

# Key Features of the Retirement Annuities (Section 226 Increments) Plan

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

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 Prudential  
 Stirling  
 FK9 4UE  
 .....

## › About this booklet

- › This Key Features and Guide document gives you the main points of the Retirement Annuities (Section 226 Increments) Plan. You should also read the accompanying document "Your With-Profits Plan – a guide to how we manage the Fund", your personal illustration and "Fund Guide".

### **The Financial Services Authority**

The Financial Services Authority is the independent financial services regulator. It requires us, Prudential, to give you this information to help you to decide whether our Retirement Annuities (Section 226 Increments) Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

## › Its aims

- › To build up a fund, in a tax-efficient way, to provide you with a regular income when you take your benefits.
- › To give you the choice at retirement of:
  - either taking the whole fund as taxable income
  - or taking part of your fund as a tax-free cash sum and the balance as a smaller taxable income.
- › If you choose, to make your pension payments for you if you are off work for a long time due to illness or injury.

## › Your commitment

- › To make regular monthly or yearly payments, or to make a single payment.
- › Not to access your pension fund until you start taking your benefits.
- › To regularly review your payments if you want your pension to meet your income requirements when you take your benefits.
- › If you have purchased waiver benefit, you must tell us of any change in your health from the time you sign the application form through to the start of your plan, as this could affect your cover.

## › Risks

- › What you might get back is not guaranteed and will depend on our investment performance and interest rates when you take your benefits.
  - › If you cancel your plan within 30 days of receiving your cancellation notice, you may get less than you paid in if the value of your fund has fallen. For further details please see "Can I change my mind?" on page 9.
  - › The effect of our charges is greater in the early years of this investment. This means that if you transfer during this time you are more likely to lose money or get back less than you invested than would be the case if you withdraw later on.
  - › When you are ready to take your benefits they may be lower than illustrated because:
    - investment growth may be lower than illustrated,
    - interest rates when you take your benefits may be lower than illustrated,
    - the cost of buying your retirement benefits may be higher,
    - you may start taking your benefits earlier than your selected retirement date,
    - our charges may be higher than illustrated,
    - tax rules may change in future without notice,
    - you may stop paying into your plan or take a payment break,
    - you may transfer your plan to another company.
  - › Your plan may invest in a range of investment types, including stocks and shares, which carry differing levels of risk.
  - › If your plan invests in our With-Profits Fund and you take money out of that fund, we may reduce the value by applying a Market Value Reduction. For further details please see "Market Value Reduction" on page 8.
  - › The Government provide a benefit called a Pension Credit. If you have little or no other retirement provision, the pension you receive from this plan could reduce the benefit you receive from Pension Credit. The exact effect will depend on the rules in place when you retire. For further information about Pension Credit please see your Financial Adviser.
  - › If you stop your payments, you may not meet any target benefits within your illustration and you will lose any attaching waiver benefits. For further details please see "What other benefits can I choose?" on page 9.
  - › If you have purchased waiver benefit, we will not pay out if you have failed to disclose any information or if a claim arises from a cause not covered by the plan.
  - › The value of an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment.
  - › Some of our funds invest in property and land. This can be difficult to sell – so you may not be able to sell/cash in this investment when you want to. We may have to delay acting on your instructions to sell your investment. You should look upon your investment in such funds as being long term.
- There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in such funds. The value of property and land is generally a matter of a valuer's opinion rather than fact.
- › Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds – this may be for a period of up to 6 months for unit-linked funds that mainly invest in property and land, and up to 1 month for all other funds. This is in exceptional circumstances and if this applies to you, we will let you know.
  - › For investments in the With-Profits Fund, the value of this plan depends on a number of factors, including:
    - the return on investments in our underlying With-Profits Fund,
    - the way we distribute any profit on the fund. The company's bonus policy aims to give each policyholder a return which reflects the earnings on the underlying investments, whilst smoothing the peaks and troughs of investment performance,
    - expenses incurred by the fund and charges applied to your plan by us,
    - profits and/or losses from non-profit plans which are also part of the With-Profits Fund,
    - the cost of meeting any guarantees including, for example, those under certain annuity plans which guarantee an income for life,
    - factors beyond our control, such as tax, the effect of inflation and levels of mortality.

## › Questions and Answers

### **What might I get when I take my benefits?**

There is no guaranteed amount and the final fund value will depend on factors such as:

- › how much has been paid in,
- › how long the fund has had to grow,
- › our investment performance,
- › our charges,
- › any Market Value Reduction that we may apply to the value of your fund invested in the With-Profits Fund.

Your pension will depend on factors such as your age and the annuity rates at the time you convert your fund into a pension. To do this you'll need to buy another plan called an annuity. The options are explained in "What choices will I have when I take my benefits?" below.

### **What choices will I have when I take my benefits?**

On joining the plan the age at which you wish to take your benefits is shown on your illustration. The government currently allows people to start taking their benefits from the age of 55, even if you are still working. You may be able to start taking your benefits earlier if you're in ill health. Under the terms of this contract you are currently required to take your benefits by age 75.

On taking your benefits your fund is used to buy a pension, also known as an annuity. This will pay you a regular income for the rest of your life. There is no minimum guaranteed amount. You can

usually take up to 25% of your pension fund as a tax-free lump sum when you buy your annuity. Under the terms of the current contract you will need to do this by your 75th birthday.

You can choose from different pension options, for example a pension that increases each year or one that will provide an income for your spouse, civil partner or other dependants when you die. These options cost more, so your initial pension would be lower.

You can buy your pension from any authorised pension provider by using the Open Market Option at the time you take your benefits.

### **How much can be paid into my plan each year?**

There is no limit on the amount you can contribute annually to your pension plan. However, there will be a tax charge on contributions made by you or on your behalf that exceed an Annual Allowance set by the Government – see "Annual Allowance" opposite.

### **What are the tax advantages of investing in a Retirement Annuities (Section 226 Increments) Plan?**

#### **Tax Relief**

Tax relief will normally apply to your contributions, including the cost of any waiver benefit.

Payments into the plan are currently paid gross and you claim your tax relief through your tax return.

The funds into which pension payments are invested are free of UK taxes on investment income and capital gains.

The government limits the amount that can be contributed every year before suffering tax penalties. This is called your Annual Allowance. It also limits the total amount you can receive in pension benefits over your lifetime before suffering tax penalties. This is called your Lifetime Allowance.

#### **Annual Allowance**

The government limits the amount that can be contributed every year before incurring tax penalties. This is called the 'Annual Allowance'. The level of Annual Allowance currently is £50,000. If you exceed the Annual Allowance, a tax charge of up to 50% of the excess amount will be payable.

However, any unused allowance (up to £50,000 per year) from Pension Input Periods ending in the previous 3 tax years, may be carried forward to increase your Annual Allowance for the current year (provided you have used the current Annual Allowance first and you were a member of a registered pension plan).

Your Annual Allowance includes:

- › any contributions you, your employer or anyone else makes to all your money purchase pension plans
- › any increase (except statutory increases relating to early leavers) in the value of benefits under salary related pension schemes, also known as Final Salary, Defined Benefit or Career Average schemes.

Together, these are known as your 'Pension Inputs'.

### **Your 'Pension Input Period'**

A Pension Input Period is the period of time over which you measure the pension savings made for or by you against the Annual Allowance. Your pension inputs are assessed against the Annual Allowance for the tax year in which the 'Pension Input Period' ends. If you think you are affected by the Annual Allowance you may wish to contact a Financial Adviser, for which you may be charged.

For information on your Pension Input Period, or to nominate a different Pension Input Period please contact Prudential.

### **Lifetime Allowance**

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 and with effect from 6 April 2012 will reduce to £1.5 million. The government has introduced protection, which you will need to apply for by 5 April 2012, if you expect the value of all your pension funds to be in excess of £1.5 million when they are taken. If you are affected by this limit you may wish to contact a Financial Adviser, for which you may be charged.

### **Income Tax**

Any pension income will be taxed as earned income.

This information is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, on June 2011. These tax rules could change in the future without notice.

The impact of taxation and any tax relief depends on your individual circumstances. For more information about tax, please go to HMRC's website: [www.hmrc.gov.uk/incometax/](http://www.hmrc.gov.uk/incometax/)

### **Where are the payments invested?**

We will invest all your payments to your plan in up to six funds from a wide range of investment options available to you. Options include the With-Profits and Unit-Linked Prudential Funds.

You can alter the investment strategy by switching your existing investments into different funds. The first two switches in any 12 month period are currently free of charge. Our charges may vary in the future and may be higher than they are now. Further details can be found in the Policy Conditions.

Subsequent switches are subject to a charge of, currently, £25 (met from your fund). If this changes in the future we will let you know. A Market Value Reduction may apply to switches out of the With-Profits Fund. You can also change, without charge, the funds in which future contributions are invested.

Payments into Unit-Linked Funds will buy units in the funds you choose. The price of each unit depends on the value of the investments in the fund. We work out the value of your plan based on the total number of units you have in each fund. If the unit prices rise or fall, so will your plan value. Money in the various funds may be invested in a wide range of shares and other investments in the UK and abroad. Please refer to the "Guide to Prudential's Pension Funds" for further information.

A With-Profits investment is one that aims to smooth the return on your money over the time you have the plan. So, you should see steadier performance year on year, rather than watching the value of your plan fully reflect the rise and fall in stockmarkets. Your payments are pooled with those of other Prudential With-Profits investors to form a fund. We invest this fund in a wide range of investments including company shares, property, Government bonds and deposits. You can get further information from "Your With-Profits Plan – a guide to how we manage the Fund".

We allocate your share of the profits of the fund by adding bonuses. There are currently two types of bonus:

- ▶ **Regular**, which we add throughout each year. We can change the rate of regular bonus at any time without telling you beforehand. It is not guaranteed that a Regular Bonus will be added each year, although once added these bonuses are guaranteed on death and at selected retirement date.
- ▶ **Final**, which we may pay when you take money out of your plan, although this may vary and is not guaranteed.

Your Financial Adviser will help you select which investments are most suited to you.

## Market Value Reduction

If you take money out of the With-Profits Fund, we may adjust the value of your fund if the value of the underlying assets is less than the value of your plan including all bonuses. This adjustment is known as a Market Value Reduction (MVR). It's designed to protect investors who are not taking their money out and its application means that you get a return based on the earnings of the With-Profits Fund over the period your payments have been invested.

We apply the MVR to your plan's value including regular and final bonuses. Please read "Your With-Profits Plan – a guide to how we manage the Fund" for more information on bonuses. An MVR will reduce the value of your plan and if investment returns have been very poor, you may get back less than you have invested in your plan.

We guarantee not to apply an MVR at your selected retirement date or on any claims due to death.

### Our current practice on applying a MVR

We may apply a Market Value Reduction to any withdrawals, switches or transfers out of the With-Profits Fund.

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.

## What are the charges?

For Unit-Linked Funds, we deduct an Annual Management Charge from the funds. This charge is already deducted when we work out the full value of your policy. The amount of charge we deduct depends on the funds you choose to invest in and the amount of your original investment.

For With-Profits Funds, there are various costs involved with setting up and managing your policy. A charge is deducted from the With-Profits Fund each year to cover these costs.

The charge is not explicit so you will not see it being taken from your policy. It is deducted from the underlying With-Profits Fund and is already taken into account when we calculate bonus rates for our With-Profits Fund. The charge is currently 0.875% a year.

Further information on the operation of the With-Profits Fund is contained in "Your With-Profits Plan – a guide to how we manage the Fund".

There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee to not take away regular bonuses already added when a payment is made because of death and at your selected retirement age and to only apply a Market Value Reduction in certain circumstances – see Market Value Reduction (MVR).

This charge will be taken by making a small deduction each year when deciding Regular and Final 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. Our charges may vary in the future and may be higher than they are now. Charges may vary if, for example, the long term mix or type of assets held within the With-Profits Fund is changed.

Where the funds invest in underlying Unit Trusts or OEICs, additional expenses will be incurred. Underlying Unit Trusts/OEIC's (Open Ended Investment Companies) incur additional investment expenses, which include trustee fees, custodian charges and registrar fees. These charges have been included in the effect of deductions table within your personal illustration.

Our charges may vary in the future and may be higher than they are now. Further details can be found in the Policy Conditions.

Please see your personal illustration for details of the charges.

## Deductions

### Unit Allocation

The percentage of the contribution which is used to buy units is shown on the enclosed illustration.

### Additional Management Charge

An annual charge will be taken from the units purchased in the first three years. This charge is 1.8% and is taken on the contract anniversary. The charge is made for a maximum of 25 years and takes into account the fact that the fund may be transferred or that benefits may be taken while the charge applies.

### **Initial Charge**

Units are bought at the offer price and sold at the bid price. The bid price is approximately 95% of the offer price.

### **Annual Fund Management Charge**

A fund management charge applies to each Unit-Linked Fund. It is currently 0.875%. This is calculated and charged to the funds on a daily basis. Where the funds invest in underlying Unit Trusts, additional expenses will be incurred. This charge is accounted for in the unit price.

### **Increment Charge**

A charge of £26.30 is taken for each increment application received. Regular and single contribution increments on the same application incur only one charge.

### **Policy Charge**

Any increase required to bring the policy charge up to £26.30 per year will be applied to the oldest appropriate plan. This charge reduces to £17.65 per year if no regular contributions are payable.

### **What other benefits can I choose?**

If you're making regular payments you may be able to buy waiver benefit depending on eligibility. Waiver benefit will maintain the regular payments into your pension fund until your selected retirement date if you are off work due to illness or injury.

If your claim for waiver benefit is valid, we will cover your payments after the initial waiting period of six months.

This cover will stop if you stop making payments to the plan.

Please ask your Financial Adviser for further details on waiver benefit.

### **What happens if I die before I take my benefits?**

If you die before you take benefits, the value of the fund from your Increment Plan will be paid as a cash sum to your legal personal representatives or to the trustees of a valid trust you have set up to receive the lump sum death benefits.

If you die after you retire, the benefits would normally stop, unless you had chosen a spouse's, civil partner's or dependant's pension or you die before the end of any guaranteed payment term.

If the value of all death benefits paid as a lump sum from this and any other scheme is more than the Lifetime Allowance, there will normally be a special tax charge.

### **What happens if I move abroad?**

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 have an impact on your ability to top up this product.

### **Can I transfer my plan?**

You can transfer your plan to another pension provider at any time before you start taking your pension. However, we may apply a Market Value Reduction (see "Market Value Reduction") in addition to any surrender charge. It may not always be in your interest to transfer and you may wish to discuss this with a Financial Adviser.

### **Can I change my mind?**

You can change your mind within 30 days from when you get your plan documents. If you decide, for any reason, within this period, that you don't want the plan, we'll give you your money back.

However, if you start the plan with a single payment and cancel within 30 days, you may get back less than you paid in if the value has fallen.

If you do not exercise your right to cancel within the 30 day statutory cancellation period, the contract will become binding. We will not return any money to you except in the form of a benefit payable in accordance with the rules.

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:

#### **Prudential Stirling FK9 4UE**

Your right to cancel is 30 days.

### **How will I know how my plan is doing?**

You can get an up-to-date valuation from our Customer Services Department, by phoning or writing to us at the address provided.

## › Other information

### How to contact us

If you have a financial adviser, please continue to use them as your first point of contact. If you don't have a financial adviser, you can call our Customer Service Centre on 0845 640 3000. The opening hours are 8am to 6pm Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

You can also contact us by:

**Post: Prudential  
Customer Service Centre  
Stirling  
FK9 4UE**

**Or via our website: [www.pru.co.uk](http://www.pru.co.uk)**

### How to make a complaint

If your complaint is advice related please contact your financial adviser. If we do anything that you're unhappy about, we'll always try to put it right if we can.

To do this we need to know exactly what the problem is. So please write to us with all the details of what has happened.

Please send your complaint to:

**Prudential  
Customer Relations Unit  
Stirling  
FK9 4UE**

Copies of our complaint handling procedures are available from this address. If you'd rather phone, you can call us on 0845 640 3000. 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, you can speak to one of the following organisations:

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

**Telephone: 08000 234 567**

**The Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB**

**Telephone: 020 7630 2200**

**The Pensions Advisory Service (TPAS)  
11 Belgrave Road  
London  
SW1V 1RB**

**Telephone: 0845 601 2923**

The Pensions Advisory Service is an independent, government funded body that gives free advice to members of the public about pensions.

These are free services. Using them won't affect your right to take legal action. We can help you find the appropriate organisation to handle your complaint.

### Terms and Conditions

This Key Features and Guide document gives only a summary of the Retirement Annuities (Section 226 Increments) Plan and should be read with your illustration.

If you would like a copy of the full terms and conditions, please contact us.

### Divorce and dissolution of a civil partnership legislation

In line with Government legislation, pension funds and pension annuities are classed as assets and may be taken into account in a divorce settlement or dissolution of a civil partnership. If you get divorced or there is a dissolution of a civil partnership and a pension credit is awarded against your retirement benefits, they will be reduced. If this happens we will write to you.

## Your client category

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

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 indicates any relevant risks. Your category does not affect your right to lodge a complaint with the Financial Ombudsman Service.

If you have 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 have 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.

## How we will communicate with you

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

## Compensation

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

Further information is available from:

**The Financial Services Compensation Scheme,  
7th Floor,  
Lloyds Chambers,  
1 Portsoken Street,  
London E1 8BN  
Telephone: 0207 741 4100.**

**Website: [www.fscs.org.uk](http://www.fscs.org.uk)**

## FSA Registration

The Prudential Assurance Company Limited is entered on the FSA Register, FSA Reference Number 139793. The Financial Services Authority can be contacted at:

**25 The North Colonnade,  
Canary Wharf,  
London  
E14 5HS**

## ➤ Appendix for FlexiPension (Series 5) and IndePension (Series 3)

**The following notes apply only in respect of an increase invested in a FlexiPension (Series 5) or IndePension (Series 3) as a top-up to an existing FlexiPension (Series 1, 2, 3 or 5) or IndePension (Series 1 or 3). These plans were approved under what was commonly known as "Section 226" legislation.**

**FlexiPension (Series 5) applies for self-employed, and IndePension (Series 3) for employed persons. If you originally took out your base S226 plan with M&G Pensions & Annuity Company Ltd (M&G) and want to pay an additional single contribution you have two choices. You can add single contributions to the M&G range of funds on the terms that apply to your existing M&G S226 plan. Alternatively you can add single contributions to the FlexiPension or IndePension.**

### **Investment**

The plans offer the choice of investment in a unitised With-Profits Fund, investment-linked funds or a combination of both. The With-Profits Fund is not available for new investments in the three years before Selected Retirement Age.

### **Pension Protector**

You may wish to consider the Pension Protection Option (PPO). The PPO is designed to help protect retirement benefits from falls in market values. This is achieved by gradually switching units from the selected investment-linked funds into the Fixed Interest Fund and the Cash Fund as you approach your selected retirement age. Please speak to your financial adviser for more information.

### **Switching and redirection of investments**

Switching (changing the funds in which units already held are invested) and redirection (changing the funds in which units are bought with future contributions) may normally be carried out at any time. However, switches and redirection into the With-Profits Fund are not allowed within three years of your Selected Retirement Age. Redirection will always take place with effect from the contribution due date when units are next allocated. Currently, two free switches are allowed in any period of 12 months, with subsequent switches being subject to a charge of, currently, £25. If this changes in the future we will let you know.

A Market Value Reduction may apply to switches out of the With-Profits Fund, for more information on the Market Value Reduction please see page 8. Rounding adjustments in the bid and offer prices could also have an effect on overall values. No charge is made for redirection. The maximum number of funds in which investments may be held is six.

If you elect to take benefits before or at the Selected Retirement Age, all units will be switched into the Cash Fund, but not earlier than one month before the chosen Retirement Date.

If you decide to delay benefit payment until after the Selected Retirement Age and you tell us not to switch units into the Cash Fund, all units will be switched to the Cash Fund before benefits are paid, but not earlier than one month before the date on which you want to take your benefits.

The switch to the Cash Fund overrides the gradual monthly switch of units described previously under the Pension Protector option. No switch charge will be taken for the automatic switch to the Cash Fund.

The value of the cash fund can fluctuate depending on the underlying assets.

For more information in funds please refer to our Fund Guide.

### **Exceptional circumstances**

We reserve the right to defer any early encashment or switching between funds for a period not exceeding one month for investments in any funds, and up to six months in the case of units held in the funds investing in property and land. The unit prices applicable to the deferred transaction will be those prevailing at the expiry of the period of deferment. We also reserve the right to recover the amount of any levy which may be imposed by the Government, such as any levy under the Financial Services Compensation Scheme or the Policyholders Protection Act 1975, as amended, from the funds.

## Selected retirement age

For increments to an existing FlexiPension (Series 1) plan and to plans originally taken out with M&G, you should confirm a Selected Retirement Age at which you wish benefits from the initial FlexiPension (Series 1) Plan and any benefits from increments to that plan to be paid. This must be in the age range 60 – 75.

For increases to an existing FlexiPension (Series 2), FlexiPension (Series 3), FlexiPension (Series 5), IndePension (Series 1) or IndePension (Series 3) Plan, the Selected Retirement Age must be the same as the one you chose under the plan being increased.

However, subject to HM Revenue & Customs regulations, you can take your benefits either earlier or later than your Selected Retirement Age. The plan may be issued as a series of arrangements, the extra payments being spread evenly over the number of arrangements under the plan being incremented. This allows the benefits to be taken gradually over a period of years to help in phasing retirement.

## Contributions

Contributions may be monthly, yearly or single.

The minimum regular contribution increase is £100 per year, or £10 per month, provided you are already making a regular contribution under one or more of your existing plans.

If you are not already paying regular amounts, minimum contribution is £200 per year or £20 per month.

The minimum single contribution increase is £1,000.

There is no minimum transfer value if there is an existing or concurrent regular contribution. Where there is no existing or concurrent regular contribution, the minimum transfer value is £1,000.

## Unit prices

Each fund is divided into units. There are two prices for each unit – the offer price which is the price at which units are bought and the bid price which is the price at which units will be sold when any form of cash withdrawal or charge is made.

For the purposes of establishing the offer and bid prices of the investment-linked funds, the assets of these funds are valued, normally on a daily basis, with the value taking account of all assets of the fund adjusted to allow for accrued investment income and accrued charges. The unit price used for transactions on any working day is normally based on closing values on the same working day.

The difference between the bid and offer prices is called the "Initial Charge". The current bid price is 95% of the offer price (subject to a rounding of not more than 1%). However, we reserve the right to vary the method of calculating both bid and offer prices to reflect whether it is appropriate to value the assets of the funds on a purchase or sale basis. These funds are also subject to an Annual Fund Management Charge – this is currently 0.875% per year of the value of each fund. This charge, which is calculated on a daily basis, is reflected in the price of the units and is not charged directly to the plan.

The bid price for the With-Profits Fund at the Selected Retirement Age, or on earlier death, will be not less than 95% of the offer price rounded to the next lower 0.1p. If units are cashed in for any other reason (such as switching or early retirement), the value of units will be determined having regard to prevailing financial conditions.

An annual charge of 1.8% of the value of units purchased by the first three years' regular contributions is taken on the contract anniversary. This charge is made for a maximum of 25 years and is taken into account if the fund is transferred or benefits are taken while the charge applies.

You may not get back the full amount of your investment. The value of units is not guaranteed – it can go down or up. For investments in the With-Profits Fund, the value of this plan depends on how much profit the fund makes and how we distribute it.

## Buying units

Units will be bought at the offer price by the unit allocation. Units are allocated to the plan at the appropriate unit price on the due date of the contribution, or the date of receipt if the contribution is made after the due date.

## Unit allocations

The unit allocation is the percentage of the contributions which is allocated to buy units at the offer price in the appropriate fund or funds. The percentage depends on the term to Selected Retirement Age.

For regular contributions, the unit allocation is 100% in years 1 to 3 inclusive, 103.5% in years 4 to 10 inclusive and 106% from the 11th year onwards.

For single payments and transfer values, the allocations are as undernoted:

Single contributions below £5,000 get the allocation factors in the table opposite, subject to a shortfall reduction in allocation factor. This reduction is based on the amount by which the contribution falls below £5,000.

Single contributions and transfer values above the minimum single contribution increment level, but less than £5,000, will also get the unit allocations, please see your "Fund Guide" for more information. However, this is subject to a shortfall reduction in allocation based on the amount by which the transfer value or single contributions is less than £5,000. Transfer values below the minimum single contribution increase level will get 98% unit allocation, subject to the shortfall reduction in allocation.

Contributions over £5000 get the allocation factors below:

Term (Years)	Allocation Factor
0 – 5	98.0%
6	98.5%
7	99.0%
8	99.5%
9	100.0%
10	100.5%
11	101.0%
12	102.0%
13	103.0%
14	104.0%
15	105.0%
16	106.0%
17	107.0%
18+	108.0%

## Death benefits

The value of the accumulated fund, calculated at bid price, will be payable on death before benefits are taken. Death benefit will be paid to your estate or to the trustees of a trust you set up for this purpose. Payment to a trust may mean that the benefit will not be subject to Inheritance Tax. You should discuss this with your Financial Adviser.

## Benefits at retirement

When you take benefits, your accumulated fund is used to buy a pension from us or from any authorised pension provider by using the Open Market Option. No charge or deduction will be made from your fund at your Selected Retirement Age, if the pension is not bought from us.

There is no guarantee on the rates which will be available for buying your pension. These will depend on annuity rates when you buy your pension – although you may have older plans which guarantee rates available for buying a pension from funds from these older plans. Even if older plans had guaranteed rates, these will not apply to any further increments.

Part of your pension may be exchanged for a tax-free cash sum. The maximum cash sum is 25% of your fund.

All pension income payable is taxed as earned income.

## Varying contributions

Increasing contributions: contributions may be increased at any time subject to the increase being not less than the minimum allowable increment at that time.

Reducing, missing and stopping contributions: contributions may be reduced or missed, but a charge will apply if less than three full years' contributions have been made.

If we have not received notification of the intention to miss contributions, a revival charge of, currently, £50 will apply.

The plan may be altered to a paid-up basis if contributions are to be permanently discontinued. A charge will apply if less than three full years' contributions have been made. This charge also applies in the three years following each increase in regular contributions. A paid-up plan would continue to share in profits (if investment is in the With-Profits Fund) or linked to future performance (if invested in any of the other funds). Charges will continue to be taken from the fund. If these charges were to outstrip the level of growth on the fund, your retirement benefits could be considerably lower.

If you miss contributions, we reserve the right, where the value of the fund is of a trivial amount, to make the plan paid-up with no value.

One month of grace is allowed for yearly contributions.

You may not get back the full amount of your investment. Our charges may vary in the future and may be higher than they are now. Further details can be found in the Policy Conditions. Full written terms and conditions of Retirement Annuities (Section 226 Increments) Plan are available from your Financial Adviser or on request from Prudential.





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