

Key Features of the Purchased Life Annuity

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If you would like a Braille, large print or audio version of this Key Features, please contact us at:

Prudential
Annuities Customer Contact Centre
Stirling
FK9 4UE

Or call our Annuities Customer Contact Centre on 0808 234 5100

› About this booklet

This booklet sets out the Key Features for our Purchased Life Annuity.

If you're considering whether our Purchased Life Annuity is right for you, this booklet will help you make that decision.

If you still have questions about our Purchased Life Annuity after reading this booklet, please call us on the number on your quotation. If you have a Financial Adviser, please contact them in the first instance.

The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. Prudential is required to give you the following information to help you to decide whether our Purchased Life Annuity is right for you. You should read this booklet carefully, along with your annuity quotation and the policy document, so that you understand what you're buying, and then keep them safe for future reference. These documents will make up part of the legal contract for your annuity.

What's a Purchased Life Annuity?

A Purchased Life Annuity is a contract between you and an annuity provider. In return for a cash lump sum from personal savings or investments, including the tax-free cash sum payable from a UK registered pension scheme, the annuity provider agrees to pay you a regular income for the rest of your life. A Purchased Life Annuity has some tax benefits, please see "Do I pay tax on my income?" on page 11.

› About our Purchased Life Annuity

Our Purchased Life Annuity lets you exchange a cash lump sum for a regular income for the rest of your life.

How much money do I need to buy a Purchased Life Annuity?

To buy our Purchased Life Annuity, the minimum amount of money you need is £30,000.

We can't accept money from:

- › The proceeds of a Will where an annuity has to be bought because of conditions in the Will
- › The proceeds of a Will or settlement where an annuity has to be bought to replace an annuity that was due to be paid under the terms of the Will or settlement
- › A third party on your behalf
- › Someone resident overseas

When can I buy a Purchased Life Annuity?

You can buy our Purchased Life Annuity if you are aged between 50 and 85.

Is the Purchased Life Annuity for me?

Our Purchased Life Annuity could be for you if you want a regular income for life and accept that you'll no longer have access to your capital.

› Its aims

Aims	For more information
› To guarantee to pay you a regular income for the rest of your life.	See "What's a Purchased Life Annuity" on page 4.
› To let you choose a guaranteed income that: <ul style="list-style-type: none"><li data-bbox="127 651 434 683">– always stays the same, or<li data-bbox="127 695 471 759">– goes up each year by a fixed percentage.	See "What are my income options" on page 10.
› To give you two options to provide an income for your dependants or beneficiaries after you die.	See "Can my Purchased Life Annuity provide an income for someone else after I die?" on page 13.

› Your commitment

Commitment	For more information
<p>› To give us a cash lump sum in return for a regular income for the rest of your life.</p>	<p>See sections: "About our Purchased Life Annuity" on page 5; "What are my income options" on page 10.</p>
<p>› To get that regular income from us. You can't transfer/switch your annuity to another annuity with us or another provider, or cash it in.</p>	<p>See "Can I, or my dependant, switch my Purchased Life Annuity to one of your other annuities?" on page 14.</p>
<p>› To choose the options you want to and are eligible to include in your annuity when you buy it. You can't change these options later.</p>	<p>See sections: "What are my income options" on page 10; "When do you pay my income?" on page 12; "Can my Purchased Life Annuity provide an income for someone else after I die?" on page 13.</p>

› Risks

Risks	For more information
<ul style="list-style-type: none">› If you choose a guaranteed income that stays level, the starting income we pay you will be higher than the escalating options, however the buying power of your income will go down if the cost of living goes up.› If you choose a guaranteed income that increases each year by a fixed percentage, the income we pay you may not be enough to offset the effect of inflation.	<p>See "What are my income options" on page 10.</p>
<ul style="list-style-type: none">› Tax rules may change in the future, without notice.	<p>See the "Important Information" box on page 19.</p>

› Questions and Answers

How do you decide my income?

The income you get can depend on several factors at the time you buy your annuity, including:

- › The amount of money you have to buy your annuity
- › Your age and gender
- › The options you chose – for example whether you chose for an income to be paid to a dependant after you die
- › Fixed interest investment returns, our latest estimates of life expectancy, our costs and expenses

What are my income options?

There are two options you can choose with our Purchased Life Annuity. At the start you can choose a:

Guaranteed income that stays level	<ul style="list-style-type: none">➤ This means your income stays the same for life➤ There's a risk that the buying power of your income will go down as the cost of living goes up
Guaranteed income that goes up by a fixed percentage each year	<ul style="list-style-type: none">➤ When you buy your annuity you choose for your income to go up each year, on the policy anniversary date, by a fixed percentage from 0.01% to 8.50%➤ The increases in future years will help protect the buying power of your income, but may not be enough to entirely offset the effect of inflation➤ Choosing this option means your starting income will be lower than an annuity with an income that stays level

Your choice of income is an important decision because it affects your buying power over the long term and once you've chosen an option you can't change it in the future. When deciding the income option that's most appropriate for you, you may want to consider factors such as – health, lifestyle, personal life expectancy and expectations about inflation and the impact of each option on future income levels.

Do I pay tax on my income?

Currently, HM Revenue & Customs (HMRC) splits the income from your Purchased Life Annuity into two portions, which are taxed differently:

1. Exempt proportion

This portion of your income represents the repayment to you of part of your capital you invested in your Purchased Life Annuity. In effect, you're getting back your own money – so it's paid to you without tax being deducted. HM Revenue & Customs limit the size of this portion, which depends on the options you've chosen for your Purchased Life Annuity.

2. Taxable proportion

This portion will be taxed as unearned income, in line with current tax law and tax rates. Normally we deduct tax at the savings rate and pass it on to HM Revenue & Customs before we pay your income. You must declare this investment income on your tax return. This is detailed in your statement each year.

Higher rate taxpayers

If you're a higher rate taxpayer you'll also be taxed on the taxable portion at your marginal rate (the difference between the savings rate and your highest rate of tax). HM Revenue & Customs usually collects this extra tax by adjusting your tax code.

Non-taxpayer/self-employed

If you're a non-taxpayer, or self-employed, we can pay your income without deducting tax. Please ask us for details by calling us on the telephone number on your quotation.

Your quotation shows how your income will be taxed when your Purchased Life Annuity starts. We'll also send you yearly statements showing how your income will be split for tax purposes. This information will help you to complete your tax return.

When do you pay my income?

You can choose whether we pay you monthly, quarterly, half yearly or yearly.

Once you choose how you want your income paid, you can't change your mind later.

You can also choose whether we pay you in advance or in arrears. If you choose in advance, we'll pay you at the beginning of each period. If you choose in arrears, we'll pay you at the end of each period. The actual date we pay you depends on the date your annuity started.

How often you choose to receive your income and whether it is paid in advance or arrears will have an impact on the amount of income you receive. For example annual payments in arrears offer the highest income and annual in advance offer the lowest income.

If we pay you in arrears, you can choose to have a final payment made to your estate after you die. This final payment will cover the time between your last income payment and the date you died. We call this option "Final Proportion". If you choose this option your starting income will be lower.

You need to choose the Final Proportion option when you take out your annuity. You can't add it later.

We'll pay your income straight into a bank or building society account in your own name. This account must only be a personal account or personal joint account. We can't pay your income into a business account. We won't make payments by cheque.

We can't pay you until we're sure you've met all our requirements, which'll be listed in your quotation pack. If we don't get everything we need from you until after the date that your first payment was due, we'll normally make a backdated payment.

Can I change my income?

You can't change your income options after you've chosen them at the start of your annuity.

Can my Purchased Life Annuity provide an income for someone else after I die?

Your Purchased Life Annuity can provide an income for your dependant or beneficiaries after you die. There are two ways it can do this:

1. Joint-Life option
2. Payment Guarantee Period

You can only choose these options when you buy your annuity. You can't take them later.

If you don't choose any of these options, payments will stop when you die. If we have not been notified of your death and we make any payments after your death that you are not entitled to, your estate will need to return them.

If you've chosen a Joint-Life option and/or a Payment Guarantee Period, we may still ask for any overpayments to be returned.

Please ensure you read both Joint-Life and Payment Guarantee Period sections before choosing any of these options. Your quotation has more information about the effect these options have on your income.

1. Joint-Life option

A Joint-Life option provides your dependant with an income for the rest of their life if you die before them. You decide whether your dependant should have the same or lower income than you on your death.

You may also choose for your income to reduce on the death of the dependant if they die before you – any amount up to 100%.

Your dependant can be your spouse, civil partner, another person who depends on you for financial support or another person who relies on your continued contribution towards an important, shared financial commitment.

How does choosing a Joint-Life option affect my income?

Choosing a Joint-Life option will normally reduce the income we pay you because we may have to pay the income for longer. The more income you provide for your dependant after your death, the lower your own income will be.

2. Payment Guarantee Period

This is a way to ensure your income continues to be paid to a dependant or beneficiary for the remainder of a set period – if you die within that period.

You can choose a Payment Guarantee Period of up to ten years from when your annuity starts. If you die within the Payment Guarantee Period you choose, we'll continue to pay your income to your estate until the end of the Guarantee Period.

How does choosing a Payment Guarantee Period affect my income?

Choosing a Payment Guarantee Period reduces your income. The amount we reduce it by depends on your age, gender and the Guarantee Period you choose.

Choosing both options

If you've chosen the Joint-Life option, the Payment Guarantee Period may not be so important. This is because we'll pay an income to your dependant after you die. However, you can choose both options if you wish.

If you do choose both options and you die within the Payment Guarantee Period, we start paying your dependant their Joint-Life income at the end of the Payment Guarantee Period.

Can I, or my dependant, switch my Purchased Life Annuity to one of your other annuities?

Once you have bought a Purchased Life Annuity you can't switch to any other annuity, including the different options available under this annuity. So you need to be sure you've made the right decision.

What are the charges?

When we set your income we take into account the costs of administration, marketing, commission and investment management and some profit for Prudential.

What if I change my mind?

You have 30 days from the date we send you confirmation of acceptance, to cancel your Purchased Life Annuity.

If we get money from you for your Purchased Life Annuity but you cancel within your cancellation period, we'll refund the value of your annuity at the date we get your cancellation instruction.

The amount returned may be less than the amount of money you used to buy your annuity with.

If we've already paid any money to you, you'll need to repay it before we can make the refund.

After the 30 days are up, you've no right to cancel.

To cancel your Purchased Life Annuity, please complete and return the cancellation notice that we send you when we confirm acceptance.

If you can't find this cancellation note, you can write to tell us you want to cancel your annuity. Please sign the letter and include your quotation reference number. Please write to:

Prudential
Annuities Customer Contact Centre
Stirling
FK9 4UE

› Other information

How to contact us

If you've a Financial Adviser, please continue to use them as your first point of contact.

Alternatively, you can call us on the telephone number shown on your quotation.

You can also write to us at:

Prudential
Annuities Customer Contact Centre
Stirling
FK9 4UE

How to make a complaint

If we do anything that you're unhappy about, we want to know. We'll always try to put it right if we can.

To resolve your complaint quickly we need to know exactly what the problem is. So it would really help if you could write to us with all the details of what has happened to:

Prudential
Customer Relations Unit
Stirling
FK9 4UE

Please remember to include your annuity/ quotation reference number.

If you'd rather phone, you can call us on the number shown on your quotation. To make sure we have an accurate record of what you tell us, we may monitor or record your call.

We hope that we'll be able to handle your complaint in a way that satisfies you. But if we can't, then you can speak to:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR

Telephone: 08000 234 567

Making a complaint won't affect your right to take legal action.

Your client category

The Financial Services Authority (FSA) is the independent financial services regulator. The FSA asks companies to categorise their clients based on their involvement in, and familiarity with, financial services. This is a way of making sure we send the right type of information to the right people. For example, information for an individual customer should assume less knowledge than information for a financial services company that we work with.

You're categorised as a "Retail Client". This means you get the highest level of protection by getting the clearest explanation of what you're buying and more detail about the risks. This means the information we send you is clear, balanced and shows any relevant risks. Your category doesn't affect your right to lodge a complaint with the Financial Ombudsman Service.

If you've any questions about your client category, or think your category should be different, please call our Customer Service Team on 0800 000 000*.

Conflict of interest

We want to make sure that we uphold our reputation for conducting business with integrity. That's why we've drawn up a policy to deal with any conflicts of interest.

If you would like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on 0800 000 000*.

* Calls may be monitored or recorded for quality and security purposes.

Financial Services Authority (FSA) Registration

Prudential Assurance Company Limited is entered on the Financial Services Authority (FSA) Register. The FSA Register is a public record of all the organisations that the FSA regulates.

Our FSA reference number for the company listed above is 139793.

You can contact the FSA at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 0845 606 1234

The legal contract for your Purchased Life Annuity

The following items make up the legal contract for your annuity:

- › The final quotation
- › This Key Features booklet
- › Your application, acceptance forms and any other supporting information you've given us
- › The policy document

Using your annuity as security for borrowing

You must not use this annuity as security for any form of borrowing. For example: you can't use this annuity as a guarantee on a secured loan or mortgage.

How we'll communicate with you

We'll communicate with you in English in writing, by phone or email.

Law

Unless you receive a policy that states otherwise the Law of England and Wales applies to your Prudential Purchased Life Annuity.

Compensation

We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we can't meet our obligations. This depends on the type of business and the circumstances of the claim.

For details on the compensation levels that may apply to annuities (which are classed as long-term insurance business) or for further information on compensation schemes in general please contact:

The Financial Services
Compensation Scheme
7th floor, Lloyds Chambers
Portsoken Street
London
E1 8BN

Telephone: 0800 678 1100.

Important information

The information in this booklet is based on our understanding as at April 2011, of current taxation, legislation and HM Revenue & Customs practice. All of these are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.

If the details contained in the quotation are subsequently found to be incorrect, then the quotation is invalid and either the quotation or any of the benefits to which it refers, can be cancelled or appropriately changed.



www.pru.co.uk

"Prudential" is a trading name of The Prudential Assurance Company Limited, of Prudential Annuities Limited and of Prudential Retirement Income Limited. This name is also used by other companies within the Prudential Group, which between them provide a range of financial products including life assurance, pensions, savings and investment products. The Prudential Assurance Company Limited and Prudential Annuities Limited are registered in England and Wales. Registered Office at Laurence Pountney Hill, London, EC4R 0HH. Registered numbers 15454 and 2554213 respectively. Prudential Retirement Income Limited is registered in Scotland. Registered Office at Craigforth, Stirling FK9 4UE. Registered number SCO47842. Authorised and regulated by the Financial Services Authority.

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