



A guide to your new
Prudential Annuity

Retirement has more potential with
PRUDENTIAL 



› Thank you

...for choosing Prudential to provide your pension annuity. You might be receiving your pension directly from us or we are paying it on behalf of your pension scheme, either way you've joined more than 1 million other people around the UK that receive their annuity from us.

We thought you'd probably have a lot of questions about how your annuity income is going to work. To help answer these we've written this guide. Hopefully it will give you all the answers you need. However if you need more information, please get in touch – details of how to contact us are on page 18.

Do I need to do anything now?

The answer is probably no. You've already applied for your annuity with Prudential and we've set everything up. The next time you hear from us will be around the time you receive your first annuity income payment. To find out more about getting paid, see pages 6 – 9.

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› Getting paid

When will I start receiving my annuity income?

This depends on three important choices that have already been made:

- › Your annuity start date,
- › How often you chose to be paid (monthly, quarterly, half-yearly, annually), and
- › Whether you are being paid in advance or in arrears.

If you can't remember what choices you made please check the last quote you received (or if applicable, your plan document) to find this information. The table on the next page gives you examples of how these decisions affect when you start getting paid. We've used a start date of 1 February 2009 as an example.

Examples of how, if applicable, your decisions affect your annuity payment date.

Start date	How often paid	Advance or Arrears	Date of 1st payment
1 Feb 2009	Any frequency	Advance	1 Feb 2009
1 Feb 2009	Monthly	Arrears	1 Mar 2009
1 Feb 2009	Quarterly	Arrears	1 May 2009
1 Feb 2009	Half-yearly	Arrears	1 Aug 2009
1 Feb 2009	Annually	Arrears	1 Feb 2010

In some instances we might not have received all the necessary documentation or funds by your first payment date. In these instances you will receive a payment backdated to the first payment date of your annuity.

› Getting paid continued

Where will my annuity income be paid?

We will pay your annuity income into your bank or building society account unless you have told us otherwise.

How is tax-free cash paid?

If you have chosen to receive a tax-free cash lump sum, this will be paid by cheque or into your bank or building society account.

Will tax be deducted from my annuity income?

Annuity income payments are treated in the same way as income you earn when it comes to tax. The amount of tax you pay depends on how much income you get, whether you receive any other income and your Personal Allowance.

How much tax will be deducted?

The rate of tax depends on your personal circumstances and your tax code. Until we receive a tax code from HM Revenue & Customs (HMRC) your annuity income will be taxed at a rate which assumes you are entitled to the basic personal allowance. Please note these tax codes are determined by HMRC. If too much tax has been deducted it will be refunded by either Prudential or HMRC depending on the circumstances.

If HMRC changes your tax code it is possible for your income after tax to change. If your tax code changes HMRC will notify you and us. Where appropriate we will write to you and let you know how this affects your income.

If you'd like to find out more about tax and your annuity please refer to the leaflet enclosed. Alternatively please call HMRC at your local tax office, quoting your tax reference (shown on your first payment letter), your full annuity reference number and your National Insurance number. HMRC contact details can be found on page 23.

When will I receive my end of year Tax Certificate (P60)?

Prudential will issue your end of year Tax Certificate (also known as your P60) by 31 May each year, in line with HMRC requirements.

› General questions

What if I move house or change my bank account?

If you are changing your address or bank account, please let us know so we can keep in touch with you and continue to make your annuity income payments.

Details of how to contact our customer services team can be found on page 18.

It is also important that you let HMRC know of any change of address so they can keep you up to date with changes in your tax code.

What happens if I move abroad?

More and more people are choosing to move abroad when they retire. As far as your annuity is concerned, we can pay your income to you when you are abroad in the following ways:

- › Directly into a UK based bank or building society account in your name.
- › Depending on the country in which you live, into an overseas account in your name (your bank may charge if we pay you this way). Although we will pay your income in the local currency, we will calculate it in £ sterling. This means that you may see changes in your income based on the exchange rate. In addition your payments may take longer to reach you.

For more information and to understand the implications please give us a call. Details of how to contact us can be found on page 18.

What happens if I'm not well enough to manage my affairs any longer?

Sadly, some people will suffer deteriorating health in retirement and become unable to look after their financial affairs. It's a good idea to plan ahead and designate someone to contact us on your behalf. However for your own security and protection we can not provide anyone with details of your annuity without your permission. We can however let them know what our requirements are to do this.

Can I cash in my annuity?

An annuity provides a regular income for life and cannot be cashed in. Please refer to your Key Features, which you received with your initial quote, for more information.

I have another pension fund(s), can I use this to buy another Prudential annuity?

Yes. If you have several pension funds you can even combine them to purchase another annuity which could provide you with more options in terms of the type of annuity you can buy.

For more information and a quote please give us a call on **0845 607 0941** and quote **A-UserG**.

› General questions continued

What happens when I die?

This depends on the options you have chosen. For example, if you took out an annuity that provided for a spouse, civil partner or other dependant (this is known as a joint-life annuity), we will make arrangements to pay their annuity to them.

You may have chosen to have your annuity guaranteed, usually for between five and ten years from the start of your annuity. In most cases if you die during this time, we will continue to pay your annuity to

your beneficiaries until the end of the guarantee period. In some cases, the total amount of the payments due until the end of the guarantee period may be paid as a lump sum. In both situations this may be liable to tax.

If you haven't chosen any of these options, then payments will stop. If any payments are made after you die, these will need to be returned. You can find out whether you chose either of these options on the final quote you received or if applicable on your plan document.

The person who is looking after your affairs after you die should contact us. We have a specialist team who are trained in dealing with sensitive matters such as these.

Details of how to contact us can be found on page 18.



Can I change who receives the income when I die?

If you have selected an annuity with a provision for a spouse, civil partner or dependant, it is not possible to change who receives the income when you die even if the person named has died or you are divorced. Please refer to your Key Features, which you received with your initial quote, for more information.

If you have chosen an income that changes or an Income Choice Annuity, the following sections provide more information specific to these options.

› A **Guaranteed Pension Annuity** with an income that changes

How will I find out about changes in my income?

Your income should only change once a year. We'll write to you around the same time every year (the first time being about 12 months after your start date) and tell you about any change in your annuity income for the following year.

How do you work out the changes in my annuity income?

With this type of annuity, your income changes either at a fixed rate or in some cases in line with inflation. Here are a couple of examples to show you how it works.



Example 1

Guaranteed Pension Annuity with fixed rate increases

If you chose a Fixed Rate increase, the amount of increase is dependent on the percentage that you selected. For example if your payment is £400 a month (before tax) for the first year and you chose a fixed increase of 5%, your monthly payment would rise to £420 in year two.

Example 2

Guaranteed Pension Annuity with changes linked to inflation

If you chose an Inflation Linked Annuity, changes in your payments usually depend on the change in the Retail Price Index (RPI) over the 12 month period ending 3 months before the anniversary of your policy. For example if your policy anniversary is in November, any change in your income will be based on the yearly RPI figure for August. So if you are paid £400 a month (before tax) starting on 1 November 2008 and RPI was 4% in August 2009, your monthly payment would increase by 4% to £416 from 1 November 2009.

Alternatively, if you chose Limited Price Indexation (LPI) changes in your payments depend on the LPI rate in force at the date of your increase. The LPI rate is based on the change in RPI up to 30th September each year and covers changes in your annuity income due in the following calendar year (from 1 January to 31 December). The rate can be capped at either 2.5% or 5%. So assuming RPI for the period was 4%, if you chose to cap increases at 2.5%, your monthly payment would increase by 2.5% to £410 before tax. However if the change in RPI was only 2%, your monthly payment would increase by this to £408.

Please note if RPI falls below zero and becomes negative, your income will go down by the same amount, unless you have chosen a negative inflation guarantee.

› An Income Choice Annuity

How will I find out about changes in my annuity income?

Your annuity income should only change once a year on your policy anniversary. We'll send you an annual statement shortly before your first (and any subsequent) policy anniversary which will tell you about any change in your annuity income for the following year.

Your new income will start on, or after, your next policy anniversary, dependent on the payment frequency you've chosen.

How do you work out the changes in my annuity income?

Each year, we review your income and may change it on your policy anniversary. We change it based on a number of factors, details of which can be found in the Income Choice Annuity Key Features you received with your initial quote.

Can I change my income?

You don't always have to take the new income we work out for you. After two years, you can normally choose an income from your income range – just like you did when your annuity first started.

You can change your income on any anniversary, but only one change is allowed every two years. Please refer to your Income Choice Annuity Key Features for more information.



How will you let me know about With-Profits Fund Performance?

When you buy your Income Choice Annuity, we invest your pension fund in our With-Profits Fund. Once a year, we use your share of the profit or loss from the Fund to work out your income.

On your policy anniversary, we look at what the Smoothed Return for your annuity was for that year. This will then affect your income for the following year.

At least once a year (usually in February) we announce the Smoothed Return for your annuity. If you're keen to find out what this is before receiving your annual statement, it can be found on our website at www.pru.co.uk

Please note we can change the Smoothed Return for your annuity at any time but it won't affect you until on, or after, your next policy anniversary, depending on the payment frequency you have chosen. Please refer to your Income Choice Annuity Key Features for more information.

➤ An Income Choice Annuity continued

Can I change to a Guaranteed Pension Annuity in the future?

Yes, you can switch on any annuity anniversary date, but only to a Prudential Guaranteed Pension Annuity.

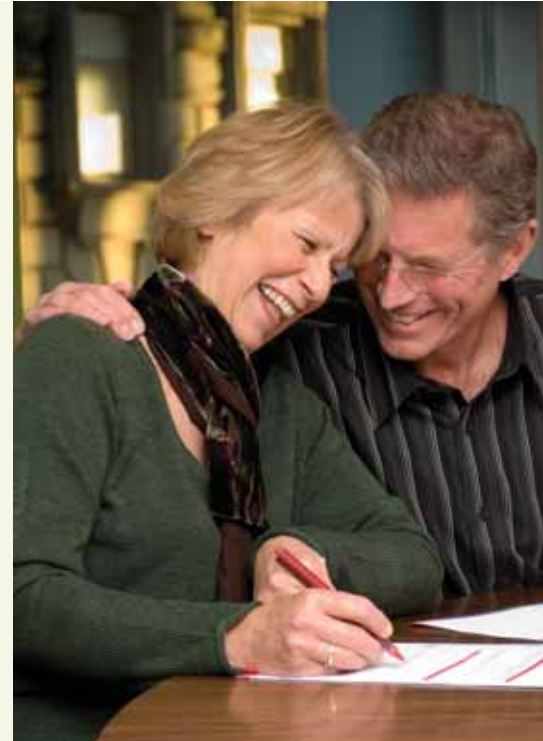
Once you switch you cannot change back to an Income Choice Annuity at a later date. Your income after converting to a Guaranteed Pension Annuity may be higher or lower than the income from your Income Choice Annuity.

One reason for a lower income is that we may apply a Market Value Reduction (MVR).

You should be aware that some restrictions may apply, for example if you have some pension entitlement with Protected Rights.

If you are considering a switch, please call us for a quote as there may be charges associated with this.

Details of how to contact us can be found on page 18.



› Contact us for more information

We hope you've found this guide useful. If you have any questions we haven't answered you may find the answer on our website. Visit www.pru.co.uk/annuities

You can also call us on:

- › 0845 640 0000
- › Or alternatively call the number on the covering letter that accompanied the last quote you received from us or your plan document.

You can talk to us from 9am to 6pm, Monday to Friday.

Calls may be monitored or recorded for quality and security purposes.

Or write to us at:

Prudential
Stirling
FK9 4UE

Or using Pru Mail, our secure messaging system. Visit www.pru.co.uk for further details.

Please quote your Prudential reference number when contacting us – this will help us to deal with your enquiry more efficiently.

Finally, you can also contact your financial adviser if you have one.

› Contact details – HM Revenue & Customs

Should you wish to contact HM Revenue and Customs, tax office details are as follows. If you're not sure what tax office is applicable this information will be in a letter you'll receive from us around the time of your first payment.

HM Inspector of Taxes Leicester & Northants LPO

Saxon House
1 Causeway Lane
Leicester
LE1 4AE
Telephone: 0845 366 7868

HM Inspector of Taxes Sefton Area Service Office

The Triad
Stanley Road
Bootle
L75 1HW
Telephone 0845 300 3939

HM Inspector of Taxes Centre 1

Queensway House
East Kilbride
Glasgow
G79 1AA
Telephone 0845 070 3703

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