

Cash-Out Retirement Plan



Product Summary.

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Section 1

The Cash-Out Retirement Plan at a glance

Summary

The Cash-Out Retirement Plan is a fixed term contract that pays a regular income over a term of between 3 and 40 years for advised sales (3 and 25 for non advised). The plan allows your clients to access their pension fund under the flexi-access drawdown rules, through a Legal & General registered pension scheme.

Investment Limits

Minimum investment to start a plan £10,000 – by transferring the value of an existing personal pension plan(s) and after tax free cash and payment of any facilitated adviser charge.

Maximum investment to start a plan Any – any investment above £1m must have acceptance confirmed.

Top ups Additional investments will need to be put in a new Cash-Out Retirement Plan, minimum to start a plan is £10,000.

Age Limits

Minimum 55 attained

Maximum 85

Term

Plan Term For advised sales 3 to 40 years.
For non advised sales 3 to 25 years.

Income

The income amount is set at outset and depends on:

- The investment amount
- The term of the plan
- The income options chosen
- The return we can offer when the plan is started.

Income can be paid:

- Monthly, quarterly, half yearly and yearly
- In advance or in arrears.

For advised sales the income can escalate in payment.

The following options are available:

- Fixed from 0.1% to 10%
- Indexation – in line with the Retail Prices Index or the Limited Price Index.

Death Benefits Option

Guaranteed Payment Period:

- Allows the income payments to continue to be paid to your client's beneficiary(ies) or to their estate until the end of the guaranteed payment period.
- For advised sales the guaranteed payment period can be any number of full years or for the full term of the plan.
- For non advised sales the income will automatically continue to be paid until the end of the plan.

For advised sales – joint life:

- A percentage of the income payments continue to be paid to a spouse, civil partner or financial dependant.
- Percentage between 1 – 100%.
- Paid to the selected individual until the end of the plan or their death, whichever is earlier.

The beneficiary will have the option to take any remaining income due, as a lump sum. We'll calculate this in the same way that we calculate a cash in or transfer value. The lump sum value will always be less than the total amount due in income payments.

No death benefits:

- If no death benefits are selected and the client dies before the end of the plan term, then there will be no further income payments. Choosing no death benefits will increase the amount of the income payments.

Cashing in early or transferring to another pension scheme

If a guaranteed payment period has been chosen that is equal to the plan term, the client has the option to cash in their plan early or transfer the value to another registered pension scheme.

We'll calculate this 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. For more information please see the Terms and Conditions.

Agent remuneration

Adviser Charge

The amount to be paid can be stated as a percentage or pounds amount of:

- The tax free cash sum
- The amount after the tax free cash has been taken off
- A combination of both.

Commission

Commission is only available where a personal recommendation has not been given. Please see our 'Commission Schedule' for further details – this is available on the Adviser Centre.

Section 2

Target clients and potentially suitable clients

| Policy Holder Attribute | Target market | Potential eligibility |
|---|---|--|
| Age / Stage of life | 55+ | Any age that qualifies as an early retirement age due to ill health or a protected retirement age. |
| Gender | Equally suitable for males and females. | Equally suitable for males and females. |
| Financial expertise | <p>Low. May have built up a pension fund over a long period with minimal monitoring or ongoing changes.</p> <p>Would understand the basics of holding a current account and a savings account.</p> <p>Must be able to understand the terms of the Cash-Out Retirement Plan.</p> <p>In the event of cashing in or transferring out, must be able to understand the fluctuation in value.</p> | <p>Must be able to understand the terms of Cash-Out Retirement Plan.</p> <p>In the event of cashing in or transferring out, must be able to understand the fluctuation in value.</p> |
| Length of investment | <p>Must be able to commit to hold investment for the chosen term (between 3 and 40 years for advised sales and 3 and 25 years for non-advised sales).</p> <p>Must not be looking for lifetime income or an income that lasts longer than the chosen plan term.</p> | <p>Must be able to commit to hold investment for the chosen term (between 3 and 40 years for advised sales and 3 and 25 years for non-advised sales).</p> <p>Must not be looking for lifetime income or an income that lasts longer than the chosen plan term.</p> |
| Likely attitude to / capacity for risk | <p>Does not want the value of their investment to fluctuate. Wants set returns.</p> <p>Must be aware of inflation risk on fixed level of income.</p> <p>Clients may wish to increase the amount of income they receive by selecting no benefits to continue to be paid in the event of their death before the end of the term.</p> <p>Clients must not be requiring an income for life from this investment, and understand that the investment will be fully exhausted at the end of the term.</p> | <p>Does not want the value of their investment to fluctuate. Wants set returns.</p> <p>Must be aware of inflation risk on fixed level of income.</p> <p>Clients may wish to increase the amount of income they receive by selecting no benefits to continue to be paid in the event of their death before the end of the term.</p> <p>Client must not need an income for life from this investment, and understand that the investment will be fully exhausted at the end of the term.</p> |
| Health | All health statuses although if the customer is in ill health, or has certain risks from their lifestyle (for example being a smoker), they may benefit from an enhanced income through an alternative product (for example annuities with enhanced rates). | All health statuses although if the customer is in ill health, or has certain risks from their lifestyle (for example being a smoker), they may benefit from an enhanced income through an alternative product (for example annuities with enhanced rates). |

| Policy Holder Attribute | Target market | Potential eligibility |
|--------------------------------------|---|---|
| Tax Status | All tax statuses. However, where no tax advantage (i.e. the total value is within their personal allowance - £11,850 for 2018/2019) and proposed term is close to minimum then alternative deposits should be considered first. | All tax statuses. However, where no tax advantage (i.e. the total value is within their personal allowance - £11,850 for 2018/2019) and proposed term is close to minimum then alternative deposits should be considered first. |
| Other financial products held | <ul style="list-style-type: none"> • Current account • Savings account • Cash ISA • Money purchase pension fund | None, although likely to have a bank account. Also may be suitable to hold as part of a wider portfolio of investments. |
| Income / Wealth | <p>Must hold sufficient funds for emergency cash access first.</p> <p>Sufficient wealth to invest at least £10,000 for a minimum of 3 years, and are able to exhaust the fund over the term (meaning that they have other income/capital to rely on for the period after the plan term ends).</p> <p>Likely that the sum has been built up over a long period in a pension fund.</p> <p>Current income may be low or nil.</p> <p>See 'Tax status' section above for further information on where alternative deposits should be considered first.</p> | <p>Must hold sufficient funds for emergency cash access first.</p> <p>Sufficient wealth to invest at least £10,000 for a minimum of 3 years, and are able to exhaust the fund over the term (meaning that they have other income/capital to rely on for the period after the plan term ends).</p> <p>Likely that the sum has been built up over a long period in a pension fund.</p> <p>Current income may be low or nil.</p> <p>See 'Tax status' section above for further information on where alternative deposits should be considered first.</p> |
| Investment / Protection aims | <ul style="list-style-type: none"> • Income or growth • Fixed returns • To bridge the gap to another source of income. | <ul style="list-style-type: none"> • Income • Fixed returns • To bridge the gap to another source of income. |
| FRESCO segments | <ul style="list-style-type: none"> • Road to retirement • Low income elderly. | <ul style="list-style-type: none"> • Road to retirement • Low income elderly • Asset rich greys. <p>Other segments where a lower retirement age is obtained.</p> |

The client segments we use are the ones used by the FRESCO segmentation tool. This describes people in terms of their product holding and demographics as well as attitudes to financial services. If you would like more information about FRESCO segments please go to www.caci.co.uk.

Section 3

Unsuitable customers

| Policy Holder Attribute | Description of why product may be unsuitable for some customers | |
|--|--|---|
| Age / Stage of life | Under age 55 (apart from where the client has a protected lower retirement age or they are retiring on the grounds of ill health). | |
| Gender | N/A | |
| Financial expertise | Clients who do not understand the product. | |
| Length of investment | Clients unable to commit to an investment of at least 3 years, or those who are looking for a lifetime income. | |
| Likely attitude to / capacity for risk | Clients looking for higher returns through taking higher risks. Clients who are totally risk-averse to any sort of investment. | |
| Health | None, although if eligible for enhanced rates then should also consider products that offer increased rates first. | |
| Tax Status | Nil rate tax payers if they can withdraw their pension fund within their personal allowance and are looking to spend over the short term (3 years). | |
| Other financial products held | N/A | |
| Income / Wealth | Customers that do not have at least £10,000 to invest or those who would benefit from using their investment to provide a lifetime income instead of using over a shorter term. | |
| Investment aims | Clients looking to keep capital invested for long term growth. Clients needing instant access to cash. Clients in need of an emergency cash fund. | |
| FRESCO segments | Segments where the client is unlikely to be of an age at which they can access their pension pot: <ul style="list-style-type: none"> • Still at home • Starting out • Rising metropolitans • Poorer parents • Working singles and couples • Home owning families • High income professionals • Older working families. | The client segments we used are the ones used by the FRESCO segmentation tool. This describes people in terms of their product holdings and demographics as well as attitudes to financial services. If you would like more information about FRESCO segments please go to www.caci.co.uk . |



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