

Thinking of cashing-in your Plan?  
Please think about the alternatives first



**PRUDENTIAL** 

**We know you're thinking about cashing-in your plan, but before you go ahead you may want to consider some other choices.**

Please take a few minutes to read this leaflet – it outlines the alternatives that may be available to you. If you have any questions or you would like to discuss any of these alternatives, please call our helpline on **0845 640 2000**. Calls may be monitored and recorded for quality and security purposes.

Before taking any action, we recommend that you seek professional financial advice from your usual financial adviser. If you don't have a financial adviser and would like to speak to one, you can find a local one by using the details on the back page.



## › Why are we asking you to think again about cashing-in your plan?

- › You have a valuable life assurance plan. It has many uses, but you may originally have taken it out to:
  - Use towards the repayment of a mortgage or other loan
  - Invest over a long time – possibly for a specific reason such as a son's or daughter's wedding
  - Provide a cash lump sum for your family if you were to die
- › Your plan isn't designed to be cashed-in. By cashing-in early you will not be getting the full potential of your long-term commitment.
  - Once you cash-in your plan, it cannot be reinstated – its benefits are lost forever
  - The plan provides valuable life assurance cover. The cost of getting new life assurance cover will depend on your current age and state of health and may cost you more to replace
  - Your plan is designed to pay out its maximum when it runs its full course – cashing-in early could lead you to getting back less than you paid in

If it's used alongside a mortgage or loan, you will have to arrange another repayment method. If your plan is used this way, we may need your lender's approval before we can do anything.

- › There are other choices that you can look into without cashing in your plan. You may be able to:
  - Reduce your monthly payment to a more affordable amount
  - Take a break from your monthly payments
  - Keep the plan going and make no more payments
  - Sell or 'trade' your plan – this could raise more money than the cash-in value we quote
  - Take a loan, using your plan as security

- The plan you have may not have all of these choices. Call us to discuss your plan and the choices available to you
- You might be going through changes in your personal circumstances which prompts you to think about the need for the cover your plan provides.
  - It may be possible to rearrange ownership of your plan to suit these changes. Please call us if you feel this could be helpful

## **If you're worried about being able to afford the payments to your plan, you might be able to:**

### **Reduce the amount of your payment to one that suits you better.**

In some cases, this could also trigger a cash payment. If your current payment is more than £20 a month, this could be an option.

If you reduce your payments, it will reduce the amount of life assurance cover your plan provides – you should consider your family's life assurance needs before going ahead.

If your plan is used to support a loan or mortgage, you may need your lender's permission to do this as it will reduce the amount payable on cashing-in or maturity and may not provide enough to repay the loan.

Reducing the amount of your regular payment could result in your plan becoming 'non-qualifying'. This could create a liability for income tax in the event of a claim. This is based on our understanding, as at the date of printing, of current taxation, legislation and HM Revenue and Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.

Depending on the type of plan you have, reducing the amount of your monthly payment could remove or reduce the number of benefits the plan offers and leave only the main benefit in force.

### **Take a payment break of up to 12 months.**

If you take a payment break, the amount of life assurance cover your plan has will be revised in line with its plan conditions. You should consider whether the revised life cover is enough for your family's life assurance needs before going ahead.

When you're ready to start your payments again, you may be able to either:

- Pay the payments due during the break (plus a late payment charge), or
- Restart your regular payments and pay the outstanding amount due from the break at the end of the plan's life

If your payment break is six months or more, we'll need you to complete a declaration of your health at the time you restart your payments.

### **Stop making payments, but keep your plan going.**

If your policy contains the option to make your plan 'paid-up', this means:

- You make no more payments
- Your plan will have a revised amount of life assurance cover because you've stopped making payments. You should consider whether the revised life cover is enough for your family's life assurance needs before going ahead
- The revised amount of life assurance cover will still be paid on maturity (depending on the nature of the plan) or earlier death

With-profits plans stop taking part in any future bonus allocations from the time they become paid-up.

For more information on any of the above choices, to check if they apply to your plan and what they mean to you – please call us to discuss on **0845 640 2000**.



## **If you are thinking about using your plan as a way to raise cash you might be able to:**

### **Sell your plan on the second-hand policy market.**

This is known as trading your plan. Not all plans are suitable for trading – but those that are could be sold for more than the cash-in value we quote. As a general rule, for your plan to be suitable for trading it must:

- Have its premiums paid up-to-date or be fully revivable
- Be a with-profits endowment or convertible to one

We can tell you if your plan is suitable and help you to find out more through the Association of Policy Market Makers (APMM).

We can also pass details of your policies to APMM if you give us your verbal authority to do so. This will speed up the process, ensure that the information the market makers receive about your policy is accurate and prevent you having to gather this information yourself.

APMM is an association representing a number of independent market makers. Market makers sell suitable policies to new owners who buy second hand policies as an investment. The APMM and all of its members are authorised and regulated by the Financial Services Authority.

The APMM do not cover the whole second hand policy market – there are other market makers and you are of course free to look into trading your plan directly with them. You can find a variety of different buyers through typical media sources such as newspapers, television, radio, teletext, telephone & business directories and the internet. A financial adviser may also be able to help you with trading on the second hand policy market. Details of how to contact APMM are shown on the back page.

If you do decide to sell, someone else will own your plan and its benefits.

- Once you sell your plan, you stop making payments and receive the agreed sale amount from the market maker
- The life assured on the plan remains unchanged – when it pays out, the benefits will be paid to the new owner

Arranging the sale will take slightly longer than it would to complete a surrender request with us. You should expect it to take from four to six weeks to complete.

You could be liable to income tax on any gain you make, whether you decide to trade or cash in your plan.

## Use your Plan as security for a loan.

You may be able to borrow up to 70% of your plan's current cash-in value.

- You can make repayments at any time throughout the life of the plan, or
- We can deduct the amount of the remaining loan plus the accrued interest from the amount due when the plan pays out

The interest rate on the loan is variable – please call us to check the rate currently available.

For more information on either of the above choices, please call us to discuss on **0845 640 2000**.

## You can leave your plan as it is and take no action.

You may have read about the choices you have and reminded yourself why you bought your plan in the first place. You can, of course, continue to make your payments at the current level and keep your plan going until it runs its full course.

## Find out more – talk to us

Remember that we can't give advice, but we can give you more information and details on the appropriate choices that may be available to you.

Before taking any action, we recommend you seek professional financial advice from your usual financial adviser. If you don't have a financial adviser, you can get the names of three in your local area by calling the free number in the useful contacts section below. A financial adviser may charge for any advice given.

- To talk to us about your plan, call our Helpline: **0845 640 2000**.

This line is open 8am – 6pm, Monday to Friday. This is a local rate call.

- You can e-mail us by using PruMail, our secure e-mail system. To register, log on to [www.pru.co.uk](http://www.pru.co.uk) and select PruMail
- You can write to us at Life Customer Services, Prudential, Stirling FK9 4UE

### **Useful contacts:**

To find out more about the APMM and the process of trading a suitable policy, call them at local rate on **0845 643 6381**.

Visit their website at [www.apmm.org](http://www.apmm.org)

To find a financial adviser in your area visit the IFA Promotions website at [www.unbiased.co.uk](http://www.unbiased.co.uk)

IFA Promotions is an organisation representing financial advisers who offer advice across the whole of the marketplace.

For general information on financial services visit the Financial Services Authority's website at [www.fsa.gov.uk](http://www.fsa.gov.uk)



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