PRUDENTIAL

Your yearly benefit statement

For Retirement Annuity, Personal Pension and Stakeholder Pension

Section 1

About your statement

This guide accompanies your yearly statement for your pension plan which provides details for all your Retirement Annuity, Individual Pension and Stakeholder Pension plans with us. Government regulations require us to send you a statement once a year to keep you up to date with the benefits that may be available to you in the future. The statement will also help you decide if your pension plan is on course to meet your needs.

It's important you fully understand the information provided in your personal yearly statement. This guide will help explain its content, review some of the more important aspects of relevant pensions legislation and answer some common questions.

Section 2

Current pension rules

Some of the rules surrounding pensions can be complex. This section provides an explanation of some of the more important points.

General information about UK pensions rules

Tax-free cash	Normally able to use up to 25% of your accumulated fund to provide a tax-free cash sum when you take benefits.
Flexibility in taking benefits	You are able to take your retirement benefits even if you continue to work full or part time.
Minimum retirement age	Minimum age to take benefits is 55 but you can take them earlier if you have a protected early retirement date or if you're in ill health. Except for any Drawdown funds you must take benefits by age 75. If you wish to remain invested beyond 75 you will need to move to an arrangement with another provider.
Tax relief	Tax relief will normally apply to your contributions up to £3,600 or 100% of your earnings, if greater subject to the annual allowance.
Annual Allowance	The Annual Allowance is a limit to the total amount of contributions that can be paid to defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension schemes each year. For money purchase arrangements the amount of Annual Allowance you have used is found by adding together the total contributions paid by you or on your behalf over the tax year. For defined benefit arrangements, the amount of Annual Allowance you have used is worked out using a calculation to factor in the growth of your benefits over the tax year. The standard Annual Allowance for a tax year is currently £40,000. If your total income, including income from investments, pensions, your salary, bonuses or trading profits, is over £110,000, you may have a reducing annual allowance. This is sometimes referred to as your Tapered Annual Allowance.

General information about UK pensions rules continued

Annual Allowance continued	In a year where you exceed the Annual Allowance you may incur a tax charge, although you may still carry forward unused allowances for the previous three tax years provided you were a member of a UK registered pension scheme during this period. Before you make a decision, you might want to speak to a financial adviser. They can help you understand the tax rules and how they'll affect you. For more information, please visit **pru.co.uk/tax** or you can visit the HMRC website at **hmrc.gov.uk**
Money Purchase Annual Allowance	The Money Purchase Annual Allowance (MPAA) will apply to you if you have flexibly accessed pension benefits on, or after, 6 April 2015. Your pension scheme administrator or provider paying these benefits will have informed you if you are subject to the MPAA at the time they paid the flexible benefits. Examples of drawing benefits flexibly include taking income from flexi-access drawdown or taking a cash lump sum direct from your pension plan as an Uncrystallised Funds Pension Lump Sum. The MPAA is £4,000 for the 2019/2020 tax year. The MPAA would apply to money purchase savings made from when you first flexibly accessed benefits. If you are subject to the MPAA you will incur a tax charge on any subsequent contributions to money purchase pensions which exceed this limit in a tax year. This is based on both contributions made by you and on your behalf. Carry Forward cannot be used to increase your MPAA. In any year when you exceed the MPAA, your annual allowance for other types of tax-relieved pension saving, such as defined benefits, is reduced by the MPAA. **Impact of Money Purchase Annual Allowance on your Tapered Annual Allowance** If you are subject to the MPAA, your limit on contributions made by you or on your behalf to money purchase plans reduced to £4,000. For other types of tax-relieved pension saving, such as defined benefits you retain an alternative annual allowance of £36,000 for 2019/2020 (the standard AA less the MPAA). However, if you are also subject to the tapered AA the alternative AA will be subject to a gradual tapering. This means if you are affected by the MPAA and Tapered AA your alternative AA is reduced by the tapered AA less the MPAA. The amount of the tapered reduction will depend on the amount of your total income and potentially could reduce your alternative annual allowance for other types of pension saving to £6,000 where the MPAA is exceeded and the AA is tapered to its minimum of £10,000. Before you make a decision, you might want to speak to a financial adviser. They can help you understand the tax rules and how they'll affect you. For more information, please visit **pru.co.uk/tax** or you can visit the HMRC website at **hmrc.gov.uk**
Lifetime Allowance	There is a limit to the total amount of pension benefits you can accumulate before you incur a tax charge. This limit is known as the standard Lifetime Allowance and applies to the total of all of your pension benefits including any existing entitlement you have to defined benefit schemes, but excluding the State Pension. The standard Lifetime Allowance (LTA) for the 2019/2020 tax year is £1,055,000. The LTA will change each year in line with any increases in the Consumer Prices Index (CPI). The CPI is measured from September to September and published in October of each year.

Section 3

Reviewing your pension statement

This section helps explain the information provided on your personal yearly statement.

Your plan summary

This shows 'at a glance' what you paid into your plan last year, the total current value of your pension fund and an estimate of what you might get at retirement. The values are shown in greater detail later in your statement.

This part of your statement may also include details of the transfer value shown on your previous statement. The previous transfer value may be more or less than your current transfer value. This will be due to investment changes and potential other reasons eg an automatic increase in your contributions or perhaps you have reduced or stopped your regular payments.

Your plan value

Two values are shown:

- Current transfer value: the amount available if you transferred to another pension scheme
- Current value payable on death: the amount payable if you die before you take your benefits (this should be compared against the Lifetime Allowance limit)

The current value is the underlying value of your with-profits unitised or unit-linked investment only. It does not take into account any charges which may apply if the investment is taken earlier than your selected retirement age.

The value of your investment can go down as well as up so you might get back less than you put in.

If your plan has an integrated death benefit, this will be paid for by cancelling units under your plan(s) and will be taken into account in the figure shown.

Payments into your plan

This shows all payments credited to your plan during the period of the statement.

If no payments have been paid during this period 'Nil' will be shown.

Contribution information is also covered in more detail in additional pages, specific to any Personal Pension or Stakeholder plans you have with us.

What you might get back when you take your benefits

Government regulations require us to provide you with a yearly illustration of the pension income you might get at retirement, shown in today's terms. This is called a Statutory Money Purchase Illustration "(SMPI)". This illustration has always taken into account how inflation between now and your expected retirement age could reduce the buying power of your pension income.

In addition to an SMPI we also include an illustration of potential benefits based on assumptions set by the Financial Conduct Authority (FCA).

These illustrations, with the exception of any Drawdown funds, are adjusted to take account of inflation.

Some elements of the bases set by both the Government and the FCA are reviewed each year. For example, interest rates used to calculate your pension income may change each year.

What you might get back when you take your benefits (SMPI)

These illustrations apply to most pension arrangements. It is not provided if you are within one year of your Selected Retirement Age.

We use a growth rate which we believe realistically reflects the investment potential of our products and funds.

The rates shown are after they have been adjusted for inflation.

As this illustration must be prepared using standard assumptions. It may not reflect your actual circumstances. For example, although you may be single, we have assumed that a 50% partner's pension will be provided.

What you might get back when you take your benefits (FCA)

When estimating benefits more than 6 months in the future the FCA requires us to project using three growth rates.

We must base our initial projection on a growth rate which we believe realistically reflects the investment potential of our products and funds, but this may be limited, if necessary. We then also project using rates 3% either side of this.

The maximum capped growth rates currently are (per annum): 2%, 5% and 8%, before the effects of inflation.

The growth rates, after the effects of inflation, will be shown on your illustration.

The impact of inflation adjusted projections and the reduction in the growth rate limits will mean that your projected benefits may be lower than they were last year.

It's important to note that these numbers have always been, and will continue to be, projections and not guaranteed values.

The actual fund performance and growth will be dependent on a number of factors. These include the actual growth of your fund and any charges and costs due from the plan.

You should also be aware that in the long term the investment potential of cash and deposit funds may be less than expected from other funds. Please bear this in mind when considering the illustrations. All funds have different rates of growth and you should refer to your **Fund Guide** or get in touch with your financial adviser for more information.

Guaranteed annuity rates

Some older pension plans* had a guaranteed annuity rate built in when the plans were taken out. This means the pension from the fund attracting the guaranteed annuity rate could be higher than the pension would be without the guaranteed rates. The guaranteed rate applies when you take your benefits from the plan between the ages of 60 and 75. If you transfer your plan to another pension plan, or take your benefits before 60, the guarantee will be lost.

* *Flexipension (Series 1) and increases to these plans started before 26 July 2000 and linked (from outset) to the base Flexipension (Series 1) plan.*

Section 4

General product and fund information

This section details how you can find out more about our With-Profits and unit linked funds and the Prudential Flexible Retirement Plan.

With-Profits Funds information

The way we manage your With-Profits investments is guided by the 'Principles and Practices of Financial Management (PPFM)'. You can download a copy of our current version or one of our product-specific customer friendly PPFMs from **pru.co.uk/funds/ppfm/** or you can call us on 0345 640 4000 between 8am-6pm, Monday to Friday.

The website highlights how Prudential has complied with these Principles and Practices in our management of the Fund, and also provides our latest With-Profits actuary report.

Unit-linked funds information

Details of how we manage our unit-linked funds can be found at **pru.co.uk/funds/psulpp/** or you can call us on 0345 640 4000 between 8am-6pm, Monday to Friday.

The website shows how Prudential has complied with these Principles and Practices in our management of the funds.

Most unit-linked funds will also have access to one or more lifestyling option. Generally these options make planned switches into other funds as you approach your Selected Retirement Age. The options and how they operate are explained in your plan terms and conditions and fund guides.

Flexible Retirement Plan

This plan has access to an extended range of funds, including PruFund, which includes optional guarantees.

The Plan also offers the option of Flexi Access Drawdown when you start taking your benefits.

Your financial adviser will be able to give further details of the Plan and the funds/options available.

Section 5

Common Questions

This section answers some of the more common questions Prudential receive about pension investment and statements.

What is Final Bonus?

This is a bonus that may be paid on retirement or death and is a percentage of the fund. But, it's not a guaranteed bonus and it can be reduced or suspended at any time.

Why is there a difference between the current fund value and the transfer value?

Final Bonus is included in the Transfer Value but not in the Current Fund Value. Any further difference is due to any charges that would be incurred if you were to transfer your benefits to another pension provider.

Are the figures shown guaranteed?

The Current Values of your plan(s) aren't guaranteed and can go down as well as up and the fund value at retirement may be less than the payments you have made.

The benefits you will get from your pension fund will depend on the performance of your investments, contributions invested, plan charges and pension rates when you decide to take your pension.

What else can affect my benefits?

If your pension plan includes Waiver Benefit or Death Benefit this will affect the value of your fund.

Can I pay extra contributions?

It's possible to make new contributions to some types of contract. If you would like more information, please speak to your financial adviser.

You can also ask us for a copy of the Trustee's Annual Report for the Scheme.

General information

The value of your investment can go down as well as up so you might get back less than you put in. Full written terms and conditions of our pension plans are available from your financial adviser or on request from:

Prudential
Lancing
BN15 8GB

This information is based on our understanding of pensions legislation.

How to contact Prudential

If you require any further information about your Prudential pension, please contact your financial adviser.

You can also write or call Prudential:

Telephone:
Customer Services on 0345 640 4000 between 8.00am and 6.00pm, Monday to Friday. Please have your policy number handy when you call.

We might record your call to make sure our service is up to standard.

Email:
Visit our website for further details of our secure email service. You will also be able to register here for MyPru.

Write to:
Prudential
Lancing
BN15 8GB

pru.co.uk

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