

# Fixed Term Retirement Plan Certainty

Simple solutions for your retirement

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With a fixed income from their pension pot combined with a known maturity value at outset, your clients can concentrate on enjoying their retirement. Our Fixed Term Retirement Plan offers certainty of returns, so your clients will know exactly how much they'll get and when.

## Section 1 Looking for a solution?

Do you have clients that need an income from their pension pot but want to keep their options open and not wish to commit to a lifetime annuity yet?

Do you have clients that don't want the value of their pension pot subjected to the fluctuations of investment markets and want to know exactly how much they will receive and when?

Do you have clients looking for an alternative to income drawdown? Do you have clients looking for a fixed return as part of a wider investment portfolio?

Do you have clients that want an income but with a known maturity value at the end of the plan term that they can use as they wish, for example:

- To purchase another retirement product
- To purchase a lifetime annuity
- To transfer to another pension scheme
- To take as a lump sum.

Our Fixed Term Retirement Plan is a fixed term plan within a Legal & General registered pension scheme, and may provide the solution you are looking for.

- It's a fixed term product that pays a set income over a chosen term, with a fixed maturity value known at outset.
- The balance between income and the maturity amount can be set to suit your clients' needs and circumstances.
- Your client has the option to choose if the income and maturity value continues to be paid if they die during the term of the plan.
- Supports adviser charging, giving you and your client payment options for advice and related services.

### Important information

The details are based on Legal & General's understanding of tax law and HM Revenue & Customs' practice, which may change.

Once the term of your client's plan comes to an end and we have paid your client the maturity value set at outset, your client will receive no more income from us.

The plan doesn't pay an income for life. If your client uses the maturity value to provide them with further income, the value may not be enough to provide the same level of income that they were receiving during the plan term.

## Section 2

# What is the Fixed Term Retirement Plan?

It's a fixed term plan that pays a set amount of income over a term of your client's choice, with a fixed maturity amount at the end of the plan term.

The income payments and maturity amount are set at the outset, so your client knows exactly how much they will get and when.

Your client can choose how much they want to use to buy the plan and what level of income they would like over their chosen term, and we'll work out the maturity value. Alternatively your client can choose how much they would like as a maturity amount and when, and we'll work out how much income they could receive.

We've also included death benefit options to allow your client to choose if they want the income and maturity value to be paid if they die before the end of the plan term.

The following sections explain the Fixed Term Retirement Plan in more detail and the options available. Please note that the options are different depending on whether or not a personal recommendation to take out the product has been given. These differences are highlighted in each section.



## Starting a plan

All clients must be aged 55 or over.

Your clients can start a plan with a minimum amount of £10,000 transferred from one or more pension plans after any tax-free cash and/or adviser charge are deducted.

We can accept both crystallised funds, non-crystallised funds or a combination of both.

If the client's funds are crystallised, they can only be accepted if the current pension plan is in drawdown or has been designated for drawdown.

If the client is starting a plan without taking financial advice then:

- We will not accept a transfer value from a defined benefit pension scheme
- They must be aged between 55 and 85.



## Income

The income your client will receive is set when they start their plan. The amount will depend on the options chosen and the returns we can offer at that time.

### The options available are as follows:

- Payment frequency of monthly, quarterly, half yearly or yearly.
- Payment in advance or in arrears.
- Fixed or escalating annually – if escalation is chosen this can be at set amounts up to 10% a year or linked to RPI or LPI.
- Alternatively, your clients can choose a nil income option, allowing them to lock away their money for their chosen plan term, safe in the knowledge of what they'll get back.

If the client is starting a plan without taking financial advice then we do not offer escalation of income. This means the client will know exactly how much they will get both now and in the future and help to simplify their decisions.



## Term

The plan term can be from 3 to 40 years and can be set to a number of years and months.

If a client is starting a plan without taking financial advice, we offer a maximum term of 25 years. If a term longer than this is required we will only accept the application if financial advice has been given.



## The maturity value

The maturity value is set when the plan starts and will depend on the options chosen and the amount of income being paid.

When the maturity value is paid it is made available within the plan and your client can choose how they would like to use this. The options available are as follows:

- ➔ **Purchase a lifetime annuity.** This can be with us or with any other provider. It is important to remember that depending on your client's circumstances at that time, they may also be eligible for an enhanced annuity.
- ➔ **Purchase another retirement product.** This could be a different type of fixed term plan either with us or another provider, or any other retirement products being offered at that time.
- ➔ **Transfer to another pension scheme.** Again this could be a pension scheme with us or another provider, or even a qualifying recognised overseas scheme. This could allow your client to invest in different assets or take flexi access drawdown.
- ➔ **Take the amount as a cash lump sum.** Your client might want to simply take all or part of the maturity amount as a cash lump sum. The amount taken will be subject to income tax in the same way as any other income received from a pension plan in that year. If only part of the amount is taken as cash, the remaining amount can be used in any of the ways listed above.
- ➔ **Purchase another Fixed Term Retirement Plan.** If still suitable, your client may want to take out a new Fixed Term Retirement Plan at that time.

## Death benefits

We offer the choice of whether or not your client wants the income and maturity value to continue to be paid in the event of their death before the end of the term of the plan.

Choosing no death benefits will mean the amount of income and maturity value set at outset is higher than it would have otherwise been, but nothing would be paid following their death before the end of the plan term. This may be suitable where your client has no spouse or financial dependants, or where the higher income and maturity value is of more importance to their circumstances.

### We offer two different types of death benefits:

- ➔ **Dependant's benefit.** This is where a chosen percentage (between 1% and 100%) of the income and maturity value is paid to a spouse, registered civil partner or financial dependant if the member dies before the end of the plan term. If the dependant's benefit is payable and the dependant dies before the end of the plan term then the payments will stop immediately.
- ➔ **Guaranteed minimum payment period.** This is where the payments due from the plan are guaranteed to be paid for a selected period even if the member dies. The period can be any period up to the full term of the plan.

If the period chosen is the full term of the plan then the maturity value is also guaranteed to be paid. It also gives the member the option to make up to 3 withdrawals, cash in the plan or transfer the value of the plan to another pension scheme at any time during the plan term. Please see the 'Taking withdrawals, cashing in or transferring the value of the plan' section for more details.

The beneficiary will have the option to take any remaining income and maturity value due, as a lump sum. We'll calculate the amount in the same way that we calculate a withdrawal, cash in or transfer value. This will mean the lump sum may be significantly less than the remaining income and maturity value due. For more information please see the Terms and Conditions.

**If a client is starting a plan without taking financial advice we do not offer the dependant's benefit option. We will also add a full term guaranteed minimum payment period and only reduce or remove this if the customer specifically requests us to. Again, we do this to help simplify the client's decisions.**

## Cashing in, transferring or making withdrawals

If the client chooses a guaranteed minimum payment period to apply for the full term of the plan (as described in the 'Death benefits' section), they will have the option to make 3 withdrawals, cash in or transfer the value of their plan at any time throughout the term.

## Cashing in or transferring the whole plan

We'll calculate the cash in or transfer value by giving a value to the future income payments due and deducting our administration and dealing costs. This will be affected by the underlying assets and interest rates at the time, which will go up and down.

**It's important to note that the cash in or transfer value will always be less than the remaining payments and maturity value due over the term of the plan.**

## Withdrawing money from the plan

The client can choose to make up to three withdrawals at any time during the term of the plan, subject to a minimum withdrawal of £5,000 each time.

Choosing to make a withdrawal won't have any impact on the regular income payments as we'll deduct the withdrawal amount, administration and dealing costs from the maturity value only.

When a withdrawal is requested, we'll calculate the impact this has on the clients maturity value. The value of the underlying assets and interest rates at the time will affect this calculation. We'll also deduct our administration and dealing costs.

We'll pay the withdrawal amount direct to the client's bank account, after we've deducted income tax

**This means the maturity value will always be reduced by more than the withdrawal amount. Taking a withdrawal early in the plan term is likely to reduce the maturity value more than taking a withdrawal later.**

## Adviser charge



Where you have provided a personal recommendation to your client to take out a Fixed Term Retirement Plan, we are able to arrange payment of a one-off adviser charge from the amount we receive before it is made into the plan.

This amount can be taken from a tax-free cash amount or it can be taken from the remaining pot before the plan is started.

Once the plan comes to an end, if a new Fixed Term Retirement Plan is recommended a further adviser charge can be paid for the advice given at that time.

# Section 3

## Uses of the Fixed Term Retirement Plan

We have listed here some example situations where you may wish to consider using a Fixed Term Retirement Plan as a solution.

### Alternative to flexi access drawdown

#### Situation

- Your client would like to take an income from their pension pot.
- They believe the charging structure and ongoing maintenance of a flexi access drawdown plan is complicated and would prefer a much less complex product that is easier to understand.

#### Solution

##### Using the Fixed Term Retirement Plan means:

- ✓ Your client can secure a fixed or rising income for a period of their choice.
- ✓ There is no complicated charging structure; all charges are taken into account in the returns set at the start of their plan.
- ✓ No need for ongoing monitoring of pot performance, the income amount and maturity amount is known at outset.

#### Consideration

- ! Once the Fixed Term Retirement Plan is started, the term, income and maturity amount can't be changed.

### Reducing investment risk on your client's pension pot

#### Situation

- Your client has built up a pension pot over a period of time using assets such as equities, fixed interest securities and commercial property.
- Your client would now like to reduce their level of exposure to investment risk so that all or part of their pension pot doesn't decrease in value.
- Income is not yet a priority.

#### Solution

##### Using the Fixed Term Retirement Plan means:

- ✓ The amount of your client's pension pot used to buy the plan will no longer be subject to investment risk. The maturity amount is fixed at outset and won't decrease over the term of the plan unless your client makes withdrawals.
- ✓ The returns that your client receives are set at outset so that they know what they will get and when, helping with planning for their future.
- ✓ The income amount can be set to the minimum if not yet needed, maximising the maturity value at the end of the term.

#### Consideration

- ! Flexibly accessing pension benefits will reduce your client's standard annual allowance from £40,000 to the money purchase annual allowance of £4,000.

## Keeping your client's options open

### Situation

- Your client wants to take an income from their pension pot but they do not want to commit their full pot to a lifetime annuity at this time. Your client is not currently eligible for an enhanced lifetime annuity, but may be in the future due to medical conditions or their lifestyle.

### Solution

#### Using the Fixed Term Retirement Plan means:

- ✓ Your client can secure a straightforward regular income but for a fixed term only.
- ✓ At the end of the period your client has a known fixed maturity amount to use as they wish, which they could use to purchase a lifetime annuity or enhanced lifetime annuity (if eligible) from a provider of their choice. They are free to shop around to obtain the best rates given their needs and circumstances at that time.

### Consideration

- ! The maturity amount may not be sufficient to provide the same level of income your client was receiving during the term of the plan.

## Topping up income before full retirement

### Situation

- Your client wants to cut down their working hours and top up their income by accessing their pension pot.
- Your client would like a certain amount of income so that they do not pay any higher rate tax.
- Your client would like to reassess their situation and change the level of income when they cut down their working hours further or fully retire.

### Solution

#### Using the Fixed Term Retirement Plan means:

- ✓ Your client can specify the exact amount of income required for their chosen term, and we'll work out how much the maturity value will be.
- ✓ At the end of the term your client can use the maturity value to purchase another Fixed Term Retirement Plan with a different income and term of their choice, or purchase a different retirement product from a provider of their choice, depending on what is best given their needs and circumstances at that time.

### Consideration

- ! Tax rates and personal allowances are subject to change.

# Section 4

## Unsuitable Customers

Here we have listed some of the situations where a Fixed Term Retirement Plan would not be suitable for your client.

→ **Your client wants to withdraw cash amounts from the plan as and when they choose.**

Ad hoc withdrawals are not possible with this plan but your client can make up to three withdrawals if they have selected a minimum payment guaranteed period that applies for the full term of the plan.

→ **Your client wants to change the amount of income they receive during the term of the plan.**

Once the plan has started, the term, income and maturity amount can't be changed.

→ **Your client wants higher returns through exposure to investment risks.**

The plan doesn't offer any investment choices and will provide fixed returns only.

→ **Your client is looking to build up a pension pot through single or regular contributions in the future.**

Once your client receives their first income payment, they will have flexibly accessed their pension pot and will be subject to the lower money purchase annual allowance of £4,000.

→ **Your client wants an income that lasts for their lifetime and doesn't end at a set date in the future.**

The plan has a fixed end date.

→ **Your client has certain lifestyle or medical conditions that mean they could obtain a higher amount of income through a product that assesses these.**

The plan doesn't offer enhanced rates.

→ **Your client is only looking to add an amount close to the minimum (£10,000) for a term close to the minimum (three years) and their individual tax circumstances mean that they will not obtain any tax advantage by delaying withdrawal from their pension plan.**

Your client may wish to consider alternative cash deposits instead.

# Section 5

## We've been around for a long time

When looking for a company with the strength and security to pay your clients' retirement benefits both now and in the long term, you need not look further than us.

- ✔ We are proud to be listed on the Financial Times Stock Exchange (FTSE) and ranked among the top 100 UK companies (FTSE 100).
- ✔ As at August 2018 we had more than 815,000 pension annuity customers. In the 12 months to this date we paid our customers over £1.7 billion in pension annuity income.
- ✔ The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. As at 30 June 2018, we had over 9.5 million customers in the UK for our life assurance, pensions, investments and general insurance plans.



# Find out more

For more information, please contact your usual Legal & General representative.



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