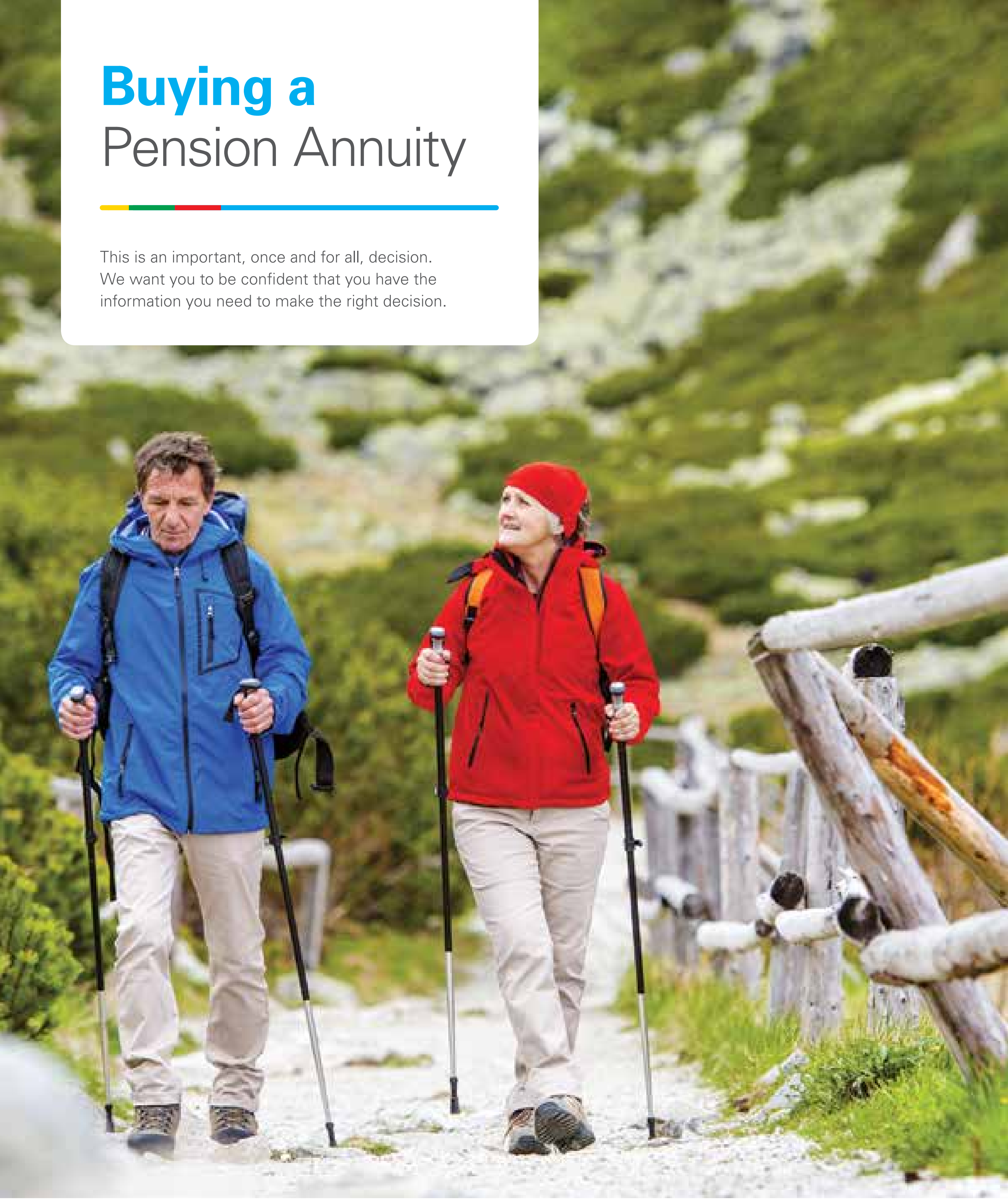
Buying a Pension Annuity

This is an important, once and for all, decision. We want you to be confident that you have the information you need to make the right decision.



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Section 1
Why do I need to think about buying a pension annuity?

When you come to take your benefits, you will have some important decisions to make. Probably most important of all is how to secure enough income to live on for the rest of your life.

One option you have is to convert the pension pot you've built up into a regular income. You can do this by buying what is called a 'pension annuity' or an 'annuity'.

Quite simply, an annuity pays you a series of regular income payments (a pension). Once in payment, it's payable for the rest of your life, no matter how long you live.

The income you'll receive will be subject to income tax. The amount of tax will depend on your individual circumstances and may change over time.

Where can I buy a Pension Annuity?

You don't have to buy your annuity from your current pension provider. We strongly recommend that you approach other annuity providers, as different providers offer different rates. 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 have a number of pension plans taken out with different providers, you may wish to combine or 'transfer' them into one. By doing so you may increase your buying power.

There are a number of different types of annuity available on the market, but not all providers offer the full range. You need to make sure that the one you buy is the one that best suits your circumstances.

As you read this brochure, you'll see we've pulled out key information for you in boxes like these.

Section 2
How much income will I receive from my annuity?

The income you'll receive will depend upon a number of factors, the main ones being:

Your age

The younger you are when you buy your annuity, the longer the income may have to be paid. This normally means that at any one point in time, the income paid to a younger person would be less than the income paid to an older person from an annuity bought with the same amount of money.

Your state of health

The healthier you are, the longer you're likely to live. And the longer you live, the longer your income will have to be paid. But, for those in poor or serious ill health, enhanced annuity rates may be available, qualifying them for a higher income.

The amount of money in your pension plan

The level of income we'll pay will depend on how much money you have in your pension pot and the annuity rate you are offered. The total pension income paid from your annuity could be less than the amount used to buy it.

Investment market conditions

Different annuity providers will have different ideas about future investment returns, which will affect the annuity rates they offer. It's always a good idea to shop around to get the best deal for you.

The options you choose

You'll have a number of options when you buy your annuity. These are explained in the section 'Your options'.

Section 3
What types of annuity do you offer?

It's important you understand the differences between the various types of annuities and the options available. It's especially important as once your annuity has been set up you cannot change your mind.

Deciding what's best for you will depend on your overall needs and personal circumstances.

"I would like to be able to budget in advance."

Our Pension Annuity will pay you a regular income for the rest of your life. You can choose to receive either a fixed income, which will pay you a set amount each year, or one that increases year after year.

If you choose a **fixed income**, your income will never fall, but it will never go up either.

The effect of inflation could then mean that your money will not stretch as far in years to come. An example of the effect of inflation is provided on page 5.

Alternatively, an **increasing income** may help guard against the possible effects of inflation. You can choose to have your income increase each year by a fixed percentage of anything up to and including 10%, or linked to increases in the Retail Prices Index (RPI).

It's important to note that the starting level of an increasing income will be lower than the starting level of a fixed income.

"Could I qualify for extra income?"

If you have a medical condition(s) or one or more qualifying lifestyle health risks, such as you smoke, are overweight, or have high blood pressure, you could qualify for an **Enhanced** rate annuity which may result in you receiving more income than our **Standard** rate could provide.

The more serious your medical condition(s) or lifestyle health risks, the more income we may be able to offer you. For an idea of how much more, take a look at the case studies opposite.

In order to be considered for an enhanced rate you will need to answer some questions about your health. The information you disclose will be assessed before we decide whether you're entitled to a higher income from our Pension Annuity. We may also contact your doctor to request a report about your medical condition(s).

If you choose to provide a spouse's, registered civil partner's or dependant's income, we may be able to offer you more income based on their health.

Different annuity providers have different qualifying criteria for their enhanced annuities, so you should get quotes from as many providers as possible. If one provider doesn't offer you an enhancement you shouldn't assume that will be the case for all providers. Some providers may ignore lifestyle and medical factors that other providers will take into account.

The case studies below are not real people and are for illustrative purposes only.

They assume that both Jim and Bill are 65 and have wives aged 62. Their income increases by 3% a year and is payable monthly in advance. A spouse's income of 67% will be paid on death to their widow.

Case Study 1

Jim was diagnosed with early onset dementia six years ago, he is now at the advanced stage, on medication and requiring daily nursing care. After providing detailed medical evidence of his condition, instead of the £10,000 he would have received each year from a standard pension annuity, he was paid £12,750 – an additional income of 27% each year.

Case Study 2

Bill has been diagnosed with lung cancer and has recently found out that the cancer has spread. After providing detailed medical evidence of his condition, instead of the £10,000 he would have received each year from a standard pension annuity, he was paid £11,077 - an additional income of over 11% each year.

Source: Legal & General October, 2018

Section 4
What do I need to consider?

What is my attitude to risk?

Your attitude to risk may go some way to determining the sort of annuity you buy.

For example, do you want the certainty of a regular income that, although secure, provides no real opportunity for growth?

Or, do you want an income that carries a higher degree of risk but at the same time allows you the potential to benefit from possible future investment returns?

If your attitude is to take a more cautious approach, then you're more likely to want to consider our Pension Annuity.

If, on the other hand, you would like to adopt a more adventurous approach, and you understand the possible risks to your income, then you could consider an investment-linked annuity.

Our Pension Annuity will provide you with an income, payable for the rest of your life, which won't go down.

An investment-linked annuity will also provide you with an income, payable for the rest of your life. The income payable could go down as well as up.

We don't offer an investment-linked annuity. If you think you might be interested in this type of annuity, please speak to a financial adviser.

How long will I need my income?

You may be surprised at how long you may need to rely on your income. On average, a man aged 60 today could reasonably expect to live a further 28 years; and a woman of 60 a further 30 years.*

Therefore you need to consider the possible effects inflation may have on your income year after year.

For example, if inflation averaged 2.5%, after 10 years the value of £100 in today's money would be only £78; and after 25 years, just £54.

*Source: Office for National Statistics.

When you buy an annuity you can help guard against the possible effects of inflation.

With our Pension Annuity you can choose to have your income increase automatically each year.

Increases to income from our Pension Annuity can be:

- a fixed level of up to and including 10% a year, or
- linked to the increase in the Retail Prices Index (RPI): an official measure of the general level of inflation as reflected in the retail price of a basket of goods or services in the UK.

What happens to my income when I die?

An annuity will pay you an income for as long as you live and will normally cease being paid when you die. You may therefore want to consider how you can provide for those you might leave behind.

You may want to include:

- a spouse's, registered civil partner's or dependant's income, payable after your death,

and/or

- a guaranteed minimum payment period, during which your income will continue to be paid even if you die.

We offer:

- a spouse's or registered civil partner's income option. Or, if you're not married or in a registered civil partnership, then you can choose for an income to be paid to a financially dependent partner. The amount they'll receive can be set at any amount up to a maximum of your own income

and/or

- a guaranteed minimum payment period option. In most circumstances you can normally choose a period of between 1 and 30 years (in whole years only). The maximum age at the end of the period is 100, so if you're above age 70, the period you can choose will need to be lower than 30.

What about my state of health?

Your state of health when you buy your annuity may have a bearing on how much income you'll receive. For example if you smoke, or you're in ill health then you could be entitled to a higher income.

In determining the amount of income you'll be paid, it may be that you're eligible for 'enhanced' rates on our Pension Annuity. This is because the life expectancy of someone who is suffering from poor health may be shorter than that of someone who has a healthy lifestyle and is in good health.

If you have one or more qualifying lifestyle health risks, like smoking or high blood pressure, or if you suffer from more serious health problems, you could qualify for enhanced rates on our Pension Annuity. This could increase your income quite substantially in some cases.

Section 5
Your options

Payment frequency

You can choose how often and when you receive your income. Although most people opt for a monthly income, you can choose to have your payments made to you on a quarterly, half yearly or yearly basis, and either at the start of the payment period ('in advance') or at the end of that period ('in arrears').

Your payments will normally be made after income tax has been deducted.

Guaranteed minimum payment period

Whilst your annuity will pay you an income for as long as you live, by choosing a guaranteed minimum payment period your income is guaranteed to be paid even if you die within that period. The guaranteed minimum payment period begins from the date your annuity starts and you can normally select a period of up to 30 years (in whole years). There is a maximum age at the end of the period of 100, so if you're above age 70, the period you can choose will need to be lower than 30. Should you die during the guaranteed minimum payment period, any remaining income payments will be paid to the person nominated by yourself, or to your estate.

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.

An income for your dependant

Our annuity will pay you an income for as long as you live and will only stop being paid when you die. However, you can make arrangements for an income to continue to be paid after your death to a surviving spouse, registered civil partner or financially dependent partner.

If you choose this option, then your starting level of income will be lower.

If you are 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 relevant rate of income tax.

Section 6
How the options you choose can affect your income

There is a cost attached to each option, which will directly affect the starting level of your income.

The more options you add, the greater the effect. You can ask us for as many quotes as you like so that you can see what effect choosing different options would have on your income.

The table on the next page gives an indication of how adding different options could affect the income we pay from our Pension Annuity. The figures are based on a 65 year old.

Examples:

If they choose a fixed income with no guaranteed minimum payment period or spouse's income on death, they would get a yearly income of £1,000, payable monthly in arrears.

But if they were to add a five year guaranteed minimum payment period, their starting level of income would be £998 a year. If they also choose a 3% yearly increase in payment and add a 50% spouse's income on death, their starting level of income would be £607.

Yearly increase	Guaranteed minimum payment period (years)	Dependant's income (%)	Starting level of income (%)
None	0	0	1,000
None	5	0	998
None	10	0	992
None	15	0	978
None	20	0	951
None	30	0	842
3%	5	0	666
5%	5	0	506
7%	5	0	375
None	5	50	926
None	5	67	907
None	5	100	873
3%	5	50	607
3%	5	67	591
3%	5	100	561
RPI	5	50	497
RPI	5	67	483
RPI	5	100	457

Source: Legal & General October, 2018

Please note that this is not an exhaustive list of the possible combinations of options. It's just intended to give you an idea of the possible effects different combinations could have on your income.

Section 7
Further information

Where can I go for help?

Pension Wise

Pension Wise is a free and impartial guidance service from 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 use of your pension savings.
- information about the tax implications of different options and other important things you should think about, and
- tips on getting the best deal, including how to shop around.

www.pensionwise.gov.uk

0800 138 3944

Financial advice

We strongly recommend that you take financial advice before you make the decision to buy a pension annuity.

If you don't have a financial adviser you can find one in your area by visiting:

www.unbiased.co.uk
and entering your post code.

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:
www.fca.org.uk/firms-financial-services-register

Or you can call:
0800 111 6768

Alternatively, you can write to:
12 Endeavour Square
London
E20 1JN

Section 8
About Legal & General

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.

As at August 2018 we had more than 815,000 pension annuity customers. In the 12 months to August 2018 we paid our customers over £1.7 billion in pension annuity income.

Easier to read information

Please call us on **0800 048 2446** if you are visually impaired and would like this document in Braille, large print, audio tape or CD.

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