

# **Pru Flexible Retirement Plan** (Personal Pension with SIPP options)

Questions and Answers



## › Who's going to look after my future?

By opening a Prudential Flexible Retirement Plan, you're taking an important step towards securing your financial future. You're also a step ahead of many other people, who have not yet faced up to the realities that we are all going to encounter.

We all have dreams and aspirations for our future. Whatever they are, the fact is we are going to need money. Unfortunately, many of today's pensioners are finding they are forced to go back to work or cut their spending.

If we want to live the retirement of our dreams, we need to be prepared. That's never been as important as it is today. Generally, we're living longer. The Government is encouraging us to start saving for the future. We need to take control of our own retirement plans. Prudential's Flexible Retirement Plan can help you to do that.

### What is the Flexible Retirement Plan?

The Flexible Retirement Plan is a personal pension which is designed to help you save towards your retirement, in a tax-efficient way.

It offers a range of retirement and investment planning solutions for your changing needs, including:

- › A Personal Pension with self investment (SIPP) options, and
- › An Income Drawdown Plan with SIPP options.

This guide deals mainly with the Personal Pension and SIPP options. A separate guide is available for Income Drawdown. Please speak to your financial adviser for more information.

### What is a Personal Pension?

A personal pension is your own private pension that you can keep, regardless of your employment status. Essentially, you pay money into a plan and choose where to invest it from a range of funds, which are managed on your behalf. You can use a personal pension plan to provide any of the following:

- › A regular (taxable) income when you decide to take benefits.
- › A tax-free cash lump sum and a smaller (taxable) income when you retire.
- › Benefits for your dependants should you die before you retire.

### What is a SIPP?

A Self Invested Personal Pension (SIPP) is simply a personal pension that allows you access to a wider choice and type of investments when it comes to saving for your retirement – including the opportunity to let you directly buy or invest in a commercial property. With so many investment options available, a SIPP allows you to build up and manage your own investment portfolio.

Although a SIPP allows you to choose a wider range of investments, the plan needs to be actively managed and a higher investment expertise is required.

If you choose one of the SIPP options, there are a number of fixed charges that are related to the management of your SIPP. These will have a greater proportionate effect on smaller investments than they will on larger ones. For more information about SIPP options, please refer to your Key Features document or speak to your financial adviser.

There are also variable charges that may be applicable depending on the type of investments held. SIPP charges may be higher than for Personal Pensions and Stakeholder Plans. Details of charges can be found in the document "A schedule of fees" – please ask your financial adviser for a copy.

Investing your SIPP in certain asset categories may expose you to increased levels of risk and in particular the sale of commercial property may be a long process at certain times.

## What is the Income Drawdown Plan?

Income Drawdown allows you to draw an income directly from your pension fund without having to buy an annuity. Under the terms of our Income Drawdown option you can continue to draw income directly from your pension fund until age 75.

The value of the fund may be eroded, especially if investment returns are poor and a high level of income is taken. This could result in a lower income in the future. Please see your Key Features Document for more details.

“Prudential helps give you control of your pension.”



## › How much choice and control do I have?

Your circumstances are going to change between now and retirement. We understand this, so your Prudential Flexible Retirement Plan has the flexibility to cope with life's ups and downs, through various payment and investment options.

Prudential gives you control of your pension. It's up to you how much and how often you pay into it. You can pay in monthly, make one off payments or a combination of both. You can also change the amount you pay in as your circumstances change over the years.

You can even choose to have your payments automatically increase each year to keep pace with inflation. You are unable to take benefits from the fund until you reach the age of 55. The government limits the amount that can be contributed every year before incurring tax penalties. This is called the 'Annual Allowance'. The level of Annual Allowance is currently £50,000. If you exceed the Annual Allowance, a tax charge of up to 50% of the excess amount will be payable. However, any unused allowance from pension input periods ending in the previous 3 tax years, may be carried forward to increase your Annual Allowance for the current year (provided you have used the current annual allowance first and you were a member of a registered pension plan).

A SIPP could be an ideal option if you want access to a much wider choice and type of investment, including buying or investing directly in commercial property.

For any fund, we may delay the buying, selling or switching of units. These delays will only apply in exceptional circumstances and, if this applies to you, we will let you know. Please see your Key Features Document for more information.

The value of your investment can go down as well as up, and you may not receive the full amount originally invested.

“ At Prudential, we plan to be with you for the long term. ”



## › Why should I choose Prudential?

You need a company you can trust to help you reach your retirement goals. At Prudential, we plan to be with you for the long term to make sure your financial needs are catered for.

Our size and strength give us confidence that we can deliver great pension products and services long into the future.

- › We have been around for over 160 years.
- › We look after money for around 25 million customers all around the world.
- › We are proud to be one of Britain's leading financial services providers – in fact around 7 million of our customers are in the UK.
- › We currently pay over £2.6 billion in pensions to over £1 million people every year.

## › What are the tax benefits?

If you're a basic rate taxpayer, then it only costs you £80 for every £100 you invest.

The government contributes the other £20 as your payment is net of income tax.

If you pay Income Tax above the basic rate, then you can claim back any additional tax relief through your tax return. So, the more you put in to your pension plan, the more you get back from the taxman.

Not only that, when you approach retirement age, you can take up to 25% of your fund value as a lump sum without paying any tax (within Revenue limits). However, any income you receive as a pension will be taxed as earned income.

The above is based on our understanding, as at February 2010, of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.

“ Help from the taxman. ”

## › What are my investment options?

Prudential already looks after more than £309 billion world-wide (valued at 30 June 2010).

However, what really matters to our customers is that we are financially strong, demonstrated by our AA rating from Standard & Poor's (as at August 2010).

The size of your pension fund when you retire depends on many things, including how well your investments perform over the years. So it's important that your money is being managed by professional experts. By offering a wide selection of funds we aim to give you a choice from a range of different types of investments.

Our fund range covers a number of fund managers and fund management groups, who each take a slightly different approach to investing money. Some of the funds we offer have been picked by us, whilst others are available based on the views of an independent fund research company, who have reviewed funds and fund managers since 1999 and have provided us with a list of what they believe to be the best available.

We also offer multi-asset funds, managed by our in-house investment experts, the Portfolio Management Group (PMG). The range includes our With-Profits Fund and our PruFund range of funds.

These funds spread your money across a range of investments including bonds, shares and property. They aim to spread the investment risk and deliver more stable returns than investing in one investment area only. We offer a range of guarantee terms for both PruFund Protected Cautious Fund and PruFund Protected Growth Fund, where the guarantee will only apply on the plan anniversary of the selected term or at the end of the Selected Retirement Age.

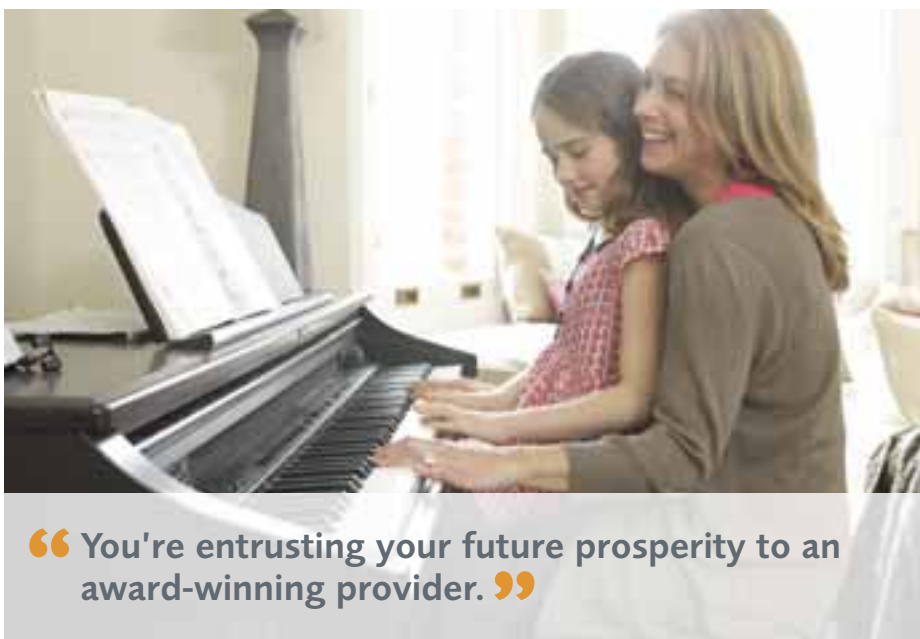
Each guarantee has its own charge. The guarantee charge will be payable for the whole of the term.

Investing in Protected PruFund Funds ensures that at the end of the selected guarantee term, the fund will be worth at least the amount you invested, adjusted for any applicable charges, enhancements or withdrawals. Please see your Key Features Document for more information.

For full details of the guarantee terms available and the associated charges, please refer to the document "The PruFund Range of Funds: Guarantee Options" – INVS11470. You can get a copy of this from your adviser or from [www.pru.co.uk](http://www.pru.co.uk)

Our five multi-asset Dynamic Portfolios are available to help you target different levels of risk and potential return. Although each portfolio invests in a range of underlying funds, it's available to you as a single unit-linked fund choice.

Please see the Flexible Retirement Plan Fund Guide for more information on these investment options. We would recommend that you discuss fund selection with your financial adviser.



**“ You're entrusting your future prosperity to an award-winning provider. ”**

## › What are the additional investment options under Prudential's SIPP?

If you invest in our SIPP options, you have an even greater choice of investments.

- › Full SIPP provides access to an extensive range of investment options, including:
  - Unit/investment trusts
  - UK commercial property
  - Open Ended Investment Companies
  - Bonds
  - UK Gilts
  - Cofunds fund range
  - UK/overseas stocks and shares (quoted and listed equities)
- › FundSIPP is a lower cost option, providing access to up to 20 funds from the Cofunds supermarket.

Prudential has teamed up with Suffolk Life, an experienced and award winning SIPP provider, through which you can access the Cofunds platform – a fund supermarket with dozens of funds managers and over 1,300 funds – investing money either in the UK or overseas, or both.

Full details of all the investment options available are in our leaflet "Allowable Investments" – please ask your financial adviser for a copy. You should discuss these options with your financial adviser.

## › How do I choose where to invest?

### Your adviser can help you to choose which funds are best suited to your requirements.

Some people like to take an active role in choosing their fund managers as well as the types of funds in which their pension pot is invested. However, we understand that no two people are the same, so should you wish to, you can choose our Lifestyle Option. Your adviser can help you decide if this is right for you.

The Lifestyle Option lets you choose a pre-designed investment package that automatically evolves as you approach your selected retirement age. Initially, you can choose where your payments are invested, from our wide range of funds. Then, as you get closer to retirement, we gradually move your money into increasingly secure funds, which are normally less volatile. A list of funds can be found in the Fund Guide.

This option gives you the comfort of knowing your pension plan is not exposed to too much risk of stock market changes just before you take your pension. And what's more, with the Lifestyle Option, we manage all the investment switches for you, so you don't have to.

The value of your investment may go down as well as up, and you may not get back the amount originally invested.

## › Can I keep all my pension savings in one place?

### You may have pension funds with other pension providers or companies you've worked for in the past.

If you wish, we can help you transfer these funds to us – whether they are with another pension provider or a company pension scheme – so they are all held together neatly in one place.

Transferring pension funds is an important decision and your financial adviser can help you decide whether or not this is likely to improve your financial position when you retire.

**“ You can transfer your other pension funds to us and keep them all in one place. ”**

## › Are there any other benefits?

Because we want you to keep your pension with us for the long term, we've designed some benefits to help you get the most out of your pension fund. The longer you keep your pension with Prudential, the lower your Annual Management Charge could be. (This is the charge deducted for the management of your fund.)

After you have been with us for five years, we will reduce your Annual Management Charge and this Loyalty Discount becomes bigger after ten years, fifteen years and twenty years.

Not only that, we will reduce your Annual Management Charge if your pension fund grows. The Fund Size Discount first kicks in when your fund reaches £25,000 and the discount becomes larger as your fund reaches other thresholds. Please note, if your fund value should fall below the levels required for discounts, then the higher charge will apply.

Best of all, both the Loyalty Discount and the Fund Size Discount can apply at the same time. These discounts are valuable. A lower Annual Management Charge means that more of your money is invested for your future. This could mean a better pension fund for your retirement. Discounts may be withdrawn or removed in the future, however we will communicate this to you in advance. Our charges may vary in the future and may be higher than they are now. More information about discounts and charges can be found in the Key Features Document.



“ More of your money is invested for your future. ”

## › What do I do next?

We hope you are interested in taking out a Pru Flexible Retirement Plan. If you do wish to apply, contact your financial adviser who will be able to discuss this with you further.

Full terms and conditions are available on request.





[www.pru.co.uk](http://www.pru.co.uk)

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**NEW**

## Introducing Risk Managed PruFund

We offer a choice of funds that aim to meet a range of different investor needs, and over recent years some of the most popular have been from our PruFund Range of Funds.

These funds offer our unique smoothing process, invest money across a range of different assets and are managed by our fund managers both here in the UK and around the world.

### New PruFund options

In general, over the long-term an investment should offer a balance between the risk you are taking with your money and the potential return you might receive. The more risk you are taking of possibly losing your money then the more potential return you might expect. By taking less risk then you have a better chance of not losing your money, but you also reduce your potential return.

We think it's important to offer a choice of investment options that can provide different levels of risk and potential return, so investors have choice around which fund might be best for them. Giving that choice is exactly what our new PruFund funds aim to do.

#### Our PruFund Range of Funds offer you:

- A unique smoothing process which is designed to help protect an investment from some of the daily ups and downs you might associate with a direct investment (in certain circumstances, we may suspend smoothing and if this happens, the unit price will rise or fall daily in line with the value of the underlying assets)
- Investment in a globally diversified multi-billion pound fund \*
  - Holdings in a number of different types of assets (including company shares, fixed income bonds and property) offering excellent diversification to an investor
- Managed by our Portfolio Management Group
  - The team has over 20 members, including economists, investment strategists, analysts and mathematicians who are specialists in different areas of the investment world

#### Our new funds also offer you:

- A choice of four funds with different levels of risk and potential return for an investor
- The opportunity to move between these four funds\*\* as your circumstances change – for example:
  - Your original investment goals change
  - You are getting closer to your retirement date and you want to take less risk
  - You can afford to take more risk with your money to increase your potential return
- Choice of both life and pension funds depending which contract best meets your needs

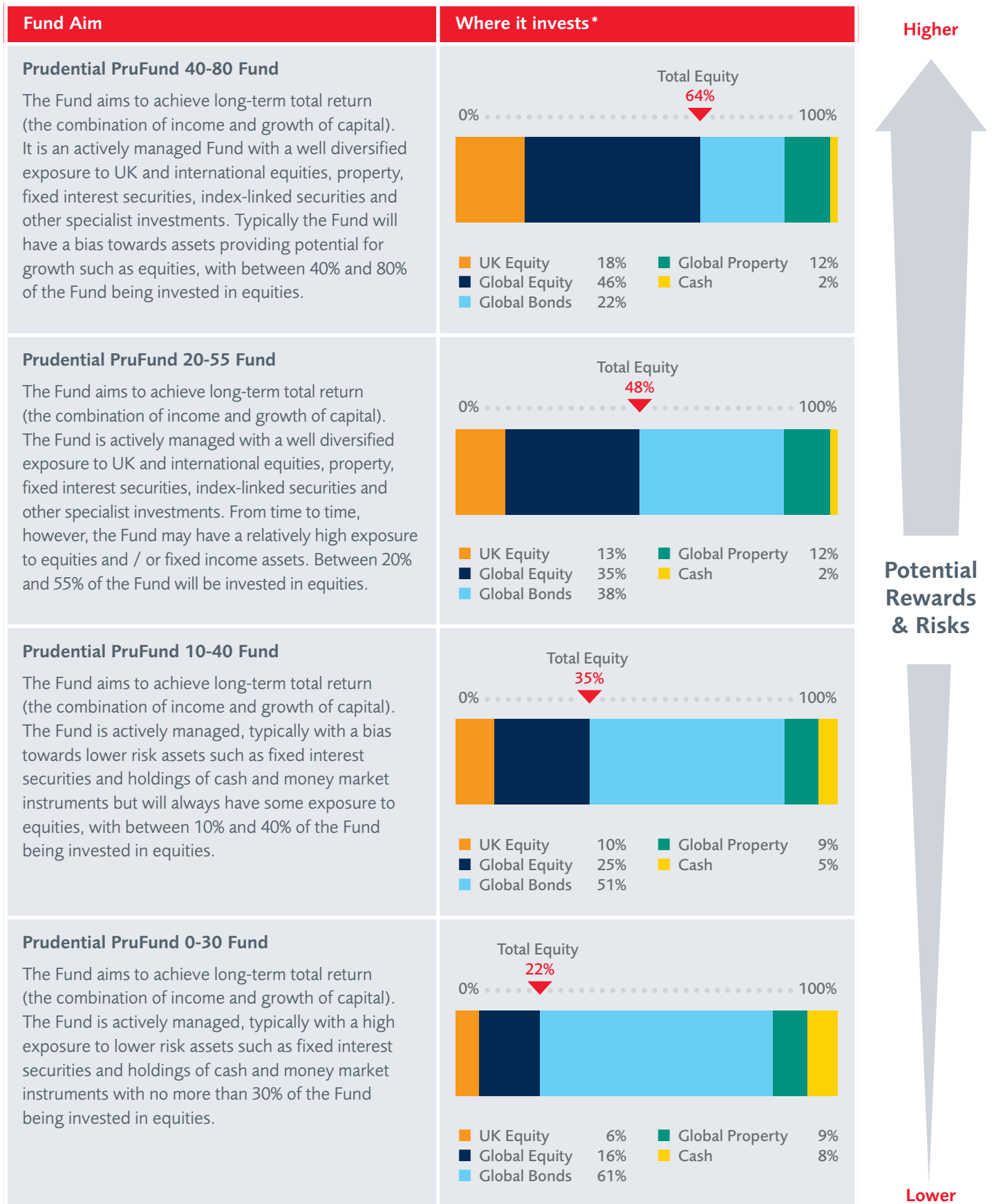
\* These new PruFund funds invest in Prudential's With-Profits Fund. The returns on these funds will differ from the returns on the With-Profits Fund due to the smoothing process used and differences in the asset mix and the fund objectives. What you will receive will depend on your fund choice and how your fund performs.

The fund performance will differ for bond and pension products due to the different tax treatments for funds within each type of product. The value of your plan may go down as well as up and there may be times when you may not get back the full amount of your original investment.

\*\* Subject to the appropriate rules. Your key features will provide further information.

**If you are interested in finding out more, please discuss these new funds with your Financial Adviser.**

## New PruFund options



\* These are the possible asset allocation positions of these funds at launch on 7th November 2011. Asset allocations are regularly reviewed and may vary from time to time, but will always be consistent with the fund objective.

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