

# Key Features of the Pension Annuity

keyfacts®

Helping you make the right decisions for your future

This is an important document that you should keep in a safe place.



# Contents

 Section 1 <b>Key Features of the Pension Annuity</b>	3	 Section 4 <b>Your quote</b>	9
 Section 2 <b>Your questions answered</b>	4	 Section 5 <b>Further information</b>	10
 Section 3 <b>Your options</b>	6		

## Using this document

### What are Key Features?

The Financial Conduct Authority is a financial services regulator. It requires us, Legal & General, to give you this important information to help you to decide whether our Pension Annuity is right for you.

**You should read this document carefully so you understand what you are buying, and then keep it safe for future reference.**

#### Other documents

We want you to be confident you have all the information you need to decide on your pension annuity. You should also read the following documents:

-  Your Personal Annuity Quote
-  Our Terms and Conditions

Please contact us if you haven't received these.

### Important information about buying a pension annuity

Buying a pension annuity is a once and for all decision.

You can buy an annuity with us or another provider and by shopping around you may be able to improve the income you receive.

Once we set up your annuity and your cancellation period has expired, you **can't** change your mind. Your decision could affect your financial circumstances for the rest of your life and possibly your partner's if they outlive you.

If there's anything you're unsure of, or if you have any queries, then please ask your financial adviser or intermediary, or contact us.

### Further information and help

#### Pension Wise

Pension Wise is a free and impartial guidance service set up by the Government that offers you:

-  Tailored guidance (online, over the telephone or face to face) to explain what options you have and help you think how to make the best of your pension savings.
-  Information about the tax implications of different options.
-  Tips on getting the best deal, including how to shop around.

Visit [pensionwise.gov.uk](https://pensionwise.gov.uk) for more details.

If you prefer to speak to someone over the phone or book a face-to-face appointment you can call **0800 138 3944**.

#### Money Advice Service

The Money Advice Service is an independent service set up by the Government to help people make the most of their money by giving free, impartial advice to people across the UK (online, over the phone and face to face).

For advice and to access tools and planners visit [moneyadviceservice.org.uk](https://moneyadviceservice.org.uk). Or for advice on planning your retirement and your future call **0800 138 7777**.

#### Finding out more

This icon appears where more details are available elsewhere.



# Section 1

# Key Features of the Pension Annuity

## Its aims

- To pay you an income for the rest of your life.
- Depending on which payment options you choose, it may pay a fixed level of income or one that increases year on year, or an income to your spouse, registered civil partner or a financially dependent partner after you die.

## Your commitment

- You, and often your employer, will have been paying money into your pension pot over the years. If you decide you want to buy our Pension Annuity, you'll need to decide how much of your pension pot you want to use.
- Unlike some other financial products, a pension annuity has no 'cash-in value'. You can't sell it, transfer it to someone else or take lump sums from it. If you want to be able to take your pension flexibly, there will be other more suitable products for you.
- You need to be certain the payment options you choose are the right ones for you. If you apply for our Pension Annuity, you'll have 30 days to change your mind starting from the date you sign our application form, or from the date you submit your application if you apply online. After the 30 days have passed, you won't be able to change anything about the way we've set this up for you.
- You need to make sure any medical and lifestyle information you give us is both accurate and complete so we can pay you the maximum level of income you're entitled to.

## Risks

**There are some risks you need to consider carefully before you buy.**

- ! Annuity rates can go up and down depending on investment conditions at the time you buy. You could find the income we quote you may be higher or lower if you wait for a change in investment market conditions.
- ! Depending on the payment options you choose, you could find the effect of inflation over time leaves you less well off than you'd expected.
- ! We may request a report from your doctor after your income starts to check any medical or lifestyle information you've given us.

If we find the report does not support what you've given us and the income we're paying you is too high, we may reduce what we're paying you but your income will not reduce any lower than our standard annuity rate. We'll then take back any overpayments from you.

Please see **'What is an annuity rate'** on page 5 for more information.



## Your questions answered

### What is a pension annuity?

One option you have to convert your pension pot into a regular income is to buy what is called either a 'pension annuity' or simply an 'annuity'.

Basically, you can use the money from your pension pot to buy an annuity with us, after any cash lump sum has been paid. In return, we commit to pay you a regular income for as long as you live. We'll pay your income directly into your bank or building society account. We won't pay your income by cheque.

### When can I buy a pension annuity?

In most cases, the earliest you can buy a pension annuity is age 55.

If you buy it before you'd originally planned to, your income might be smaller than you expected. This is because the money in your pension pot will have had less time to grow, and we may need to pay you your income for longer.

### Can I take a tax-free lump sum?

Yes, provided you haven't already taken one from your pension pot. Under current rules, you can take up to 25% of your pot as a tax-free lump sum before you buy an annuity. If you want to take a lump sum, you must do it before your annuity starts. You'll not be able to take a lump sum from your annuity after it has started.

### Is an annuity suitable for me?

**This document doesn't provide financial advice. It's up to you to decide if this product is suitable for you.**

**An annuity may be suitable for you if you want:**

- ✔ A regular income payable for your lifetime. With the option for it to increase yearly, either by a fixed percentage or in line with the Retail Prices Index (RPI) to help protect it from the effect of inflation.
- ✔ The option for your dependant to receive a regular income if you die before they do.
- ✔ To avoid your pension pot being subject to investment risk.
- ✔ A product that could pay more income if you have certain lifestyle risks or medical conditions.

**An annuity may not be suitable for you if you want:**

- ✘ To withdraw cash amounts from your pension pot as and when you choose.
- ✘ Flexibility to change any of the options you initially choose.
- ✘ Your income to vary depending on investment conditions.
- ✘ To build up a pension pot by making further single or regular contributions in the future.

### Will I have to pay tax on my income?

The income we'll pay you will be subject to income tax. The basic rate of tax for the tax year 2019/ 2020 is 20%. The amount of tax you pay can change from time to time with changes in your circumstances, tax rates and other factors. When these changes happen, the level of income we'll pay you will also change, in line with the instructions we're given by HM Revenue & Customs (HMRC).

There are no restrictions on how much income you can receive. If the total value of all your pension savings exceeds your 'Lifetime Allowance', as set by the Government, the excess will be subject to a tax charge of up to 55%, payable to HMRC. The current Lifetime Allowance of £1,055,000 for the 2019/ 2020 tax year means relatively few people will be affected. We'll send you a P60 each year confirming the total amount of tax we've deducted.

## How much regular income will you pay me?

The level of income we'll pay you will depend on how much money you have in your pension pot and the annuity rate we offer you. It will also be affected by the options you choose.

You should be aware that the total amount of income we pay you may be less than the lump sum you used to buy the annuity.

Your level of income before tax can't go down, although inflation can reduce how much you can buy with the money you receive.

## What is an annuity rate?

It's the rate we use to convert the money from your pension pot into a regular income. When calculating your annuity rate we'll take into account a number of factors including your age, your postcode, and the investment market conditions at the time.

We can also take into consideration your lifestyle and medical conditions if you're prepared to answer some questions about your health. This may allow us to offer you an enhanced annuity rate which could increase your annuity income.

## Do you offer different types of annuity rates?

Yes. We offer standard annuity rates and enhanced annuity rates. Enhanced rates are available for common lifestyle health risks, like smoking or high blood pressure, as well as more serious medical conditions. Your postcode may also affect the rate we offer.

## Can I change my mind?

If you apply for our Pension Annuity, you have 30 days from the date you sign our application form to change your mind, or 30 days from the date you submit your application if you apply online.

If you wish to cancel your application you must write to us. We will then cancel the plan. Our contact details are on the back cover.

If you do not take this opportunity to cancel, your annuity will continue with us and we'll pay you your income. If you decide to cancel we'll make every effort to return the full amount of the original payment to the original source. They may not accept the return of this payment. If they won't, you can either arrange to buy your annuity with another provider and we'll forward the monies to them, or your annuity with us will continue.

If we've paid you any income, you must return this money to us within 30 days of letting us know.

If you decide to cancel and have used part of your pension pot to pay an adviser charge, we will reclaim the charge from your financial adviser. Your financial adviser may then ask you to pay for the services they have provided using another method.

If you decide to cancel and you have paid the adviser charge direct to your financial adviser, we will not reclaim the adviser charge from your adviser. Please see the '**Will you pay anything to my financial adviser or intermediary?**' section on page 9 for more information.

## What happens to my annuity when I die?

Unless you choose any death benefit options your income payments will stop when you die.

For more information please see the '**What death benefit options do I have?**' on page 7.

# Section 3

## Your options

You have a number of options to choose from. You need to consider these carefully before you buy our Pension Annuity.

Not all of them may be available to you. If your pension pot includes any money from you contracting out of the earnings-related part of the State Pension, there may be certain restrictions on how we can pay you your income. We will show any restrictions that apply to you on your quote.

**The options you choose will affect the income we'll pay you.**

### What income options do I have?

#### A fixed income



We can pay you a fixed income, where the level will remain the same for as long as we're paying it to you. With this option you will know how much income you'll be paid and when, but there is the danger that your income won't buy as much over time because of inflation.

The rate of inflation will vary but for example, if inflation averaged 2.5% a year, after 10 years the value of £100 in today's prices would be only £78; and after 25 years, just £54.

#### An income that increases



If you're concerned about the possible effects of inflation, we can pay you an income that increases each year, either:

- ✓ by a fixed percentage – anything up to and including 10%, or
- ✓ in line with the Retail Prices Index (RPI).

RPI is the index of the average change in the prices of goods and services in the UK. You can choose to have the increase capped at 5%, referred to as 'Limited Price Indexation'.

If you choose an income that increases over time, the income we'll pay you to begin with will be lower than if you'd chosen a fixed income.

#### Payment frequency



When you buy our Pension Annuity, you must tell us how frequently you want us to pay you your income.

##### We can make payments:

- monthly,
- quarterly,
- half yearly, or
- yearly.

##### We can pay your income:

- in advance (at the start of the payment period) or
- in arrears (at the end of the payment period).

An income payable yearly in arrears will be greater than one payable yearly in advance but you'll have to wait a year before we pay you your first payment.

If you choose to have your payments made in arrears, you may decide that you would like a final payment to be made to cover the period between your last payment and your death. This is called a 'proportionate' payment.

If you choose a 'proportionate' payment, your starting level of income will be lower.

## What death benefit options do I have?

### A guaranteed minimum payment period

We'll pay you your income for as long as you live. However, you can choose to guarantee that your income is paid for a minimum period from the date your annuity starts. This means that if you die during your chosen period we'll continue to pay your income to your estate or any other person you specify until the end of your chosen period.

You can choose a guaranteed minimum payment period from:

- one year up to 30 years.

There is a maximum age at the end of the period of 100, so if you're above age 70, the longest period you can choose will need to be lower than 30. If you choose this option, the cost of the guaranteed minimum payment period will reduce the amount of income you receive. The longer the period you choose, the lower your income will be.

You could combine an income that has a guaranteed payment period with an income payable to your dependant on your death. In this case, you need to choose whether their income starts as soon as you die (known as 'with overlap'), or when the guaranteed payment period ends (known as 'without overlap'). If you choose 'with overlap', your starting level of income will be lower.

### An income for your dependant

We can pay an income to your surviving spouse or registered civil partner if you die before they do. Or, if you're not married or in a registered civil partnership, then we can pay an income to a financially dependent partner. We would pay this income to them for the rest of their life. The amount they'll get can be set at any level you want up to a maximum of your own income.

As with the guaranteed minimum payment period, choosing this option will reduce your starting level of income.

If you choose this option you need to decide if you want us to pay the income to a:

#### **Named spouse**

The person you're currently married to or in a registered civil partnership with when you start your pension annuity.

#### **Unnamed spouse**

The person you're married to or in a registered civil partnership with when you die, if you do not know who this will be.

Choosing 'unnamed' will give you a lower income than 'named'.

#### **Named financial dependant**

A person who is financially dependent on you at the time of your death and is not a child. You'll need to name this person when you start your annuity.

If you want an income to be paid to a financially dependent partner then you must name them when you buy our Pension Annuity. They'll need to be able to prove they were financially dependent on you at the time of your death.

We will not pay an income to any type of dependant other than those we've described here.

If you're under age 75 when you die, your surviving dependant will not have to pay any tax on the income paid to them. If you die when you are 75 or older, your surviving dependant will pay tax at their highest rate.

## Value protection

This option allows you to protect all or part of the amount used to buy your annuity. When you die, we'll pay a lump sum for the amount you protected, minus any income payments already made.

If you've received income payments that exceed the amount protected, then no lump sum will be paid when you die. We use the gross income payment when calculating how much income you've received (the gross income payment is the amount before any tax is deducted).

If you've chosen to include an income for your dependant, then you can choose to have the lump sum paid on your death (death of the annuitant) or after you have both died (death of the last survivor).

### Death of the annuitant

The lump sum will be paid on your death to your estate or any other person you specify.

### Death of the last survivor

The lump sum will be paid on the last death of either you or your dependant.

Choosing this option will reduce the amount of income you receive. The higher the amount you choose to protect, the lower your income will be.

If you're under age 75 when you die, any lump sum paid will not be taxed. If you die when you are 75 or older, any lump sum paid to your beneficiary, dependant or estate will be taxed at their highest rate.

Choosing to have the lump sum paid on the death of the last survivor will reduce your income by more than if you choose for it to be paid on the death of the annuitant.

**If you choose value protection, then the option to choose a guaranteed minimum payment period will not be available to you.**

## Value protection case study

Paul uses £100,000 to buy a Pension Annuity that pays him an income of £4,410 every year for the rest of his life. He chooses value protection at 50% (£50,000).

If Paul dies after four years he'll have received total income payments of £17,640 before tax. His beneficiaries will receive a lump sum of £32,360 (£50,000 – £17,640). As Paul was under 75 when he died, the lump sum will not be taxed.

If Paul dies after 14 years he'll have received total income payments of £61,740 before tax. No lump sum will be paid to his beneficiaries because he's already received more than the £50,000 protected.

*The case study is for illustrative purposes only and is based on a 65-year-old male with a £100,000 fund. Source: Legal & General May 2019.*

# Section 4

## Your quote

### How long is my quote guaranteed for?

Legal & General can guarantee the annuity rate used in your quote for a limited period. For this rate to apply, we must receive the money from your pension pot(s) before the date shown in the '**Important information**' section in your quote. If we receive the money after this date, we'll have to send you a new quote and the annuity rate available at that time will apply.

### What should I do if I want to accept this quote?

You should complete the application form, and any other accompanying documentation, and return it to your financial adviser or intermediary. You have 30 days from the date you sign our application form to change your mind.

Please see '**Can I change my mind?**' on page 5 for more details.



### What if the date in the **Important information** section of my quote has passed?

We'll send you a new quote. If our annuity rates have changed since your last quote, the figures will reflect this.

### What are the charges?

We take account of the charges when we set the annuity rate. There are no further charges for you to pay.

### Will you pay anything to my financial adviser or intermediary?

We may pay commission to your intermediary for arranging your annuity with us. The amount of commission will depend on how much money you use to buy your annuity. If we will pay commission to your intermediary, we'll show this on your quote.

If a financial adviser gives you a personal recommendation to buy this annuity, you can only pay them for their service with a fee called an 'adviser charge'. You'll agree how much this is with your financial adviser.

You can pay the adviser charge directly from your own funds or we can deduct it from the pension pot you use to buy your annuity. We'll deduct the adviser charge from your pension pot or tax-free cash lump sum and pay it to your financial adviser before we set up your annuity. We'll show this on your quote.

If you choose to pay your adviser charge from your pension pot there will be less money available to buy your annuity, so the income will be lower. However, this might be a more

tax-efficient way to pay, as the money in your pension pot hasn't been taxed yet. If you choose to pay it from your tax-free lump sum it will reduce the amount that you receive.

Once we've set up your annuity you will not be able to cancel the adviser charge or pay another one from your pension pot.

If you cancel your annuity, you may have to find another way of paying the adviser charge. For more information please see '**Can I change my mind?**' on page 5.

We can't pay an adviser charge if your pension plan includes a Guaranteed Annuity Rate or a Guaranteed Minimum Pension. Your pension plan policy documents will confirm if you have these.

You must discuss your adviser charge with your financial adviser. They can explain all your choices and their implications.

### Can I see other quotes?

We'll be happy to provide you with as many quotes as you want so you can compare the effect of different options. We strongly recommend that you approach other annuity providers as you may find a better deal if you shop around. When you get quotes from other providers, you need to ask them for the same options so that you're comparing like with like.

If you've given us consent to share your information with other annuity providers, we'll tell you if the annual income we've quoted is the highest or if you could achieve more by shopping around.

Providers set their annuity rates according to a number of factors, including your lifestyle or medical conditions. The qualifying criteria for enhanced pension annuities vary from one provider to another, so if one provider doesn't offer you an enhancement you shouldn't assume all providers won't. Some providers may ignore lifestyle and medical factors that other providers will take into account.

**You should check with your current pension provider that you won't lose any valuable guarantees or incur any penalties if you don't buy your annuity with them.**

Your current pension provider might offer guaranteed annuity rates which you'd lose if you moved, or they might deduct charges from your pension pot before transferring it to a new provider.

It's really important to make sure you understand the implications before you commit to anything. If you're unsure whether you'll lose any guarantees or incur any charges or penalties by going elsewhere for your annuity, then you should check with your pension provider.

If you have a financial adviser then they will be able to help you. If you don't have an adviser we recommend you take advantage of the free and impartial guidance service, **Pension Wise**, before you make any decisions.



# Section 5

## Further information

### Which law and language do you work in?

**All the information in this document is based on our understanding of current law relating to pensions.**

This contract is governed by English Law. All our customer communications will only be available in English. All communications from us will normally be by letter or telephone.

### What if there is a conflict of interest?

We provide a wide range of services to many different customers. Sometimes circumstances may arise where our duties to customers differ from what is best for us or for another customer. This is a conflict of interest. We take our responsibility to identify and manage conflicts of interest fairly between us and our customers, or between two or more different customers very seriously. To ensure we treat customers consistently and fairly, we have a policy on how to identify and manage these conflicts. A summary of our policy is detailed below and further details are available on request.

We:

- ✔ will consider the interests of all our customers and treat them fairly
- ✔ will manage conflicts of interest to:
  - ensure that all customers are treated consistently,
  - prevent any conflicts of interest from giving rise to a material risk of damage to the interests of our customers
- ✔ have in place procedures to ensure that staff identify and report any new conflicts
- ✔ will keep a written record of any conflicts or potential conflicts
- ✔ if appropriate, will disclose any relevant conflict to a customer before undertaking business with that customer
- ✔ will carry out regular reviews to identify any new conflicts

### Who regulates you?

We're authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. We're entered on the Financial Services Register under number 117659.

You can check this at [fca.org.uk/firms/financial-services-register](https://www.fca.org.uk/firms/financial-services-register) or you can call **0800 111 6768**.

Alternatively, you can write to The Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

### Can you tell me more about Legal & General?

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia.

As at April 2019 we had more than 819,000 annuity customers. In the 12 months to April 2019 we paid our customers over £1.9 billion in pension annuity income.

### What if Legal & General runs into financial difficulties?

We're covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the FSCS if we can't meet our obligations. This depends on the type of business and the circumstances of the claim. Currently 100% of the value of the valid claim is covered. There is no upper financial limit on the claim.

You can find out more about the FSCS (including amounts and eligibility to claim) by visiting its website [fscs.org.uk](https://www.fscs.org.uk) or you can call **0800 678 1100**.

## What is client categorisation?

There are various categories of client set out in the financial regulations. If you buy this Legal & General product, we will treat you as a 'retail client'. Being a retail client gives you the greatest level of protection under the regulations and ensures you get full information about any products you buy.

If, under the regulations, you are a professional client or eligible counterparty, we'll still treat you as a retail client, although this would not necessarily mean that you'd be eligible to refer any complaints to the Financial Ombudsman Service or to make a claim under the Financial Services Compensation Scheme.

## Solvency and Financial Condition Report (SFCR)

We are required to publish an annual Solvency and Financial Condition Report (SFCR) describing our business and its performance, our system of governance, risk profile, valuation for solvency purposes and capital management.

Our latest SFCR is available at

**[legalandgeneralgroup.com/investors/library](https://legalandgeneralgroup.com/investors/library)**

## How do I make a complaint?

If you wish to complain about any aspect of our service, or if you'd like us to send you a copy of our internal complaint handling procedure, please contact us. Our details can be found on the back cover.

Any complaint regarding our administration that we can't settle can initially be referred to:

The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB

 **0800 011 3797**

 **[pensionsadvisoryservice.org.uk](https://pensionsadvisoryservice.org.uk)**

and may then be referred to:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
E14 4PU

 **0800 917 4487**

 **[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)**

 **[pensions-ombudsman.org.uk](https://pensions-ombudsman.org.uk)**

Any sales-related complaints that we can't settle can be referred to:

The Financial Ombudsman Service  
Exchange Tower  
Harbour Exchange Square  
London  
E14 9SR

 **0800 023 4567 or 0300 123 9123**

 **[complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)**

 **[financial-ombudsman.org.uk](https://financial-ombudsman.org.uk)**

Making a complaint to any of the above will not affect your legal rights.



# How can I contact you?

There are several different ways of getting in touch with us. For general enquiries, or if you wish to make a complaint about any aspect of the service you've received from Legal & General:



You can call us on  
**0345 070 2459** for general enquiries  
**0370 050 2616** to make a complaint

Calls to this number will not exceed your fixed line or mobile phone provider's national rate and will be included in any inclusive free minutes plan or discount scheme you may have with your telephone provider. Call charges will vary.

Lines to both numbers are open Monday to Friday, 9am to 5pm. We may record and monitor calls.

All our call centres are UK based.



You can email us at  
**annuities.quotes@landg.com**

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



You can write to us at  
**Legal & General Retirement**  
PO Box 809, Cardiff CF24 0YL



You can visit our website at  
**legalandgeneral.com/retirement**

## Easier to read information

Please call us on **0345 070 2459** if you are visually impaired and would like this document in Braille, large print, audio tape or CD.

**Legal & General Assurance Society Limited**  
Registered in England and Wales No. 00166055.

**Registered office:** One Coleman Street, London, EC2R 5AA

**Legal & General Assurance Society Limited** is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

W12325 07/19 194594 IFA

