

Personal Pension No.1 Plan (PPNo.1), Group Personal Pension No.1 Plan (GPPNo.1) and Buy Out Plan (BOP)

FLEXI-ACCESS DRAWDOWN MEMBER'S GUIDE

This is an **important document** that you should read and keep in a safe place for future reference.

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INTRODUCTION

If you're using your pension pot for income drawdown for the first time, Flexi Access Drawdown is the only type of drawdown available to you. If you used your pension pot for Capped Income Drawdown before 6 April 2015, you can continue with it or you can move into Flexi Access Drawdown at any time. However, once you have done this, you can't go back into Capped Income Drawdown.

This guide is designed to provide you with a clear explanation of Flexi-Access Drawdown and it also outlines the risks involved. It should be read together with your **Member's Booklet** (if you have a Personal Pension No.1 Plan or a Group Personal Pension No.1 Plan) or **Policy Booklet** (if you have a Buy Out Plan), which you would have received when your plan started, and any notifications of changes issued to you since.

You should also read the **Investment Options fund brochure**, which explains the basics of investing in funds and the important things you need to know about them. Please ask us if you'd like a copy.

We recommend you speak to your financial adviser as there are a number of things to consider before you take income drawdown. If you don't have an adviser you can find one in your local area online at unbiased.co.uk or by calling **0800 023 6868**.

ABOUT YOUR PLAN

Between your 55th and 75th birthdays, Flexi-Access Drawdown is available on the Legal & General Personal Pension No.1 Plan, the Legal & General Group Personal Pension No.1 Plan and the Legal & General Buy Out Plan (subject to the restrictions shown in the **Buy Out Plan Restrictions** section below).

Your plan will consist of one or more 'arrangements' (if you have a Personal Pension No.1 Plan or a Group Personal Pension No.1 Plan) or 'policies' (if you have a Buy Out Plan) that provide benefits for you. Each will have a separate arrangement/policy number.

When taking Flexi-Access Drawdown, you are able to use one or more of these arrangements/policies to provide your benefits as long as the total value of the pension pot you are using meets our minimum requirements, as detailed in the **What is Flexi-Access Drawdown?** section on page 5. You must use all of the pension pot within an arrangement/policy for Flexi-Access Drawdown. Any arrangements/policies you don't use can still provide benefits in the future.

CONTRIBUTIONS

If you have a Personal Pension No.1 Plan or a Group Personal Pension No.1 Plan, you can't make further contributions or transfer any money in once you have used the arrangement for Flexi-Access Drawdown, even if you don't take an income.

Further contributions and transfer payments can be paid into any arrangement not used for Flexi-Access Drawdown. There's no limit on how much you can contribute in a tax year, however, there is a limit on how much tax relief you can get. You can get tax relief on 100% of the gross earnings you contribute (or £3,600 if greater) up to the Annual Allowance. For more information on Annual Allowance, please see the **Taxation** section on page 6.

BUY OUT PLAN RESTRICTIONS

If your plan has any Section 9(2b) rights or any Guaranteed Minimum Pension (GMP), these must be taken from your pension pot before you start Flexi-Access Drawdown.

Flexi-Access Drawdown will only be available if:

- You're not invested in conventional with profits (policies starting with the letter 'G'). For more information on conventional with profits, please see our **A guide to how we manage your conventional with profits investment**, which is available on request.
- You have at least £50,000 remaining in your pension pot after any Section 9(2b) rights or GMP have been taken.

Further details about Section 9(2b) rights and Guaranteed Minimum Pension can be found in your **Policy Booklet**.

IMPORTANT INFORMATION

Flexi-Access Drawdown is all about taking money from your pension pot and keeping the rest of it invested. You can take money either regularly or when you need it.

RISKS

The following are the main risks associated with taking Flexi-Access Drawdown under the Legal & General Personal Pension No.1 Plan, the Legal & General Group Personal Pension No.1 Plan and the Legal & General Buy Out Plan.

- If you take income drawdown your pension pot will remain invested. Its value is not guaranteed and can go down as well as up.
- If you're invested in the With Profits Fund, you'll need to switch into another fund(s) before starting Flexi-Access Drawdown. You may lose valuable features and we may apply a market value reduction (MVR) when you switch out. For more information on with profits, please see our **A guide to how we manage your unitised with profits investment**, which is available on request.
- If you take Flexi-Access Drawdown income from your pension pot, this could affect your tax position. For more details, please see the **Taxation** section on page 6.
- If you choose to take a high level of income, the value of your pension pot may go down and the level of income may not be sustainable, particularly if investment returns are poor.
- Your actual drawdown pension pot could be less than shown in the illustrations issued to you from time to time because:
 - investment growth could be lower than is assumed;
 - the deductions could be more than is assumed; and
 - the amounts you take through income drawdown may be more than is assumed.
- If you decide at a later date to buy a guaranteed income for life (a lifetime annuity), you may get a lower level of income than is available now. For more details, please see the **Buy an annuity** section on page 9.

IS INCOME DRAWDOWN RIGHT FOR YOU?

It may be if

- ✓ You appreciate there's no guarantee your pot will continue to provide you with an income and it might run out.
- ✓ You want the flexibility of when you take money out of your pot and how much.
- ✓ You're willing to take some investment risk.
- ✓ You feel confident regularly reviewing the funds your pension pot is invested in.
- ✓ You want your beneficiaries to have the choice of how to use the remainder of your pension pot after your death.

It may not be if

- × You want a guaranteed income payable for life.
- × You would prefer the certainty of a known income payable regularly.
- × You're not comfortable knowing the value of your pension pot could go down.
- × You'd prefer not to review your fund choices.
- × You want the certainty of leaving your beneficiaries a guaranteed income after your death.

WHAT IS FLEXI-ACCESS DRAWDOWN?

Flexi-Access Drawdown allows you to use your pension pot to provide a flexible income.

You can take:

- a tax-free cash lump sum, and/or
- a regular income, and/or
- ad hoc income payments.

You must have a pension pot of at least £50,000 to start Flexi-Access Drawdown.

When you first use your pension pot under an arrangement/policy for Flexi-Access Drawdown, 25% of the value of that arrangement/policy can normally be paid as a tax-free cash lump sum. It can only be taken from that arrangement/policy at that time.

If you've already used all of your arrangements/policies for income drawdown, you will not be able to take your tax-free cash at a later date. Any arrangements/policies that you don't use for Flexi-Access Drawdown can be used to provide further tax-free cash lump sums and/or an income at a later date.

ILLUSTRATIONS

Before we set up Flexi-Access Drawdown for you, we will send you an illustration(s) based on your instructions. The illustration(s) will show what your drawdown pension pot could be at age 75 (or any other age you select between 55 and 75), taking into account charges over the period.

Once you start to take Flexi-Access Drawdown, we'll send you a personal illustration based on your chosen level of income and the value of your drawdown pension pot.

The value of your drawdown pension pot will depend on a number of things including investment returns, the level of your income payments and charges. Charges can change. Please see the **Charges** section on page 8 for more information.

INCOME PAYMENTS

The maximum Flexi-Access Drawdown income you can take is not restricted. However, if you wish to stop or start taking a regular income, or take an ad hoc income payment, and the value of your drawdown pension pot is below £5,000, you will need to cash in the whole pot. If you're already taking a regular income, this can continue if the value of your drawdown pension pot drops below this amount.

To pay your income, we'll use your drawdown pension pot to provide the amount of income (before deduction of tax) that you have chosen. Please see the **How your money is invested** section on page 7 for further details.

We can only make payments by direct credit to your bank account.

REGULAR INCOME PAYMENTS

You can choose to receive your income monthly, quarterly, half-yearly or yearly, at the start of the period (in advance) or at the end of the period (in arrear).

You can vary the amount or frequency of your regular income by contacting us at least one month before the due date of your next payment.

AD HOC INCOME PAYMENTS

You can request up to two ad hoc income payments in an income year. The income year applies separately to each arrangement/policy and runs for a period of 12 months starting from the date you first take income drawdown, including when you only take your tax-free cash lump sum and nil income.

MINIMUMS FOR FLEXI-ACCESS DRAWDOWN

You don't have to take an income. If you do, the regular minimum withdrawals are:

- £100 monthly,
- £300 quarterly,
- £600 half-yearly, or
- £1,200 yearly.

The minimum ad hoc income payment is £1,200.

TAXATION

ANNUAL ALLOWANCE

The Annual Allowance for the 2019/2020 tax year is £40,000. If the total gross contributions paid by you, your employer or a third party, into any UK Registered Pension Scheme you've taken out are over the Annual Allowance, you'll be subject to a tax charge. If you're also in a final salary pension scheme (defined benefit), your gross contributions for that scheme will be based on the increase in the value of your benefits during the tax year.

In some circumstances a reduced Annual Allowance may apply:

- A Money Purchase Annual Allowance (MPAA) (£4,000 gross for the 2019/2020 tax year) will apply each tax year once you take money directly out of any money purchase (defined contribution) pension pot you have, unless you:
 - only take your tax-free cash lump sum, or
 - take all of it under the small pension pot rules, or
 - continue taking Capped Income Drawdown.

Not all of these options will be available from every pension pot.

Taking a Flexi-Access Drawdown income payment will trigger the MPAA.

- Your Annual Allowance may also be reduced if your income (including the value of any pension contributions) is over £150,000 and your income (excluding the value of any pension contributions) is over £110,000.

The Annual Allowance will not apply in the tax year in which you die or if you access your pension pot because of serious ill health.

You should contact your adviser if:

- You expect your total gross contributions into all pension schemes to exceed the Annual Allowance in any tax year as unused allowances may be available from previous tax years;
- You have any additional questions, including whether your Annual Allowance will be reduced.

INCOME

Any income you take will be taxed under the Pay As You Earn (PAYE) system.

You should carefully consider how much tax you will pay. The amount you pay will depend on your personal circumstances and how you access your pension pot.

Your pension income may also impact any means tested benefits you or your partner receive now or could claim in the future.

LIFETIME ALLOWANCE

There are no restrictions on the value of the total benefits payable from all your Registered Pension Schemes. However, anything over a certain level, called the Lifetime Allowance, will be subject to a tax charge of up to 55% on the excess. Using your pension pot for Flexi-Access Drawdown may give rise to a Lifetime Allowance tax charge.

For most people, their Lifetime Allowance will be the standard Lifetime Allowance. The standard Lifetime Allowance for the tax year 2019/2020 is £1.055 million. Certain circumstances may mean you have a different personal Lifetime Allowance - for example, if you've registered with HM Revenue & Customs for protection. Depending on the type of protection you have, any contribution to a plan may mean you lose your protection.

If your pension pot has been subject to a Lifetime Allowance tax charge, you will receive a notification from us providing details of the tax charge that has been deducted.



The information in this document is based on our understanding of current law relating to pensions. The law and tax rates may change in the future. More information is also available at [gov.uk](https://www.gov.uk)

HOW YOUR MONEY IS INVESTED

INVESTMENT FUNDS

You have to manage where your pension pot is invested and how you take money out of it whilst considering how long you need it to last.

Your pension pot will remain invested, so its value can go down as well as up.

For any arrangements or policies you use for Flexi-Access Drawdown, you'll need to switch any money invested in the With Profits Fund or a lifestyle profile to one or more of our other available funds. You may lose valuable features and we may apply a market value reduction to any money switched out of the With Profits Fund. For more details, please see our **A guide to how we manage your unitised with profits investment**, which is available on request.

The facility to switch investment funds continues to be available whilst you are taking Flexi-Access Drawdown. With the exception of the With Profits Fund and lifestyle profiles, the full range of investment funds remains available to you.

Our **Investment Options fund brochure** contains details of all the funds available that you could switch into. The funds you choose to invest in have specific risks, described in the brochure, which is available on request.

For more information on switching, please see your **Member's/Policy Booklet** or contact us.

INITIAL UNITS

If you have a Personal Pension No.1 Plan or a Group Personal Pension No.1 Plan that started before October 1995 into which you paid regular contributions, some of the units held will usually be initial units (please see your **Member's Booklet** for more information).

If you start Flexi-Access Drawdown from your plan before your selected retirement date, any initial units will be converted to accumulation units, on the terms applicable at that time.

This will include the application of a reduction factor (in accordance with your **Member's Booklet** and any subsequent notification of changes). The most the reduction will be is 1% of the value of the arrangement being used for Flexi-Access Drawdown after any market value reduction and/or any other outstanding charges have been deducted.

REVIEWING YOUR CHOICES

Your circumstances might change after you start income drawdown, so you should regularly review your attitude to risk, taking account of your personal circumstances. This will help you decide if the fund(s) you're invested in remain right for you.

You should review your fund choices as their performance will affect how your pension pot might grow and how much income you can take from it before it runs out. The return on some funds may not be enough to cover the charges you pay. For example, cash can be useful as part of a balanced portfolio of funds, but it's not designed as a long-term investment.

TAKING INCOME

Income drawdown payments will be made by cashing in accumulation units held in the funds the arrangement or policy you're using is invested in. Units will be encashed in proportion to the value of each fund holding at the time of the payment, unless you instruct us otherwise.

If you choose the funds that units are to be encashed from and one of those funds is exhausted, then units will continue to be cashed in from the remaining selected funds in proportion to the value of each fund holding at that time.

For example:

You choose to have your income drawdown taken:

- 50% from the Managed Fund
- 25% from the Distribution Fund
- 25% from the Equity Fund

If the units in the Managed Fund are exhausted and, at that time, the value of your Distribution Fund units is £30,000 and the value of your Equity Fund units is £70,000, unless you specify otherwise, then your income will be taken 30% from the Distribution Fund and 70% from the Equity Fund.

If all the funds you choose have been exhausted, units will be cashed in from any remaining funds in proportion to the value of each fund holding at the time of the payment.

You can change your instructions regarding which funds are to be encashed, subject to one month's notice.

CHARGES

The charges on your plan cover set up and management costs. These could include administration, payments to an adviser and day-to-day fund management. The charges can vary depending on the type of plan you have and when it started. Additional charges may apply to any part of your plan you're not using for drawdown. Please contact us if you'd like further information.

We gave you information about the charges applicable to you when you bought the plan. Please refer to your **Member's/Policy Booklet** and the illustration that you received when you took out your plan, as well as any notification of changes, for further details. You may have benefitted from reduced charges through sales incentives, an adviser giving up their commission or from buying the plan directly from us.

The charges that apply at the time of printing are set out below. We show the possible effect of these deductions in all your personal illustration(s).

ANNUAL MANAGEMENT CHARGE

An Annual Management Charge (AMC) is taken into account when calculating the unit prices of the funds you invest in.

The AMC will be at the rates applicable when your plan started.

ADDITIONAL EXPENSES

Additional expenses (AE) may also apply. They vary by fund and are taken into account when calculating the unit prices. We review the additional expenses regularly, at least once a year, and as a result they may increase or reduce over time.

Further details can be found in the **Investment Options fund brochure**.

As at 6 April 2019, the highest fund charge (AMC + AE) was 1.54% a year. The fund charge will depend on the fund(s) you're invested in and the charges at the time.

As an example, if you had a Personal Pension No.1 Plan and, throughout the statement period:

- you were invested in only the Managed Fund, and
 - the value of this had been £10,000 and
 - its fund charge was 0.56% a year,
- the fund charge would have been £56.00 a year (£10,000 × 0.56%).

Following this approach for each fund you're invested in will give you an indication of the total fund charge. Please ask us if you would like more information about the fund charges.

STAKEHOLDER CHARGE CAP

If you have a Personal Pension No.1 Plan or a Group Personal Pension No.1 Plan, once you use an arrangement for income drawdown, any Stakeholder Charge Cap that applied to that arrangement will cease immediately.

BID OFFER SPREAD

You buy units at the offer price and sell them at the bid price. The offer price is generally higher than the bid price. The difference between these is currently 5% of the offer price and will be reflected in the unit prices of the fund(s) you invest in.

PLAN CHARGE

A plan charge of up to £3.00 a month is deducted by cashing in units. The amount of charge varies depending on when your plan started.

INCOME SET-UP FEE

When you first start taking an income, whether this is a lump sum or regular payments, a set-up fee of £50 will be charged. This is a one-off fee and won't be applied again even if you take more income, including from further arrangements/policies.

SWITCH CHARGE

We no longer make a charge for changing investment funds although we reserve the right to do so. We will notify you if this changes in the future.

OTHER CHARGES

In certain circumstances there may be other charges. If these apply they will be specified in your personal illustration(s), which will be sent to you showing the amount of income you could receive at the date you have chosen.



We review our charges regularly and may introduce charges or change the type and level of charges at any time. We'll let you know in writing at least 30 days before we make any such change. Please contact us if you would like further information about why we might make changes.

AFTER STARTING FLEXI-ACCESS DRAWDOWN

REVIEWS

We'll send you a statement once a year, which will show you:

- the value of your pension pot,
- the fund(s) you're invested in,
- how much of your pension pot has been used for drawdown, and
- the amount of income (if any) you have taken in the last year.

Your annual review will give you an idea of when your drawdown pension pot will run out based on your current level of regular income. We can't tell you exactly how long it will last as this will depend on any income you take, how your investments perform and any charges taken.



You should consider how much you take out alongside any other sources of income you have available. The more you take, the quicker your pot could run out. Inflation will also affect what you can buy in the future with the money you take out.

You can, at any time, choose one or a combination of the following:

BUY AN ANNUITY

You can use your pension pot to buy an annuity from us or another provider. Buying your annuity from another provider is known as the Open Market Option.

Your chosen annuity provider will give you detailed information about the options available.

Annuity rates can change significantly over short periods of time, both up and down. The amount of income that you can buy will depend on the size of your pension pot and the annuity rates available at the time. If the value of your pension pot falls or annuity rates worsen in the future this could result in your pension pot providing you with a lower level of income than you expected.

Once you have bought an annuity, you cannot change your mind and you will be paid an income for the rest of your life.

TAKE A LUMP SUM

You can take all or part of your pension pot as a cash lump sum.

If the arrangement/policy has already been used for income drawdown, the full payment will be subject to income tax.

If you've not used an arrangement/policy for income drawdown, a further tax-free cash lump sum may be available.

TRANSFER YOUR PENSION POT

You may transfer the rest of your pension pot to another provider. You must continue to take income drawdown with the new provider.



At age 75, the plan will close. Any income payments will stop and you will have to decide what you want to do with your remaining pension pot.

PAYMENTS ON DEATH

If you have a Personal Pension No.1 Plan or a Group Personal Pension No.1 Plan, we will pay any death benefits at our discretion, taking into account a range of potential beneficiaries. If you make a nomination, we will not be bound by it but will take it into account when deciding who to pay the benefit to.

If you have a Buy Out Plan and have made a nomination, this is binding to Legal & General and we will pay the benefit to your nominated beneficiaries.

If your nominated beneficiary dies before you, you should provide us with a new nominated beneficiary to allow your death benefits to be payable as shown below.

If your drawdown pension pot is payable to your nominated beneficiary, they will have the following options:

- To buy an annuity.
- To take the pension pot as a lump sum.
- To continue to take Flexi-Access Drawdown (not available for Buy Out Plans). It is only possible to continue Flexi-Access Drawdown with Legal & General if the beneficiary is between age 35 and 73 when you die.

If Flexi-Access Drawdown is continued by the beneficiary:

- They will only be able to take ad hoc income payments if you die before age 75. They will not be able to take a regular income.
- They may transfer the value of the drawdown pension pot to another pension provider and continue Flexi-Access Drawdown.
- They will need to decide by age 75 what to do with any remaining pot as the plan will close.
- If they die whilst taking Flexi-Access Drawdown, the remaining pot will be paid as a lump sum to the beneficiary's estate or to a nominated beneficiary of their choice.

ADDITIONAL INFORMATION

- If you're under age 75 when you die, payment to a beneficiary will normally be tax free as long as it's made within two years of Legal & General being notified of your death. For income drawdown, this will be the date Flexi-Access Drawdown is set up for the beneficiary, even if no income is taken at that time. If the payment is made or income drawdown set up after the two year period, payments will be taxed in the same way as earned income.
- If you're aged 75 or over when you die, any death benefits paid from your pot to a beneficiary will normally be taxed in the same way as earned income.
- In some circumstances there may be an additional inheritance tax liability.

CONTACT US

There are several ways to contact us.



Call us on **0345 0260003**

Call charges will vary. We may record and monitor calls.



Email us at **income.withdrawals@landg.com**

If you're contacting us by email please remember not to send any personal, financial or banking information because email is not a secure method of communication.

You can write to us at:



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If you would like a copy of this or any other item of our literature in larger print, Braille or audio format, please contact our customer service team using the details above.



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