Prudential Investment Plan

A Guide to your Prudential Investment Plan

PRUDENTIAL

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An overview of your Prudential Investment Plan

The main aim of the Prudential Investment Plan is to grow your money by investing in your chosen funds. The plan has built-in flexibility so you can adapt your plan if your attitude to investment risk or your requirements change, for example, withdrawals from your plan.

Be aware of the risks

If you chose a guarantee you will get back the full amount of your investment, however your initial payment (and any payments) must be worth at least £10,000, after any set-up adviser charge is deducted. For more information on guarantees see page 6.

Please remember the value of your investment can go down as well as up and you may get back less than has been invested.

For more detailed information about how our Prudential Investment Plan works, please speak to your adviser or see the "Key Features of the Prudential Investment Plan".

At a glance:	
Potential for your money to grow	By putting your money into your chosen funds, and keeping your money with us over the medium to longer term, your money has the potential for growth.
Broad range of funds to choose from	Offers a wide range of funds which offer a wide range of funds from Prudential and other leading fund providers.
Availability of guarantees	We have a selection of guarantee terms available across some of our fund range.
Tax efficiencies and Taking money from your plan	You can withdraw up to 7.5% of your initial investment each year. You can take up to 5% of your initial investment as withdrawals each year for up to 20 years and the tax liability will be deferred until you cash in your plan. Any allowance you do not use one year can be taken up in later years until you have taken the full amount that you put into your plan. If you exceed the annual tax-deferred allowance limit, you may be subject to an income tax charge.
Adding more money to your plan	You can add money to your plan at any time (top-ups).
Switching funds	You can move (switch) your investment between funds this is currently free, but could change in the future. We will let you know if this happens.
Money on your death	The standard death benefit will pay out 100.1% of the value of your plan when you die (or when the second person dies if the plan is taken out on two lives). Alternatively, you can select the Return of Premium option when you set up the plan so that at least the original investment less any withdrawals, is paid out on your (or the second life's) death. There may be a cost if you select this option.
Help with Inheritance Tax planning	Placing your plan in trust means you can potentially reduce your Inheritance Tax liability. You can remain in control by choosing the Trustees and who can benefit from your investment.

Things to consider at the beginning of your plan

How long should you invest for?

You should look to invest over the medium to long term (5-10 years).

What level of risk are you willing to take?

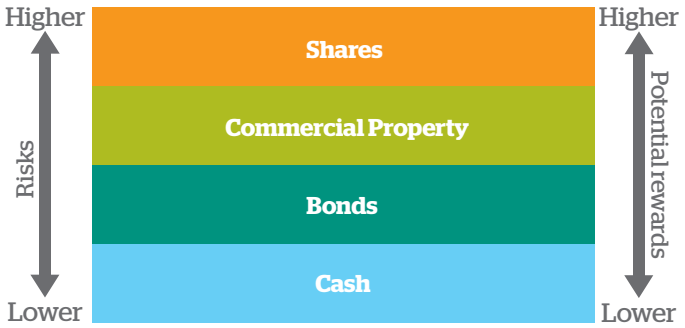
Choosing which funds to invest in can be difficult. By putting your money into chosen funds, and keeping your money with us over the medium to longer term, your money has the potential for growth.

Each fund will invest in different areas – known as asset classes. Each asset class has a different level of risk and potential return. Generally higher-risk assets have a greater potential reward and lower-risk assets have less potential reward. Understanding the relationship between asset class risks and potential rewards is an essential part in working with your adviser to establish your current risk profile.

After discussing the various asset classes and your investment aims with your adviser, you should hopefully have an expectation of what you want your investment to achieve and the level of risk you are prepared to accept to reach these goals.

The diagram below is only intended to be a general indicator of the relationship between the different asset classes in terms of risk and reward and may vary in certain circumstances. It is not intended to show examples of all types of asset classes. It reflects Prudential's long-term view and may differ from others in the industry.

Asset classes - risk and potential rewards



Which fund should you invest in?

In our Fund Guide, each fund is given a risk rating so you can decide with your Financial Adviser which type of fund is suitable for you.

We have a broad range of funds for you to choose from. You can choose one or more funds that match your attitude to risk based on your personal circumstances and objectives. Funds you can choose include our multi-asset funds that spread your investments over a number of assets including funds that try to smooth some of the ups and downs of direct stockmarket investment. For more information on our PruFund smoothing process, please refer to page 9 of this guide or the PruFund Smoothing sales aid.

You can decide to switch funds at any time as your personal circumstances or attitude to risk changes. For information on our full range of funds please see the Prudential Fund Range on page 9.

For most people, choosing a fund or funds and having the option to switch when you choose works perfectly well. There are options where you may want us to do something else for you. These are what we call Automatic Rebalancing and Programmed Switching.

Automatic Rebalancing

Automatic Rebalancing helps to keep the funds in the same proportion as they are when you first apply. For example, you may choose to invest half of your money in one fund, for instance UK equity and half in another fund, for instance UK fixed interest. It is very likely a year later that the percentage in each fund will be different as each fund goes up or down in value in line with the assets they invest in.

If rebalancing is chosen at the start of your plan, Prudential will, on each anniversary of your plan, move the funds so they are back to the percentage you first chose. This helps ensure that your investment keeps in line with your investment fund choices and can save you time and money as we do this work for you.

Programmed Switching

Programmed Switching will help you if you don't want to put all of your money in one fund at the start of the plan. You can choose to invest in a fund and then have the money invested into another fund(s) in equal amounts over a period of your choice, from three months up to a maximum of 24 months.

An example of when you may want to do this is when you are worried that the price of one fund might be high but at the same time want to start to invest in that fund. So, if you feel that UK equities are expensive, you can put your money in another fund, for example cash, and move into equities over a period of time. Alternatively you may want to gradually move money from, for example, a UK equity fund, into a US equity fund. You can stop the series of switches at any time. This allows you to stagger your fund investment options. This option takes away the need for you to arrange regular switches as we'll be doing it on your behalf.

Do you want a guarantee?

Whether you are investing to provide for university fees, additional funding in retirement or simply putting aside funds for the future, you may want to protect your initial investment at a certain point in time.

If you invest in a PruFund Protected Fund we will guarantee your initial investment, so that your plan is worth at least your initial investment at the end of the selected guarantee term. Any withdrawals taken or adviser charges will reduce your guaranteed amount.

Please note, you can only invest in one PruFund Protected Fund and can only invest in it at the start of your plan. There is also an additional charge for the guarantee.

There are also guarantees available on our With-Profits Fund. Please see your Key Features document for full details.

Do you want to take withdrawals?

Having the flexibility to choose when and how you take a withdrawal means if your circumstances change, your plan can adapt. If you need to access some money, you can, without having to stop your plan. Alternatively if you require regular withdrawals to pay for school fees or other ongoing costs, your plan has the flexibility to help here also.

Charges, discounts and Annual Management Charge

The main charge Prudential makes is the Annual Management Charge (AMC) – the amount depends upon the fund you choose.

An additional charge for the guarantee will apply if you choose a PruFund Protected Fund.

You and your adviser will agree the charge for financial advice. If you wish, you can ask us to pay some or all of these charges from the payment you send us and/or from your investment.

Any adviser charges paid from the plan, or any regular or one-off withdrawals from the plan, will count towards your tax-deferred allowance. For more information, please refer to the Key Features document.

Annual Management Charge (AMC) fund discounts available

Prudential will apply a discount to the Annual Management Charge which depends on the fund value.

The more you invest in your plan and as your investment grows, you benefit from lower Annual Management Charges, giving your investment more opportunity for growth in the future.

You can find out more about the discounts that apply to AMCs, adviser charging options, as well as other charges, in your Key Features document.

Staying in control during the lifetime of your plan

Your plan offers you the flexibility to:

Change your funds

You can change the funds you are invested in to match any change in your personal circumstances and attitude to risk and take advantage of investment opportunities. You can currently move between funds at any time with no charge and without the need to change product.

The Prudential Investment Plan offers a selection of funds should you wish to change them in the future.

Receive discounts on the Annual Management Charge (AMC)

Your AMC may be reduced depending on the value of your plan. As your investment grows, you benefit from lower AMCs giving your investment more opportunity for growth in the future and saving you money.

Add more money into your plan

You can make additional investments (top-ups) to your plan of £10,000 or more at any time. There is a plan maximum investment limit of £500,000. You may pay by cheque or a bank transfer.

We may accept larger investments in certain circumstances. If appropriate, your adviser can enquire on your behalf. However, you cannot top-up a PruFund Protected Fund.

Take money from your plan

There are several ways in which you can take money out of your plan.

Tax-efficient withdrawals

You can take regular withdrawals of up to 5% (of the amount invested) each policy year without any immediate tax liability, until 100% of that amount has been reached. Any Ongoing or Ad-hoc Adviser Charges taken from your plan will be included within this allowance. This 5% tax-deferred allowance accumulates to following years if it is not used.

Your plan is normally set up in 20 segments, which allows you to cash-in segments, rather than part of the whole plan. This can help you with your tax planning.

The information above is based on our understanding of current taxation, legislation and HM Revenue & Customs (HMRC) practice, all of which are liable to change without notice. The impact of taxation (and any tax relief) depends on individual circumstances.

Regular withdrawals

You can take regular withdrawals of up to 7.5% of the original investment each year from your plan. This can be done monthly, quarterly, every four months, half-yearly, or yearly to suit your needs. Please remember, if your withdrawals are more than the growth of your plan, your plan will reduce in value and will be worth less than your original investment.

If you exceed the 5% tax-deferred allowance described above there may be an income tax charge.

For details on restrictions on switching in and out of our range of funds, withdrawals, regular withdrawal limits and any other features, please refer to your Key Features document.

You can also refer to your Fund Guide for more details on our complete range of funds or see page 9.

If you are invested in a With-Profits fund a Market Value Reduction (MVR) may apply if you switch money, or take withdrawals, out of the Prudential With-Profits Fund. Any withdrawals from a PruFund Protected Fund will reduce the amount guaranteed proportionately.

For more information on our MVR practice, please see your Key Features document.

Full and partial withdrawals

You can take full and partial withdrawals from your plan at any time. The minimum amount of any withdrawal is £50. If you're not withdrawing the full value of your investment from a particular fund, you must leave at least £500 in that fund.

Gift your plan to someone else

You can gift/assign the plan at any time to someone else. If you decide to pass the benefit of the plan to someone else, there will be no income tax charge at that time and any future income tax charges will normally be assessed on the new owner.

If you live for seven years after the gift has been made, there will be no Inheritance Tax charge (as this is treated as a Potentially Exempt Transfer).

The information given in this guide is based on our current understanding, as at September 2016, of current taxation, legislation and HMRC practice, all of which are liable to change.

Provide life cover

Your plan includes a small amount of life cover and will pay out a lump sum when you, or the people covered, die.

The Prudential Investment Plan offers a broad range of funds to choose from

The Prudential Fund Range

The Prudential Investment Plan offers a wide selection of funds that could suit your investment needs. The range includes the Prudential Multi-Asset Funds, and funds that invest in one area.

Prudential's Multi-Asset Fund Range

PruFund Funds

They offer a unique smoothing process which is designed to help protect an investment from some of the daily ups and downs you might associate with a direct investment.

- **Risk Managed PruFunds:** The Prudential Risk Managed PruFund range comprises of four actively-managed funds that spread your money over a range of different assets. They use our unique smoothing process and, as we offer four, give you and your adviser a choice of funds that target different levels of potential return, and therefore risk, for your investment.
- **PruFund Growth and Cautious Funds:** We also offer two PruFund Funds, the PruFund Cautious Fund and the PruFund Growth Fund. We also have Protected PruFunds which include guarantee terms. The guarantee only applies at the end of the selected guarantee term, and there is an additional charge for the guarantee.

For more information about the PruFund Range of Funds see "Your With-Profits Plan – a Guide to how we manage the Fund" (PruFund range of funds) and you can refer to our guide "PruFund – An introduction to the PruFund range of funds" (PFBS10000) which is available for your adviser to share with you.

With-Profits

The Prudential With-Profits funds aim to deliver long-term attractive returns, whilst smoothing some of the extreme ups and downs of short-term investment volatility, through the use of a system of bonuses. So, you should see a steadier return year on year, rather than watching the value of your plan fully reflect the rise and fall in markets. This is a pooled investment that gives investors direct investment access to places like shopping centres, offices and warehouses.

For investments in the With-Profits funds, the value of the policy depends on how much profit the funds make and how we decide to distribute it.

For more information about the With-Profits funds, please see "Your With-Profits Plan – a Guide to how we manage the Fund" (Prudential Unitised With-Profits Plans and Cash Accumulation Plans).

PPMG actively-managed directly-linked funds

Dynamic Portfolios

Our Dynamic Portfolios give you access to a unique combination of experts – PPMG and Morningstar OBSR. Morningstar OBSR is an independent research company. PPMG will actively manage the portfolio asset allocations and buy and sell underlying funds as selected, and then recommended to them, by Morningstar OBSR who make sure that your money is invested in some of the best funds available.

We offer a choice of five portfolios to help you target different levels of risk and potential return.

Dynamic Focused Portfolios

We offer two Dynamic Focused Portfolios designed to meet different investment objectives and target different attitudes to risk. Each portfolio is a 'fund of funds' which means it invests in a range of investment funds. How much is held in the different investment funds is decided by our asset allocation experts, PPMG.

When managing the Dynamic Portfolios and Dynamic Focused Portfolios, PPMG work within M&G Investment Management Limited, part of the Prudential Group.

The PruSelect Fund Range

The PruSelect Fund Range is an extensive range of fund options selected by Morningstar OBSR. The range allows easy access to different asset classes, in all major markets, including some specialist areas and is constantly reviewed. Funds may be removed or added intermittently. Your adviser can help you choose funds that fit your investment needs in terms of risk and return, income or growth.

For more information about the Prudential Fund Range, please see our Fund Guide.

Where to find more information

For further information, please read the Key Features and Fund Guide. We recommend that you also speak to your Financial Adviser if you do need any further information.

Copies of the Key Features and Fund Guide are included in your quotation pack but if you need another copy you can view these on our website **www.pru.co.uk**

Once your plan is set up

- You can request information about your product from **www.pru.co.uk/existing_customers/**

You will receive Annual Statements and Plan Valuations

- A statement will be sent out to you each year with the latest performance details on your Plan. You can also call us on **0845 640 2000** for an up-to-date valuation on your Plan at any time. Calls may be monitored or recorded for quality and security purposes.

To contact us

- Prudential Investment Plan Customer Service telephone number – **0845 640 2000** (Monday – Friday, 8am – 6pm). Calls may be monitored or recorded for quality and security purposes.
- Write to us: **Prudential, Lancing BN15 8GB**
- Web address: **www.pru.co.uk**

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