Important information

keyfacts®

Key Features of the Flexible Income Drawdown Plan (Income Drawdown Option)

PRUDENTIAL

Contents

Other information

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

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Or call us on 0845 075 75 76
(Monday – Friday 9am-5pm)

About this booklet

- This booklet is the Key Features for our Flexible Income Drawdown Plan (FIDP) – part of our Flexible Retirement Income Account (FRIA).
- If you're considering whether Income Drawdown is right for you, this booklet will help you make that decision.
- If you've already taken out an FIDP, this booklet is part of your legal contract. Please read it carefully and keep it in a safe place.
- If you still have questions about our FIDP after reading this booklet, please contact your financial adviser if you have one or contact us on the telephone number provided on page 3.

The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. Prudential is required to give you this important information to help you to decide whether the Flexible Income Drawdown Plan is right for you.
You should read this booklet carefully with your Income Drawdown quotation so that you understand what you're buying, and then keep it safe for future reference.

These documents will make up part of the legal contract for your Income Drawdown plan.

Please also read the booklet called "Your With-Profits Plan – a guide to how we manage the Fund".

› What's Income Drawdown?

Traditionally you'd convert your pension fund into an income that is payable for life through a pension annuity, where the plan doesn't change throughout your retirement. Income Drawdown was introduced in response to concerns about falling annuity rates and a lack of flexibility.

Income Drawdown is an alternative way to take a retirement income from your pension fund. It allows you to take income directly from your pension fund without having to buy an annuity.

Through Income Drawdown, your pension fund can continue to invest in a wide range of assets including stocks and shares. This enables the tax-efficient investment potential of your current pension scheme to continue in Income Drawdown. You get your income by taking regular or one-off withdrawals directly from your pension fund. You can choose how much income to take each year, within limits set by HM Revenue & Customs (HMRC) based on annuity rates from the Government Actuary's Department. We'll review your income every three years in line with limits set by HMRC to check whether, at that time, your pension fund can sustain the amount you're currently taking.

You may be able to take some tax-free cash from your pension fund when you start Income Drawdown. Additionally, under current legislation you can use Income Drawdown to provide an income to your dependants after you die. Your financial adviser will explain your options, and help decide what's best for you.

What's our Flexible Retirement Income Account (FRIA)?

We offer Income Drawdown as part of the "Flexible Retirement Income Account" (FRIA).

This includes:

- Pension Reserve – a pension fund into which you can transfer your existing pension funds and/or pay in a one-off cash lump sum (scheme rules allowing). This will let you continue to benefit from investment returns until you want to move into Income Drawdown or buy an annuity. It is possible to keep some of your money invested in Pension Reserve and move it across to Income Drawdown or annuity purchase gradually, on a phased basis. For details of Pension Reserve, please refer to the "Key Features of the Flexible Income Drawdown Plan – Pension Reserve (Phased Retirement Option)".
- Flexible Lifetime Annuity – An annuity which you can move into at any stage if you wish, in whole or in part. If you do this, you may be able to continue with the same investment strategy as you have used for your Flexible Income Drawdown Plan (Income Drawdown Option). For details, please refer to the "Key Features of the Flexible Lifetime Annuity".

› About our Flexible Income Drawdown Plan

Our Flexible Income Drawdown Plan allows you to take an income from your pension fund until you're ready to buy your pension annuity. Under the terms of this contract you must buy an annuity by age 75, however if you wish to remain invested beyond 75 you'll need to move to an arrangement with another provider.

You choose how much income you take from your pension fund and when you take it (within limits set by HMRC).

You have two options for your pension fund:

1) You can invest all of it in Income Drawdown.
2) You can move certain amounts from your pension fund into Income Drawdown and keep the rest invested in your pension, so that you're continuing to benefit from any potential investment returns. You do this through our Pension Reserve option. Please see the "Key Features of the Flexible Income Drawdown Plan – Pension Reserve (Phased Retirement Option)" for more information.

Our Flexible Income Drawdown Plan provides you with income flexibility and the potential for investment growth. It offers:

- A range of investments – their performance will affect the value of your pension fund, and the amount of income you can take in the future. These include the opportunity to invest in a Self-Invested Personal Pension (SIPP).
- The freedom to switch to more secure investments – either as you get older, or if your needs change later on.
- Flexible income payments – to help you meet any changes in your spending.

You can invest in a wide range of funds and pass your remaining pension fund on to your dependants when you die.

Is Income Drawdown for me?

Our Flexible Income Drawdown Plan could be for you if:

- You're looking for flexibility over the amount of your pension fund you use before you purchase an annuity.
- You're looking for flexibility in the amount of the income you get.
- You're prepared to accept that your future income could go down as well as up.

How much money do I need to start an Income Drawdown plan?

The minimum you can invest will depend on where the money's coming from and whether you're also investing in any other options within the Flexible Retirement Income Account (FRIA) range.

- If you're investing in products within the FRIA range for the first time – the minimum total pension fund we can accept is £100,000. This transfer can come from one scheme or a number of smaller ones. If you're entitled to take any tax-free cash and want to do so, we'll pay this to you, provided your scheme has not already done so, and then invest the rest in Income Drawdown. If you wish to split your investment between more than one product within the Flexible Retirement Income Account, the minimum allowable for any one product is £25,000.

- If you're already invested in products within the FRIA range – the minimum Income Drawdown investment, before taking any tax-free cash you're entitled to, is £25,000 (where Income Drawdown is being used as part of a "phased retirement" process, the minimum amount that can be moved from Pension Reserve to Income Drawdown is £2,500). For further details please refer to "Key Features of the Flexible Income Drawdown Plan – Pension Reserve (Phased Retirement Option)".

What's a Self-Invested Personal Pension (SIPP) and how can I invest in one with Prudential?

A Self-Invested Personal Pension is a personal pension that lets you invest in a range of assets such as UK commercial property or individual stocks and shares. You can do this by selecting the Self-Invested option available on FIDP.

You can switch investments from your Self-Invested Personal Pension into other funds in the Prudential Flexible Income Drawdown Plan.

James Hay are working with us to provide the SIPP administration.

› Its aims

Aims	For more information
› To pay you an income from your pension fund up to age 75.	See sections: "What happens when I turn 75?" on page 25 "How much will my Income Drawdown plan pay me to start with?" on page 22
› To let you choose the amount of income you get, within limits, and change it in the future.	See sections: "How do I decide what starting income to take?" on page 22 "How will my income change" on page 22
› To let you choose an investment strategy that suits your needs and let you make changes in the future.	See sections : "How will you invest my pension fund?" on page 13 "What are the three Lifetime Investment Strategies?" on page 14 "What's the Self-Managed Investment Strategy?" on page 15
› To give your income the potential to go up. We do this by linking it to the performance of the funds you choose.	See sections: "How will you invest my pension fund?" on page 13 "How do I benefit from investment performance?" on page 19
› To provide your fund with potential investment growth.	See "How do I benefit from investment performance?" on page 19
› To pay you a tax-free lump sum, if you're eligible and want to take it.	See "Can I take any of my pension fund as tax-free cash?" on page 20
› To give you options to provide an income for your beneficiaries after you die.	See "Can my Income Drawdown plan provide an income for someone else after I die?" on page 24

Your commitment

Commitment	For more information
To give us some or all of your pension fund in return for an optional income until the age of 75.	See “How much will my Income Drawdown pay me to start with?” on page 22
To choose the income you start with, within limits, that doesn't exceed the maximum set by HMRC.	See “How do I decide what starting income to take?” on page 22
To take any tax-free cash that you're entitled to (and want) when you buy your Income Drawdown Plan.	See “Can I take any of my pension fund as tax-free cash?” on page 20
To purchase an annuity on or by the age of 75.	See “What happens when I turn 75?” on page 25
To choose how you get your income.	See “When do you pay my income? on page 23

› Risks

Risks	For more information
› If you use our With-Profits Fund, we may apply a "Market Value Reduction" if you voluntarily switch out of this fund, if you switch to another Prudential product outside the FRIA range, or if you transfer to another provider.	See "Can I change my investment strategy in the future?" on page 17
› As you're using your pension fund to give you an income this may mean that you'll get a lower annuity income and your income may be lower than from your Income Drawdown.	See "What happens when I turn 75?" on page 25
› Tax rules may change in the future, without notice.	See the "Important Information" box on page 38
› For switch or encashment requests from certain funds there may be a one month delay in processing the transaction and up to six months delay for funds investing mainly in property and land. However, while we will not delay transactions for longer than reasonably required, we cannot guarantee that we will never delay transactions beyond the timescales set out above.	See "What's the Self Managed Investment Strategy?" on page 15
› The value of the fund may be eroded, especially if investment returns are poor and a high level of income is taken, which could result in a lower income in the future.	See "What affects the value of my pension fund" on page 19

Risks	For more information
❯ Any changes in the income we pay you may not be enough to offset the effect of inflation.	
❯ Your income can go down as well as up and could fall below the income you start with.	See "How will my income change?" on page 22
❯ By delaying the purchase of an annuity you will lose the benefit of the mortality cross-subsidy.	See "What's a Mortality cross-subsidy?" on page 25
❯ If you choose the SIPP option you can borrow up to 50% of the net value of your Flexible Income Drawdown Plan from a lender (normally a bank). Borrowing to invest can be risky as the investment growth rate may not outweigh the interest rate on the money borrowed.	See "What's the Self-Managed Investment Strategy?" on page 15
❯ If you choose the SIPP option, there are a number of fixed charges that are related to the management of your SIPP. These will have a greater proportionate effect on smaller investments than they will on larger ones.	See "What are the charges?" on page 27
❯ Investing your SIPP in certain asset categories increases the level of risk to your pension fund.	See "What's the Self-Managed Investment Strategy?" on page 15

Questions and Answers

How will you invest my pension fund?

Your investment buys units in funds you and your adviser choose, to suit the balance between risk and potential reward that's right for you.

If you choose one of our Investment Strategies we'll buy units on your behalf in each fund based on your age. If you choose the Self-Managed Investment Strategy we buy the units based on the proportion of your money you want invested in each fund. We'll use your investment to buy units in the funds you choose.

You can:

- Choose one of our three Lifetime Investment Strategies.
- Choose the Self-Managed Investment Strategy.
- Choose a SIPP, which offers a wide range of different investment funds and other permitted investments.

For more information please see:

"Investment Guide: Flexible Lifetime Annuity and Flexible Income Drawdown Plan".

What does the performance of my Income Drawdown plan investment depend on?

The performance will mainly depend on:

- The investment performance of the underlying funds selected.
- Deductions for charges.

How will I know how my Income Drawdown plan is doing?

We'll send you a statement each year showing you details of your income and what your investments are worth.

How do I choose my Investment Strategy?

You can choose one of our three ready-made Lifetime Investment Strategies or use the Self-Managed Investment Strategy. If you choose one of our strategies, we'll invest your money for you. You can only use one strategy at a time. However, you can change strategies in the future. Your decision will be in conjunction with your adviser, taking into account your investment objectives and attitude to risk.

What are the three Lifetime Investment Strategies?

We've three Lifetime Investment Strategies for you to choose from – Cautious, Standard and Adventurous. Each strategy offers a different balance of potential investment return and risk, which is set by the mix of investment funds held.

Depending on your age and which of the three strategies you choose at the start of your plan, we'll split your investment between specific investments from our range.

From the time Income Drawdown starts, we'll gradually switch your pension fund into lower risk investments, based on your age at the time of the switch. All these switches are free of charge.

We've classified these strategies ourselves, they don't apply across the fund management sector. Our investment approach may change in the future.

For more information about the Lifetime Investment Strategies, please read our "Investment Guide: Flexible Lifetime Annuity and Flexible Income Drawdown Plan", which is included in your quotation pack.

What's the Self-Managed Investment Strategy?

With this strategy you and/or your financial adviser decide where to invest, using one or more of the funds we currently offer.

This range of funds, which includes those used by our three Lifetime Investment Strategies, enables you to spread your investment risk between:

- Different fund management houses and investment styles
- A variety of UK and international investment markets

Please see:

- Investment Guide: Flexible Lifetime Annuity and Flexible Income Drawdown Plan".

If your strategy also uses our With-Profits Fund, please also see:

- "Your With-Profits Plan – a guide to how we manage the Fund".

These are included in your quotation pack.

Self-Invested Personal Pension (SIPP)

You also have access to a wider range of investments via a SIPP than the ones we offer, providing you invest the minimum into Income Drawdown. Separate charges apply to such investments. If you buy your pension annuity, such investments must be sold and invested into either the Flexible Lifetime Annuity or another annuity. These Key Features do not deal with the wider range of investments and the figures shown in the quotation don't take any such investment into account. Please ask your financial adviser if you need any more information.

We can advise you whether any particular investment is acceptable to us or not. Subject to the Trust Deed and Scheme Rules, you can do any or all of the following:

- Choose investments.
- Obtain independent financial advice from any person or company (provided they are authorised by the Financial Services Authority).

- Appoint an authorised Investment Manager(s)/Adviser(s) to act for you (provided the chosen Investment Manager is acceptable to Prudential Corporate Pensions Trustee Limited (PCPTL)). You must confirm this appointment(s) in writing to James Hay Administration Company (JHAC).

  PCPTL (acting as Trustee) will accept investment instructions from any authorised Investment Manager(s)/Adviser(s), if acceptable.

- PCPTL will draw up an agreement, as necessary, with your chosen Investment Manager(s)/Adviser(s) and any investments not held in a specific nominee name will be registered in the name of PCPTL. Under the terms of any Agreement or Terms of Business letter drawn up with you and/or your Investment Manager, we'll limit our liability to the value of your fund.

- You'll be responsible for agreeing your investment strategy with your Investment Manager(s)/Adviser(s), subject to the restrictions on allowable investments set out in the Trust Deed and Scheme Rules. Where you appoint an Investment Manager on an advisory/discretionary basis, he/she will normally require their own nominee and custody facilities to be used and will accept responsibility for the registration and safe custody of the investments.

- If you'd prefer not to appoint an Investment Manager/Adviser to act on your behalf, we'll ask you to use the direct dealing service facility with Abbey Stockbrokers Limited (ASO).

  This will be on an execution-only basis for investments needing stockbroking services, including investments transferred into the scheme.

- Investments bought through or transferred to ASO will be registered in the name of Abbey Stockbrokers (Nominees) Limited or any other nominee ASO decides to use. ASO accepts full responsibility for safe custody and all other obligations for its nominee. Please ask your financial adviser to contact us if you'd like details of ASO charges and services.

- Your Investment Manager(s)/ Adviser(s) and ASO fees and charges will be payable over and above Prudential's/JHAC charges and will be met out of your pension fund, unless otherwise agreed. We'll ask you to confirm from which investments you'd like the fees to be paid.

Can I change my Investment Strategy in the future?

You can change your investment choice at any time by a number of ways. You can switch:

- From one strategy to another.
- A minimum of £2,500, between funds in the Self-Managed Strategy – you can invest in up to 19 funds at any time from the range available.

The automatic switches we do as part of the Lifetime Investment Strategy are all free of charge.

If you want to switch investment strategies, or switch between funds in the Self-Managed Strategy, you can make up to six free switches in a policy year.

After that we reserve the right to charge. Currently this is £25 per additional switch. If this charge is to be applied, or the amount changes in the future we'll let you know. We take the charge by cashing in units when we make the switch.

If you switch from our With-Profits Fund, we may apply a Market Value Reduction.

What's a Market Value Reduction (MVR)?

If you take money out of the With-Profits Fund, we may make an adjustment to your fund value, if the value of the underlying assets is less than the value of your fund including all bonuses. This adjustment is known as a Market Value Reduction (MVR). It is designed to protect investors who are not taking their money out of the Fund. However, the amount you get back from your with-profits investment will not be less than the value of the underlying investments relating to your share of the Fund. We apply the MVR to your fund value including regular and additional bonuses. We'll not apply an MVR on death, or on the encashment of units to pay for charges or commission, or for the provision of income. We reserve the right to change our current practice on Market Value Reductions at any time, without prior notice, and this would apply to existing plans and any new plans or top-ups. Examples of reasons for a change would include significant changes in the investment market or because the number of people moving out of the fund increases substantially.

An MVR does not always apply, but when it does we'll reduce the value of the amount you switch.

Switches that are NOT affected by an MVR:

- Automatic switches within the Lifetime Investment Strategy.
- Switches from Income Drawdown to a Prudential Flexible Lifetime Annuity that don't involve a change in your investment choice.

Switches that could be affected by an MVR:

- Switches into other types of Prudential products.
- Optional switches into other investment funds within FIDP.
- Switches into all other investments under the self-investment facility.
- Switches from us to other income drawdown or annuity providers.

For more details please see the booklet called "Your With-Profits Plan – a guide to how we manage the Fund".

What affects the value of my pension fund?

The future value of your pension fund will depend on:

- Investment performance.
- How much income you choose to take.
- The charges we take.

How do I benefit from investment performance?

When Income Drawdown starts, the money in your pension fund buys units in your chosen fund(s). How much your investment is worth in the future will depend on the number and value of the units you hold.

If your plan invests in our With-Profits Fund we'll use bonuses to pay you your share of profits. Please see "Your With-Profits Plan – a guide to how we manage the Fund", which we've included in your quotation pack.

Typically we'll pay two bonuses each year – a regular and an additional bonus:

- Regular bonus – we add a proportion of the announced regular bonus to your unit price every day. As a result, the price of these units cannot go down.
- Additional bonus – when we cash in units, for example to pay income, commission or charges, we may add an additional bonus – additional bonuses are not guaranteed and can be varied at any time.

Prices of units in other investment funds can go down or up at any time. These funds are valued every working day and, after deducting charges, we set new unit prices for each fund.

If I have more than one investment fund, which one will you take my income from?

We normally cash-in units on a proportional basis across all funds you're investing in. For example, if your pension fund is invested 40% in one fund and 60% in another, we'll take 40% of your selected income from the first fund and 60% from the other. However, with the Self- Managed Investment Strategy you can ask us to take higher or lower proportions from specific funds.

Some restrictions apply to withdrawals from the With-Profits Fund. The income taken from the With-Profits Fund cannot exceed the overall With-Profits percentage investment in Income Drawdown e.g. if 30% of your plan is invested in With-Profits no more than 30% of your maximum income can be taken from the With-Profits fund.

Please speak with your financial adviser if you require more information.

Can I take any of my pension fund as tax-free cash?

When you decide to purchase your Income Drawdown plan you may be able to take some of the money from your pension fund as tax-free cash. You can normally take up to 25% of the value of your pension fund. If you're eligible, and decide to take tax-free cash, the amount you take will be shown on your quotation.

If you're coming to us from another Income Drawdown plan, then there will not be any further tax-free cash available.

Do I pay tax on my income?

You pay tax on any income you take from Income Drawdown in the same way as you pay tax on earned income.

However, if you're a non-taxpayer or an overseas taxpayer you may be able to arrange for your income to be paid with no tax deducted.

Tax on any income paid to a dependant if you die

Any income we pay will be taxed in the same way as your income.

Tax on any lump sums paid to a dependant if you die

If we pay out a lump sum it will be taxed at a special rate, currently 55%. The payment will not normally count as part of your estate. If this is the case, there will be no Inheritance Tax to pay on this money.

Tax on investment funds

Contributions are invested in funds on which no UK tax is paid on investment income and capital gains.

Lifetime Allowance

The single overall limit called the "Lifetime Allowance" applies to all types of pensions regardless of how many you have. If the value across all your pension funds exceeds the Lifetime Allowance at the time you take your benefits, a tax penalty will be payable on the excess amount.

The limit for 2011/12 is £1.8 million, reducing to £1.5 million with effect from 6 April 2012. If you expect the value of all your pension funds to be in excess of £1.5 million when they're taken, the government has introduced protection, which you need to apply for by 5 April 2012.

If you think you might be affected by the Lifetime Allowance, you should speak to a financial adviser as soon as possible.

How much will my Income Drawdown plan pay me to start with?

At the start you can choose to take no income or any amount up to HMRC's maximum. We detail the income range you have on your quotation.

We set your minimum and maximum income levels at a review every three years. After a review, these limits and your income could go up or down. But your income will remain stable between reviews, so you can normally plan ahead in three-year cycles.

How do I decide what starting income to take?

When you choose your income from your income range, you need to consider how you might want it to change in the future.

If you'd like more information on deciding what income to take speak to your financial adviser.

Choosing a high income

- This means it has less potential to go up in the future and greater risk that it could go down.
- You'll have a lower income from your annuity as you've used more of your pension fund.

Choosing a low income

- This means you give your income more potential to go up in the future.
- There's also less chance it'll fall.
- You'll have more pension fund to buy your annuity which means a higher income from your annuity.

How will my income change?

We review your income every three years to see if the maximum limit needs to go up or down. This is based on:

- The value of your pension fund at the time of review.
- HMRC'S limit based on the Government Actuary's Department annuity rates in use at the time of review.
- Your age.

We'll write to you after each review to tell you how your income will be affected.

We start to pay you your new income on, or after your next policy anniversary, dependent on the payment frequency you've chosen. Please see "When do you pay my income?" on page 24.

At any time up to age 75 you can:

- Choose any amount up to the maximum limit or take no income.
- Take extra lump sums during the year up to your maximum income limit.

Your income could change between reviews if you purchase an annuity with some of your plan or if some of your plan is transferred away to your ex-spouse after a divorce.

Can I top-up my Income Drawdown plan?

Once your Income Drawdown starts, you can't pay any money into it. However, you can start as many new plans as you wish with a minimum pension fund of £25,000.

Where Income Drawdown is being used as part of a "phased retirement" process, the minimum amount that can be moved from Pension Reserve to Income Drawdown is £2,500.

For further details, please see the booklet "Key Features of the Flexible Income Drawdown Plan – Pension Reserve (Phased Retirement Option)".

When do you pay my income?

When we set up your Flexible Income Drawdown Plan you can choose how often you want to be paid. You can take:

- Regular monthly, quarterly, half-yearly or yearly payments in advance or in arrears.

You can also take one-off amounts as often as you need during the year.

If you take less than the maximum income, you can take the difference up to the maximum as extra income at any time during the year, if you wish. However, you can't carry over this difference into the following year. You lose the opportunity to take it when the next year starts.

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.

We'll pay your income straight into your bank or building society current account. This account must be in your name (either your own account or a joint account). We can't pay money into a business account nor do we make payments by cheque.

We can't pay you until we're sure you've met all our requirements, which will be listed in your quotation pack.

Can I transfer my pension fund?

You can transfer your pension fund to another provider – either to buy an annuity or to continue Income Drawdown. An MVR may be applied to any With-Profit Fund investment in the event of such a transfer.

Can my Income Drawdown plan provide an income to someone else after I die?

Your Income Drawdown can provide an income to beneficiaries after you die. We'll value your pension fund and pay out the money to your nominated beneficiary.

Providing the beneficiary is your spouse, civil partner or financial dependant they can:

- Take a lump sum less tax.
- Continue with Income Drawdown until age 75 and then use the remaining pension fund to buy a pension annuity that will guarantee them an income for life. If they wish to remain invested beyond 75 they'll need to move to an arrangement with another provider.
- Use the pension fund to buy a pension annuity straight away with us or another annuity provider using the Open Market Option.

You can pay a dependant's income to a child. However, it would stop at age 23 (subject to scheme rules) unless they are physically or mentally impaired. For other beneficiaries we can only pay a lump sum.

We may take instructions from your beneficiaries or personal representatives on how and when to sell assets within the Self-Invested Fund if possible.

What happens when I turn 75?

Under the terms of this contract you must buy an annuity by age 75. You can choose from several different types of pension annuity, backed by different kinds of investments – all of which will pay you an income for life.

Choices include:

- A guaranteed income which either remains level, or goes up each year by a fixed percentage.
- An inflation-proofed income.
- An income linked to with-profits and/or a range of other investments.
- For your financial dependant to receive an income from your annuity, if you die before them.

If you buy a pension annuity, the rates available when you buy could be lower or higher than they are today. An MVR may be applied to any With-Profits investment in the event of such a choice.

If you convert to our Flexible Lifetime Annuity, your Income Drawdown investment strategy can continue, uninterrupted, with your annuity investment and no MVR will be applied.

If you wish to remain invested beyond 75 you will need to move to an arrangement with another provider.

Your financial adviser will help you decide what's best for you, based on your personal circumstances, the size of your pension fund and annuity rates when you're ready to buy.

What's a mortality cross-subsidy?

Annuity rates are calculated based on average life expectancy. The funds of those annuitants who die earlier than expected are used to sustain the income of those who live longer, this is known as a mortality cross-subsidy.

Such a cross-subsidy is not present within a drawdown plan since the remaining fund upon the death of the member becomes available to his/her dependants rather than to a pool of annuitants.

What can I buy an Income Drawdown plan with?

You can invest using money transferred from any HMRC registered pension scheme of the types shown here:

- Personal pension.
- Stakeholder.
- Company pension.
- An existing Income Drawdown contract.

However there are exceptions. We can't accept money:

- If it's been set aside for a "guaranteed minimum pension" as a result of contracting-out of the State Earnings-Related Pension Scheme (SERPS) through membership of a "defined benefit" or "final salary" occupational scheme before 6 April 1997 or any contracted-out rights under such schemes arising after that date.
- If it's been set aside for a "protected rights" pension.

  Note: The government has announced that from 6 April 2012 the rules on the type of retirement income you can purchase with "protected rights" funds will no longer apply.

Your pension provider will be able to tell you if your pension scheme is registered with HMRC and can be transferred to an Income Drawdown plan.

There are two ways to buy an Income Drawdown plan:

1) You can buy this as a single option.

2) You can buy this as part of our Flexible Retirement Income Account. This allows you a number of different options for your investment.

- Pension Reserve: a pension fund into which you can transfer your existing pension funds (if your pension scheme allows this) and/or a one-off cash lump sum(s). This lets you continue to benefit from any investment returns on your pension fund. You can then move your pension fund gradually over to

Income Drawdown as you need more income. Please see "Key Features of the Flexible Income Drawdown Plan – Pension Reserve (Phased Retirement Option)" for more details.

What are the charges?

Your quotation takes into account the charges we expect to deduct and shows what the expected cost is to you. Our charges may vary in the future and may be higher than they are now. Further details can be found in the Terms and Conditions.

Initial Charge

We take an Initial Charge from your pension fund when you set up your Flexible Income Drawdown Plan.

Yearly Fund Charge

We take a Yearly Fund Charge from the funds you've invested in.

- **With-Profits Fund Charge**
  For the With-Profits Fund, we deduct a charge through the bonus mechanism. This is currently expected to be 1% a year assuming future investment returns in the With-Profits Fund are 7% a year. Charges on With-Profits business depend on the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred. Over time if returns are higher then we'd expect to increase the charge and if investment returns are lower we'd expect to reduce the charge.

- **Charge for Guarantees (With-Profits only)**
  There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee not to take away regular bonuses already added when a payment is made because of death and to only apply a Market Value Reduction in certain circumstances (see page 18 for more details).

  This charge will be taken by making a small deduction each year when deciding Regular and Additional Bonuses, so you will not see it on any yearly statement. The total deduction over the lifetime of the plan is not currently more than 2% of any payment made from the Fund. Charges may vary if, for example, the long-term mix or type of assets held within the With-Profits Fund is changed.

- **Other investment funds**
  Each fund has a different charge – a proportion is taken from the value of the fund each working day. For these funds the yearly fund charge comprises of the Annual Management Charge for your selected fund plus any additional expenses the fund incurs by investing in unit trusts or open ended investment companies.

  Please read "Investment Guide: Flexible Lifetime Annuity and Flexible Income Drawdown Plan" for details of individual fund charges.

Paying for your financial advice

You can agree for your financial adviser to receive further commission payments each month. The rate can be any amount from 0% to 0.5% a year and you can vary this in the future if you wish. For rates of up to 0.25%, the commission will be paid for from the yearly fund charge. For commission of more than 0.25%, the extra amount will be paid for by cashing in units from your investment each month. The amount of further commission we pay will depend on the value of your investment at the time.

Additional SIPP fees

If you've chosen a SIPP there are separate, additional charges to pay.

Establishment Fee	£290
Annual Administration Fee	£290
Investment Transactions	£30 each transaction up to a maximum of £300 each year. Your Investment Manager's/Adviser's or Abbey Stockbrokers Limited's commissions and other investment transaction fees you may incur are additional.
Ad-hoc valuations	£60
Property Charges	£550 transaction fee if you use James Hay's Solicitors, or £900 if you use your own Solicitors. There is an additional charge of 0.1% of the value if the property value is more than £400,000. £120 registration of VAT charge may apply. £500 property administration charge per letting each year. £100 mortgage administration charge per mortgage each year. Hourly rate plus VAT for any property development or refurbishment. Any third party professional fees or other fees will be payable over and above these charges. James Hay will choose a solicitor from their panel and their fees are available from James Hay. The fees will be paid from your SIPP fund.

In addition you could incur the following fees relating to property investment:	Valuation fees Legal fees Stamp Duty Land Tax Land Registry fees Lender's mortgage fee
Payment of pension fund withdrawal under PAYE:	£60 set-up charge plus £120 each year for regular income payments.
Annuity purchase	£60

Increase to annual charges:

We'll increase annual charges on 5th April each year in line with the rise in the National Average Weekly Earnings Index during the previous calendar year. We reserve the right to increase fees and charges above this amount and will give you three months notice of our intention to do this.

Payment of fees:

We (or another administrator we've authorised) will invoice you for all fees. We'll deduct fees from your designated account or, failing that, from your other investments.

Please see "Flexible Retirement Income Account – The Self-Investment Appendix to Member's Booklet" for more information.

Notes

1. The Annual Administration Fees are payable annually in advance on the anniversary of the month the Self-Invested Fund is set up. All other fees quoted are due on completion of each transaction. Fees are automatically payable from your Self-Invested Fund on the appropriate date.

2. A sale and purchase will count as two transactions. Our investment transaction fees relate to the auditing and recording of investment transactions by us and do not include dealing commissions or investment manager or nominee fees and charges which, where applicable, are payable in addition.

3. Our property fees are calculated principally on a time: cost basis, reflecting time expended and the degree of responsibility involved.

4. The fees and charges of surveyors, lenders and third party property managers (where appointed) together with all disbursements relating to the acquisition, sale or management of any property are payable from your Self-Invested Fund in addition to our fees and charges.

Additional notes

We reserve the right to charge for additional services on a time: cost basis relevant to the expertise and seniority of our staff involved. We'll tell you if we plan to do this. In the event of any levy or taxation being imposed on us or the policy under any statutory provision affecting the business of insurance companies, we may recover from the Prudential Flexible Income Drawdown Plan including the Self-Invested Fund an amount equal to the proportion of such levy or taxation that we in our discretion deem to be attributable to the Prudential Flexible Income Drawdown Plan. We'll tell you if we plan to do this.

All expenses, charges and outgoings whether in respect of the investments contained in your Self-Invested Fund (including the costs of purchase, sale, management, maintenance and valuation of freehold and leasehold properties, if any, and other investments) or other expenses however incurred shall be charged to your Self-Invested Fund.

What if I change my mind?

Your statutory right to cancel is 30 days. If you wish to exercise your right to cancel, you should complete and return the Cancellation Notice you will receive or write to us at the following address:

Flexible Retirement Income Servicing Team,
Prudential,
Stirling
FK9 4UE

Will I lose anything if I cancel within 30 days?

If investment rates fall after your Income Drawdown starts we reserve the right to refund the value of your pension fund as at the date we receive your cancellation instructions. As a result you may get back less than you paid in. If we've already paid any money to you, you must repay it before we can make the refund to your original pension scheme. If you don't exercise your right to cancel within the 30 day statutory cancellation period, the contract will become binding. There is a risk that the providers of the transferring scheme will not accept return of the transfer value following cancellation. They're under no legal obligation to accept the funds.

What happens if I move overseas?

Please note Prudential is not able to accept new monies from customers living overseas. If you move abroad and are no longer a resident of the UK this will impact on your ability to start a new plan.

› Other information

How to contact us

If you have 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 page 3.

You can also write to us at:

Prudential
Flexible Retirement Income
Servicing Team
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 Income Drawdown reference number.

If you'd rather phone, you can call us on the number shown on page 3.

To make sure we've 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 one of the following organisations.

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

Telephone: 0800 023 4567

The Pensions Advisory Service (TPAS)
or the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

TPAS: 0845 601 2923
Pensions Ombudsman: 0207 630 2200

We can help you decide which organisation is the most appropriate for your complaint, or you can ask your financial adviser.

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'd like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on 0800 000 000.

FSA Registration

Prudential Assurance Company Limited, Prudential Annuities Limited and Prudential Retirement Income Limited are 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 numbers for the companies listed above are 139793, 155025 and 110452, respectively.

You can contact the FSA at:

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

Telephone: 0207 066 1000

Additional terms and conditions

The following items make up the legal contract for your Income Drawdown:

- The final illustration (on which your Income Drawdown purchase is based).
- This Key Features.
- The policy Terms and Conditions (these are available on request).
- Your application forms and any other supporting information required by us and on which your Income Drawdown benefits are based.
- Members booklet & Income Drawdown appendix.
- FRIA scheme rules (available on request).

Proof of entitlement

Before we pay any money to you, or any other person entitled to an income from your Income Drawdown, we may ask for proof of entitlement. This may include evidence that you're still alive and proof of identity and age. If we don't have sufficient proof we may refuse, suspend or stop payments.

Divorce and dissolution of civil partnership legislation

Government legislation classes pension funds and Income Drawdown as assets that may be taken into account in a divorce settlement or dissolution of a civil partnership. If you divorce or your civil partnership is dissolved, and a pension credit is awarded against your Income Drawdown plan, your income will reduce. If this happens we'll write to you.

Class of business

Income Drawdown is classed as: Pension business under Section 431B of the Income and Corporation Taxes Act 1988; and as long-term business within the meaning of the Financial Services and Markets Act 2000.

If these Acts are changed, or are no longer in force in the future, we may make any reasonable changes to the terms of our Income Drawdown. We'll let you know of any changes at the time.

How we'll communicate with you

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

Law

The Law of England and Wales applies to your Income Drawdown Plan.

Legislation, particularly about tax, is open to differing interpretation as well as to change in law and practice that we can't anticipate.

Your contract is supplied in English and all communications will be in English.

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 Income Drawdown (which is 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 February 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.

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