policy Document and/or Investor Certificate, or for payment of a claim, in the event that the Policy Document and/or Investor Certificate is lost, unless prohibited by law.

14. General information

Your policy cannot be used as security for borrowing.

15. Compliance

Any legislative provision or regulatory requirement that is either required to be included in this Policy Document, or must be complied with by Challenger Life, in order for the policy to qualify:

- as an annuity for the purposes of superannuation law, general law or law relating to life insurance; or
- for concessional tax treatment that applies to an exempt life insurance policy in relation to payments, receipts or other amounts recognised for income tax purposes by Challenger Life or Challenger Limited,

is deemed to be included in this Policy Document for so long as such requirement must be complied with.

16. Adviser fees

Where you agree with your financial adviser to the payment of adviser service fees, those fees will be paid by us in accordance with your consent and authorisation as notified to us. We will pay those fees to the Australian Financial Services Licensee responsible for supervising your financial adviser (or your financial adviser directly if they are the Licensee).

17. Communications with us

Where we receive communications in relation to your policy, whether by email or otherwise in writing, or by telephone, we will not be liable to you for any loss you may suffer as a result of a fraudulent communication received by us without your knowledge, unless that loss is a result of our negligence. We will only act on valid and complete communications that we receive. We will not be liable to you for any loss or delay resulting from the non-receipt, or incomplete receipt, of any communication you send us.

Investor Services

13 35 66

By email

info@challenger.com.au

By mail

Challenger Life Company Limited
Reply Paid 3698
Sydney NSW 2001

Additional information

challenger.com.au/fixedtermdirect