Protected Retirement Plan

Customer guide

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Introduction

The pension freedoms that came into effect from April 2015 give you far more flexibility in when and how to access your pension savings.

But the need for a regular income remains.

The LV= Protected Retirement Plan offers more flexibility and access to your money than a standard annuity by providing a guaranteed income option for a fixed term (rather than for a lifetime) which you can also cash in at any time.

And because you're not locked into a lifelong decision, you'll be free to reassess your needs and provisions as you grow older and your personal circumstances change.

Multiple product solutions are becoming increasingly popular, as a way to achieve the perfect balance of security and flexibility. Our Protected Retirement Plan is ideally suited to deliver a secure income as part of a blended solution.

If you can answer 'yes' to any of the following questions, the Protected Retirement Plan may be right for you.

- Do you like the idea of receiving a guaranteed income, but don't want to lose control of your pension fund?
- Do you want to receive an income but are worried that your health may not be so good in the future?
- Do you want to choose the level of income you'll receive without committing to something that may not be suitable in five or ten years' time?
- Are you nervous about exposing your pension savings to fluctuations in investment performance?
- Would you like more flexibility, choice and security within your existing pension arrangements?
- Are you considering taking your whole pension as cash but concerned about facing a large tax bill?

Our Protected Retirement Plan is available on its own or as part of our blended solution, the LV= Flexible Transitions Account. Please discuss your options with your financial adviser to choose the right product(s) to meet your needs in retirement.

How does it work?

Some basics about our Protected Retirement Plan (PRP)

You can invest part or all of your pension fund in our Protected Retirement Plan to secure income, a guaranteed lump sum, or both, depending on the options you select, as summarised below:

- **Full guaranteed income** - You can take all the money you invest as income. This will guarantee a level of income for a fixed term and can be used for efficient tax planning. As the whole fund is taken as income, no lump sum will be paid when your plan ends.
- **Full guaranteed lump sum** - You can invest your pension fund over a fixed term. We guarantee the amount we'll pay at the end of the term, so you'll know exactly what you'll get back regardless of market conditions. We call this the Guaranteed Maturity Value (GMV). No income payments will be made from the plan during the term.
- **Guaranteed income and guaranteed lump sum** - You can take a regular income for a fixed term from your plan and receive a lump sum when the plan ends. Both the income and the lump sum are guaranteed, so you'll know from the outset exactly what you'll get back, and when.

For each of these options, if you die during the chosen term your plan will end and no further income or lump sum benefits will be paid unless you add death benefits when buying your Protected Retirement Plan with us. We offer different types of death benefits that can be used to provide an income or lump sum for your beneficiaries if you die during the plan term. The amount paid will depend on the death benefit option you add when the plan starts.

It's important you think carefully about the options you have.

The flexibility to change your mind

Our conversion feature allows you to end your plan early and convert to any other retirement product or take it as taxable cash. You can do this at any time, so you won't have to wait until the plan ends if you don't want to.

The conversion feature is automatically included, so there's no extra charge and no need to opt in. The value may be significantly less than the Guaranteed Maturity Value if you use the conversion feature in the early years, or if investment conditions worsen.

What term can I choose?

You can choose any term up to 25 years (minimum term applies). You can usually buy a plan if you're 55 or over but it must end by age 90.

A PRP can give you:

- Secure guaranteed income
- Guaranteed capital sum in the future
- Certainty with a chosen term
- Breathing space to review plans in the future
- Access to capital if required
- Control of death benefits

How much income can I choose?

If you want to receive an income, you choose the amount you want to receive when you set the plan up. The amount of income depends on:

- The size of the pension fund you invest
- The plan term
- Whether you choose your income to stay the same or increase each year by a fixed percentage (up to 8.5%)
- How often you choose your income to be paid

How might my income be restricted?

- **Flexi-access Drawdown** - if you choose flexi-access drawdown, we don't have to restrict your income. Therefore, as long as the selected income is sustainable throughout the chosen term, there's no maximum limit.
- **Capped Drawdown** - if you're in capped drawdown, Government Actuaries Department (GAD) limits may restrict your income. Annuity rate tables are used to calculate the maximum income that can be taken from a pension fund. If we have to reduce your income, we'll pay the difference between the full income and the restricted income, plus interest, when the plan ends.

If you choose to receive a fixed income, remember that over time, the rising costs of goods and services will mean that your income will buy less in the future.

If you don't take any income at all, we won't pay out anything unless you're still alive at the maturity date. If you die before the plan ends and you've chosen a death benefit, we'll pay this instead.

What do you pay out at the end of the plan term?

You can choose to receive a guaranteed lump sum when the plan ends. The amount is set at the start. The GMV is protected and isn't at risk to changes in investment conditions over the term of the plan.

If you choose to receive a lump sum, the GMV will depend on:

- The size of the pension fund you've invested
- The plan term
- Your age
- How much income you choose, if any, and how often it's paid
- Any death benefits included
- Our views about current and future investment markets

Although we guarantee the amount payable at the maturity date, we can't guarantee what income this will provide. This depends on the economic and investment conditions, and annuity rates available, at that time.

How can I use the GMV?

Provided you survive until the maturity date, you can use your GMV to:

- Buy another fixed term retirement plan
- Buy a lifetime annuity (including enhanced if you qualify)
- Transfer to pension drawdown
- Take a final income payment, if in flexi-access drawdown (subject to income tax)
- Take some or all of the value as a taxable lump sum

What happens if I die before my plan ends?

When you set up your plan with us, you can choose to add some death benefits. You can choose lump sum or continued income and the options differ depending on the type of plan you choose.

If you add lump sum death benefits to your plan, you can nominate one or more beneficiaries to receive this money when you die. This could be your spouse or civil partner, children, or even your grandchildren. The scheme trustees have discretion over who to pay death benefits to, but they'll take your wishes into account.

If you add a beneficiaries income (available on the customer version only) when the plan is set up, you can decide who'll receive the income if you die during the chosen term.

Who might the Protected Retirement Plan (PRP) be suitable for?

The following scenarios illustrate different features of the PRP and how it can work for people in different situations.

They're not based on real examples.

Speak to your financial adviser to discuss how a PRP can suit your individual circumstances.

Scenario 01

Extra income

Jenny's a self-employed training consultant. She's recently turned 55 and wants to reduce her hours until she's 60, at which point she may consider retiring. She wants to use some of her pension fund to bridge her income over the next five years.

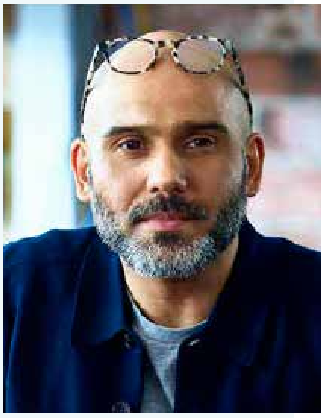
She doesn't want to tie up her money for the long term and is wary of the risks of investing her pension savings in the stock market. She'd also like to use her tax free cash to treat herself to a holiday and buy a new car.

Her adviser recommends that she takes her maximum tax free cash and uses the remainder to buy a PRP that pays £400 a month for five years. She can then use the Guaranteed Maturity Value to buy another retirement income product, or a taxable lump sum when she may decide to completely retire from work.

The security of the income and guaranteed maturity value also means that she won't need to worry about investment performance.

Scenario 02

Breathing space and potential health issues



James is aged 58 and single. He recently retired and wants to start receiving some income from the £95,000 fund that he's built up in his employer's group personal pension.

Although he's concerned about some health issues he has, he doesn't qualify for an enhanced annuity and wants to keep his options open until after age 65 when his State Pension starts. He's aware that annuity rates may fall but equally that he may benefit if they rise, or if his health worsens.

Having discussed his options with his financial adviser, he buys a PRP with a seven year term and no death benefits, and takes an income broadly equivalent to what he'd receive from a standard lifetime annuity.

Just before the end of the seven year term, James sees his doctor, who diagnoses worsening blood pressure and angina. His adviser searches the market using the Guaranteed Maturity Value and secures an enhanced annuity, paying James a higher income than a standard annuity.

Scenario 03

Blended solution with LV=

Stephen gives up full time employment at age 65 but takes a part time job on less money.

He has a personal pension fund which he'd like to use to:

- Provide a lump sum to buy a car and pay for a trip to Australia to see his daughter
- Provide extra income for ten years to supplement his earnings from his part time job and his State Pension

Stephen would like to invest the remainder of the fund so in ten years' time, when he stops working for good, he has another fund to use to provide income on top of his State Pension.

His adviser suggests a blended solution with LV=

1. Tax free cash from the fund provides enough money for the car and the air fare to Australia.
2. Use part of his fund to buy a PRP to provide a guaranteed income for ten years.
3. Put the remaining fund in a Smoothed Pension fund with a 10 year guarantee, so Stephen has the security of knowing that, regardless of what happens, he has a fund at age 75 to supplement his State Pension.

Scenario 04

Long term, focussing on rate available and flexibility

Joan is aged 65 and is in good health. She doesn't qualify for an enhanced annuity and expects to live for a long time in retirement.

She'd like to receive a guaranteed income, paid over a number of years, whilst keeping her options open if her circumstances change in the future.

Joan's financial adviser recommends setting up a PRP to her anticipated life expectancy, with a higher income than a standard annuity but with the potential for a lump sum to provide future income if she lives longer.

She buys a 20 year PRP with the peace of mind that she can use the conversion feature to convert to any other retirement product or take taxable cash during the term of the plan.

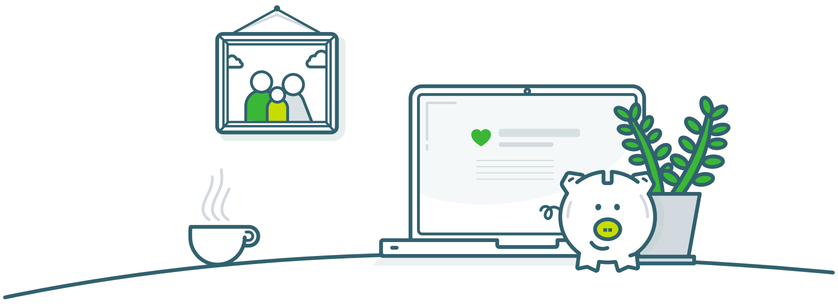
Additional tax effficient option

Our PRP can also be used as an investment in a Self-Invested Personal Pension (SIPP).

All income is paid into a bank account within the SIPP so you can drawdown income, whenever you need it, in the most tax efficient way.

Using the PRP to provide your income also means you aren't cashing in long-term investments, potentially at a time when they have a low value due to market fluctuation.

We strongly recommend that you speak to your financial adviser, who can help you use this option to structure your retirement income in the most tax effcient and flexible way.



Frequently asked questions

What happens if I cancel the plan?

You can cancel within 30 days of the date of your first personal quote. If you do so and we've already set up the plan, we'll cancel it. We'll pay your pension fund back to your original pension scheme. They may not accept the money back. If this is the case, you'll need to find another provider to accept the money.

Who can I choose to receive a beneficiaries income if I die during the term of the plan?

Only the customer version, bought as a standalone plan, has the option for you to choose a beneficiaries income. Your spouse, civil partner, someone who is financially dependant on you or someone you specifically choose, could all qualify to receive a beneficiaries income. We pay a beneficiaries income to one person from your list of choices.

What are the charges?

We take off a charge at the start of the plan to cover the set-up costs and our yearly administration costs. We take these into account before we calculate the starting income, if you choose this, and the Guaranteed Maturity Value.

How much does the financial advice cost?

Your financial adviser can give you full details of the cost of providing advice. We also show the amount in your personal quote.

How will my income from the PRP be taxed?

Income tax will normally apply to the income we pay you and, where relevant, your beneficiary. It will normally be taxed under the Pay As You Earn (PAYE) system, which means we'll deduct tax before we pay you. This is similar to tax on employment income.

If the Government changes the tax treatment of the plan, the income you receive may fall. Tax treatment depends on your personal circumstances. If a beneficiary isn't your spouse or financially dependant on you, you'll need to check if there are any IHT issues with receiving an income in the event of your death.

If you're invested in a SIPP, we'll pay the income gross and the trustees are responsible for paying the tax.

For more information on how the benefits from this plan are taxed, please see the Key Features document.

Why LV=?

We're one of the leading life and pensions mutual insurers, serving over 1 million members and customers across the UK. As an investment, protection and retirement specialist, we offer a range of products, services and advice to help members and customers protect their income while they're working and maximise it when they stop.

Backed by award-winning service and support

We're proud of our position in the savings and retirement market, and can trace our retirement and income planning expertise back over 30 years.

Our strong service and support ethic, together with a reputation for providing innovative products, means our retirement products and award-winning customer service are highly regarded by industry experts, advisers and customers.

Financial strength

Capital Coverage Ratio (CCR) of 174%

(Source: LV= Annual Report 2022).

We aim to ensure the long-term sustainability of the group by maintaining a robust Solvency II Capital Coverage Ratio (CCR). Our ratio of 174% is significantly above our risk appetite target level of 140%.

Overall financial strength rating

B (strong)

(Source: AKG Consulting, Company Profile & Financial Strength Report, November 2023)

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

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