



**PRUDENTIAL**



**Prudential Retirement Account -  
Guarantees Available On PruFund Investments**

# Welcome

In the Prudential Retirement Account, if you invest in certain PruFunds from the PruFund range of funds, two different kinds of guarantee are available. These guarantees come with an additional charge. This leaflet explains how the guarantees work.

**The guarantees you could choose from are:**

- A **capital guarantee** that can secure all or part of certain PruFund investments at a set date in the future: this is the guarantee date
- A **minimum income guarantee** that can secure a minimum income from all or part of certain PruFund investments in your Pension Income Account

## Can I get a guarantee?

**As the guarantees are only available on money invested in PruFund investments, you and your financial adviser should be sure that, in addition to the benefits of the guarantee, the PruFund fund chosen meets your investment needs.**

The guarantee buys an amount of guarantee units. Only one guarantee can apply to a set of units at one time, but you can have multiple guarantees on different units in place at the same time. There is a charge for the guarantee which is deducted from the guarantee units.

The tables below show on which investments and accounts the guarantees are currently available. This may change in the future for any new guarantee you take out, but will not affect any guarantees which already exist.

### Capital guarantees

Account	Fund
Pension Savings Account	PruFund Cautious
	PruFund Growth
Pension Income Account	PruFund Cautious
	PruFund Growth

### Minimum income guarantee

Account	Fund
Pension Income Account	PruFund Cautious

Guarantees available now may not be available in the future.

### What are the charges?

There is a guarantee charge for each capital guarantee and each income guarantee.

The charge you pay is set at the time you take out the relevant guarantee and will apply for the whole period you hold those guarantee units.

The guarantee charge is taken monthly in arrears on your charge date by cancelling guarantee units. The charge date is the date each month when we deduct charges from a sub-account in your Retirement Account.

### What happens if I die?

Both guarantees will automatically end on your death and cannot be passed on to any beneficiaries.

# Capital guarantee

This guarantee ensures that no matter how markets have performed, a guaranteed minimum fund value is available at a specific date in the future: this is the guarantee date. The available guarantee date(s) depend on the minimum and maximum term(s) available at the time you take out the guarantee. These are shown in the section 'What will I be charged for the Capital Guarantee?'

## How does it work?

You choose the amount of your PruFund investment you wish to guarantee by buying guarantee units. The initial value of these guarantee units is known as the guaranteed minimum fund.

On the guarantee date, if the value of your guarantee units is below the guaranteed minimum fund value, we will make up the difference by adding guarantee units to your Retirement Account.

On the guarantee date, once any guarantee units have been added, the guarantee and the guarantee charge will no longer apply. The units are no longer referred to as guarantee units and there is no protection against market underperformance.

The capital guarantee can be reduced or removed if your needs were to change. If the guarantee is removed, the capital is no longer guaranteed. You can also add further capital guarantees in the future, subject to availability and not having cancelled or partially reduced a capital guarantee in the past 12 months.

## Can I take money out?

If you make any withdrawal, switch or pay an adviser charge from your guarantee units before the guarantee date, your guaranteed minimum fund value will reduce in the same proportion as the reduction in your guarantee units.

We will give you the up-to-date guaranteed minimum fund value in your annual statements, or you can check it at any time by contacting us.

### Example 1:



Mr Jones has a guaranteed minimum fund value of £50,000 in the PruFund Cautious Fund with a guarantee date of 3 May 2024, the planned date of his retirement. On 3 May, 2024, his guarantee units are worth £48,000 (after allowing for investment returns and charges), so we add guarantee units worth £2,000 to bring their value up to £50,000.

If on 3 May 2024, Mr Jones's guarantee units were worth more than £50,000, then no guarantee units would be added as the value exceeds the guarantee.

### Example 2:



Mrs Brown has a guaranteed minimum fund value of £100,000 in the PruFund Cautious Fund with a guarantee date of 10 April 2025. By January, 2023, her guarantee units have increased in value to £125,000 (after allowing for investment returns and charges), so she decides to withdraw £25,000. Because this withdrawal is 20% of the value of her guarantee units, Mrs Brown's guaranteed minimum fund value reduces by 20% to £80,000.

### What will I be charged for the Capital Guarantee?

We offer a range of guarantee terms, which are available on both our Cautious and Growth funds. If you select a guarantee, this will apply at the selected Guarantee Date and the charge will be payable for the guarantee term.

Terms Available	10 years	11 years	12 years	13 years	14 years	15 years
PruFund Cautious	1.00%	0.90%	0.80%	0.70%	0.60%	0.50%
PruFund Growth	1.50%	1.40%	1.30%	1.15%	1.00%	0.90%

The charges shown in the table are annual charges and are applied to the guarantee units held. For example, if you choose the PruFund Cautious Fund, with a 10 year guarantee, your guarantee charge would be 1.00%.

We only use full years to calculate the charge you pay, so if your chosen date is ten years and nine months away, you will pay the 10-year rate.

Charges and terms are available with effect from 26 May 2017. Both charges and terms may differ if you take out a guarantee at a later date. These prices are subject to change, but once you've taken out a guarantee, the price you pay will not change during the term.

**Please contact us for up-to-date charging information or if you have any questions.**

# Minimum income guarantee

From age 55 you can guarantee a minimum income from all or part of the investments you hold in the PruFund Cautious Fund held in your Pension Income Account.

When you select the minimum income guarantee option on your PruFund investment, it guarantees that you will always be paid at least a minimum amount of income from those guarantee units, no matter how long you live. This will be funded by your own guarantee units, but where those units have been exhausted, we will pay the monthly income amount.

The minimum income guarantee can be reduced or removed if your needs were to change. You can also add further minimum income guarantees in the future, subject to availability and not having cancelled or partially reduced an income guarantee in the past 12 months.

## How does it work?

You choose the level of income you wish to guarantee by buying guarantee units. The initial value of these guarantee units is known as the secure income value. You will always be paid a fixed percentage of this secure income value every month for as long as you have the guarantee in place. We call this the monthly income amount. The fixed percentage depends on your age when the guarantee is taken out, but cannot be changed.

Each month, the monthly income amount is moved from your guarantee units into either:

- the cash account, where you can leave it, reinvest it or withdraw it as income; or
- non-guarantee units of the same PruFund fund

The number of guarantee units you hold reduces due to either action.

If at an anniversary of the start of your minimum income guarantee, the value of your guarantee units is higher than your secure income value, then your secure income value will be increased to the higher amount. Your monthly income amount will rise as a result and stay at that level. For this to occur, the investment return on your guarantee units would have to be higher than the charges and monthly income amount deductions (since the start of your guarantee).

The monthly income amount does not reduce your secure income value, but if you make any other withdrawal, switch or pay an adviser charge from your guarantee units, your secure income value will reduce in the same proportion as the reduction in your guarantee units. Your monthly income amount will reduce as a result. The secure income value will not reduce otherwise.

## Example 1:

(This is an illustration to show how the minimum income guarantee could work. It does not represent a real case.)



Mrs Smith is 65. She wants her children to get any money that's left when she dies. She wants some flexibility in case she needs money at points in her retirement.

However, she is worried about running out of money if she lives for a long time. So her adviser has recommended PruFund with an income guarantee. Mrs Smith moves £240,000 in total into her Pension Income Account and uses the money to buy guarantee units with a minimum income guarantee of 3.9%. She will pay a guarantee charge of 0.95% per year of the guarantee units for this benefit.

The initial secure income value is £240,000 which works out to £780 income a month. Mrs Smith takes the £780 as income.

After a year the value of guarantee units has gone up and the guarantee units are now worth £246,000 (once we've taken off any charges and monthly income. As the value of the guarantee units is higher than the secure income, the secure income value goes up to £246,000 and the monthly income amount goes up to £799.50.

At the second anniversary the value of the guarantee units has fallen and are now worth £220,000 (once we've taken off any charges and monthly income). Her secure income is still worth £246,000. And she still gets £799.50 income a month.

After 10 years, the guarantee units are worth £114,000. Mrs Smith could take this as income – but she decides to leave them invested in the guarantee.

Over the next 10 years investment returns are low. Mrs Smith makes no other withdrawals from the guarantee units. At the 20th anniversary, she's used up all her guarantee units. As there are no guarantee units left, the guarantee charge stops and there is no money to transfer to another product or provider. This means there is no capital left to pay the monthly income. However the guarantee now kicks in and Prudential will continue to pay Mrs Smith the monthly income amount of £799.50 for the rest of her life.

When she dies, the guarantee stops. As all the guarantee units have been paid out as monthly income during the last 20 years, there's nothing left to pass on to her children from that part of the Retirement Account.

## What will I be charged for the minimum income guarantee?

Once you've taken out a guarantee, the charge you pay will not change during the time your guarantee is in place.

The current annual minimum income guarantee charge is 0.95%. Charges and terms are available with effect from 6 March 2018. This may not be the charge you pay if you take out a guarantee at a later date.

## What if I want to reduce or cancel my guarantee?

If you reduce or switch off your guarantee, you can't have another guarantee of the same kind for 12 months unless:

- you are adding a guarantee to new payments to your plan
- you are adding a guarantee when you move from the Pension Savings Account to the Pension Income Account

If you cancel your guarantee your charges will stop.

There is no penalty fee for cancelling your guarantee.

## What income is available for the minimum income guarantee?

The income available depends on your age when the minimum income guarantee begins. Once set it will not change for the rest of your life.

Age	Annual Guaranteed Income Rate	Example of secure income value	Associated monthly income
55	3.10%	£100,000	£258.33
56	3.15%	£100,000	£262.50
57	3.25%	£100,000	£270.83
58	3.30%	£100,000	£275.00
59	3.35%	£100,000	£279.17
60	3.45%	£100,000	£287.50
61	3.55%	£100,000	£295.83
62	3.60%	£100,000	£300.00
63	3.70%	£100,000	£308.33
64	3.80%	£100,000	£316.67
65	3.90%	£100,000	£325.00
66	4.00%	£100,000	£333.33
67	4.10%	£100,000	£341.67
68	4.25%	£100,000	£354.17
69	4.35%	£100,000	£362.50
70	4.50%	£100,000	£375.00
71	4.65%	£100,000	£387.50
72	4.80%	£100,000	£400.00
73	4.95%	£100,000	£412.50
74	5.10%	£100,000	£425.00
75+	5.30%	£100,000	£441.67



**PRUDENTIAL**

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

"Prudential" is a trading name of The Prudential Assurance Company Limited, which is registered in England and Wales. This name is also used by other companies within the Prudential Group. Registered office at Laurence Pountney Hill, London EC4R 0HH. Registered number 15454. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.