



M
& G

Income Outcomes

The 4 L's of "retired" life



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

Where content includes case studies or examples these are for illustration purposes and are not recommending a specific course of action.

Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

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Learning objectives

By the end of this session, you will be able to:

Explain the role lifetime and temporary guarantees can play in delivering client retirement outcomes.

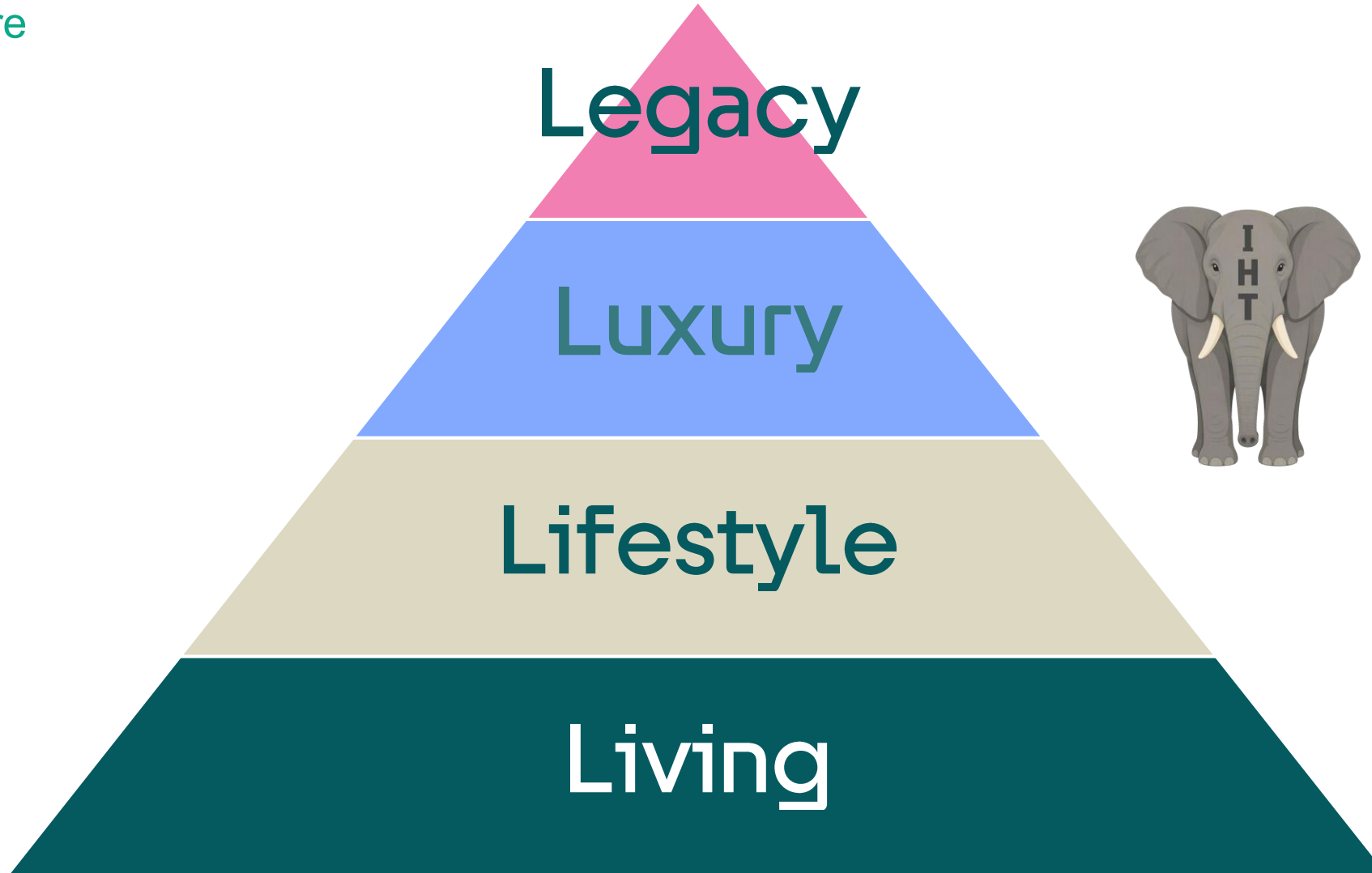
Consider the appropriate balance of guaranteed income required to manage risk in retirement.

Explain the tax treatment of guaranteed income streams on death and their use for intergenerational wealth transfer.

Explain the key features of Prudential's Guaranteed Income Plan and where it could sit in your retirement planning processes.

Retirement Income Planning

Basic structure



There's no duck in a Bombay Duck

... Fixed Term Annuities

Standalone

Drawdown Contract

Decumulation only

Full transfer - crystallised funds

Partial transfer – uncrystallised funds

Income to client

TIP

Scheme investment
Accumulation or Decumulation

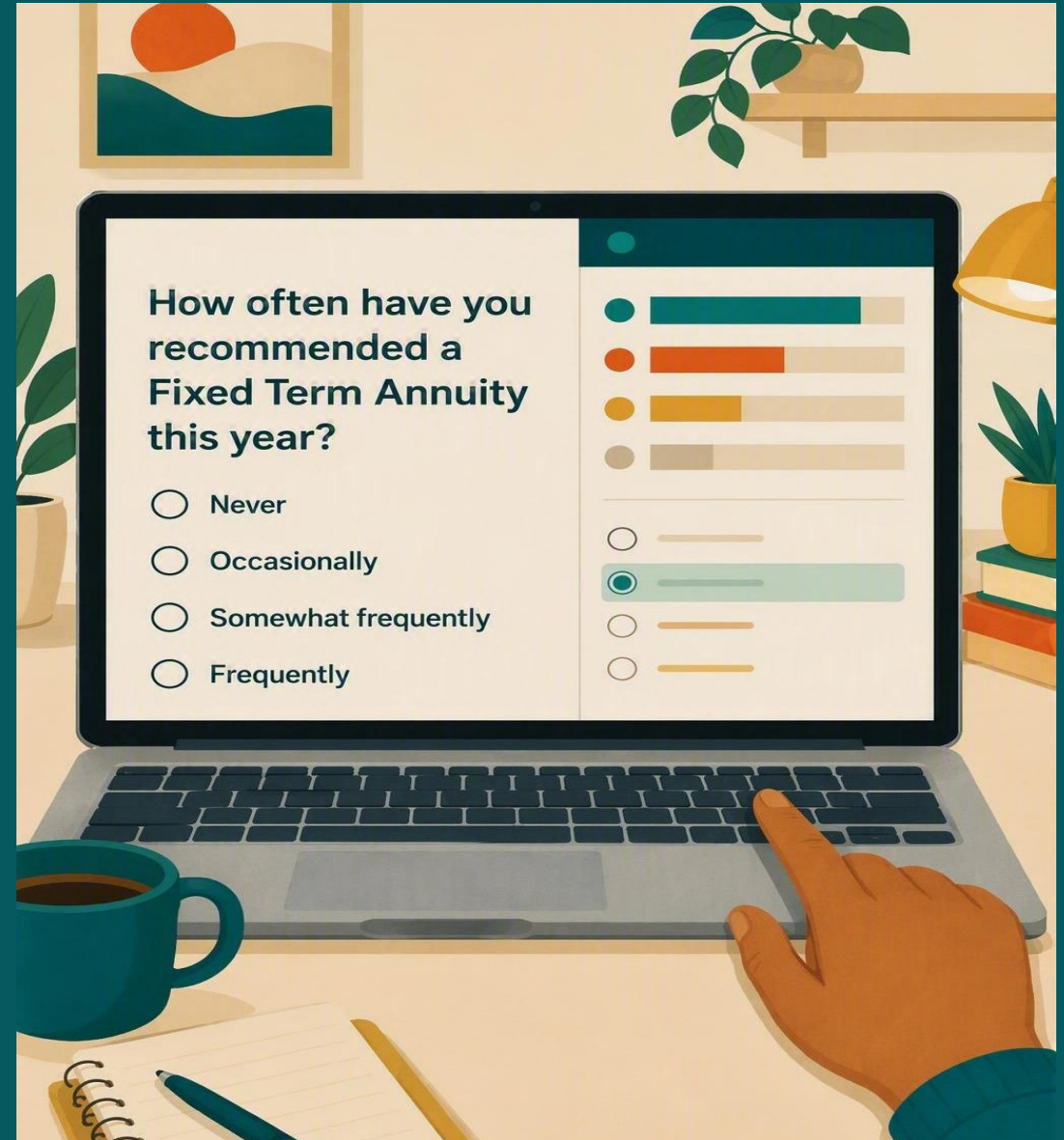
No transfer = no partial issues

Income to scheme bank account

Guaranteed Income / Guaranteed Lump Sum / Both – for a fixed term – 3 to 30yrs

Surrender and death benefit options are either nonexistent, standard or must be selected

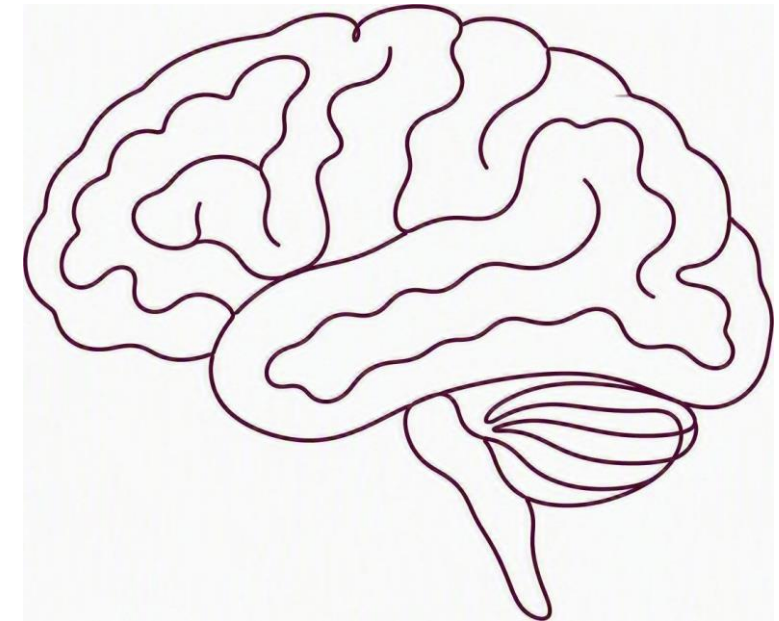
POLL



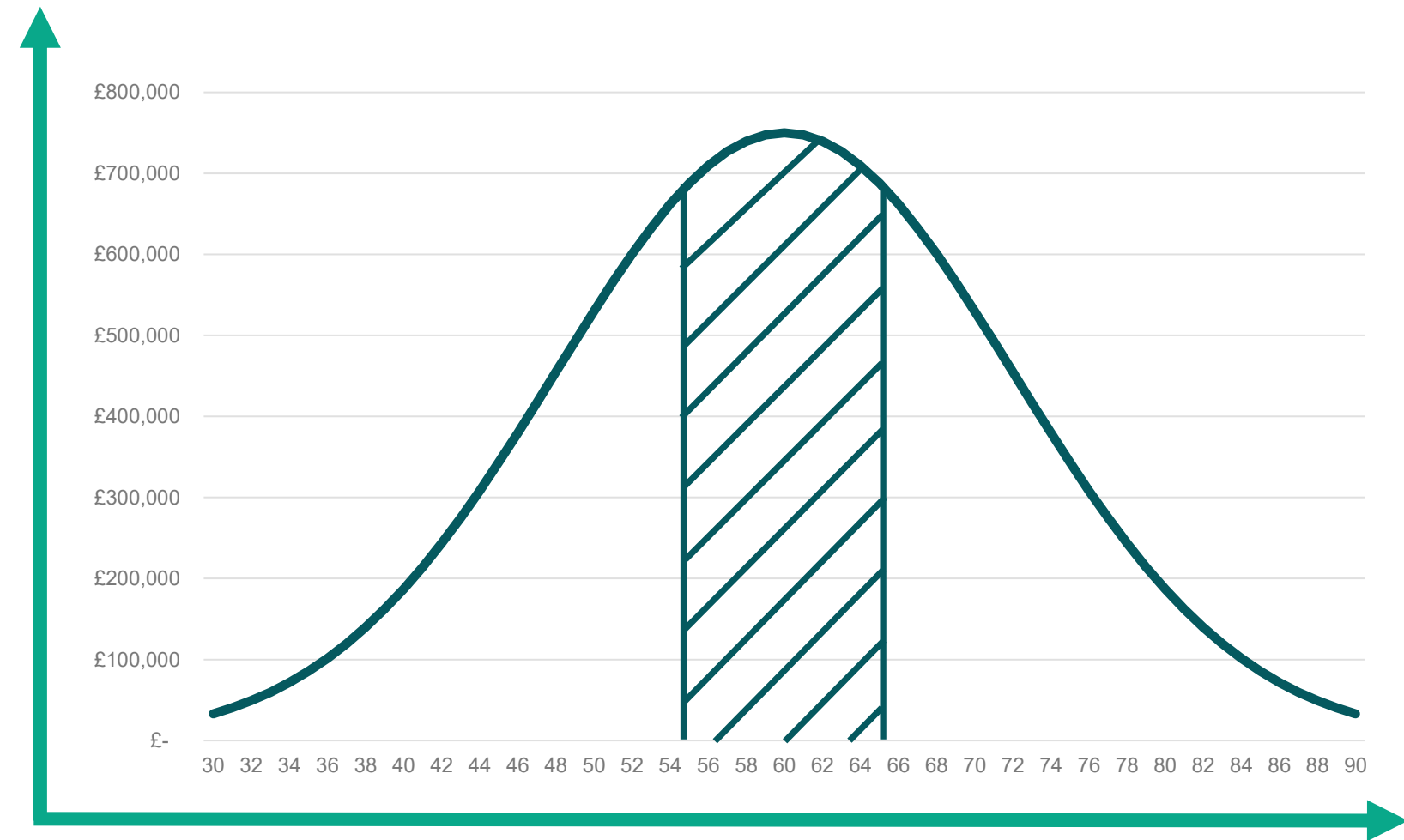
The maths and the psychology

Two lenses on the same retirement income decision

$$\mathcal{F}(x,t) = \int_{-\infty}^{\infty} e^{ikx} \left(\sum_{n=1}^{\infty} \frac{(-1)^{n+1}}{n^{\alpha}} \sin(n\pi t) \right) dk + \sum_{m=0}^{\infty} \frac{\zeta(2m+1)}{(2m+1)!} \left(\frac{\partial^{2m+1}}{\partial x^{2m+1}} \right) \ln(1+x^2) - \int_0^{\infty} \frac{\cos(\omega t)}{\omega^{\beta} + a^2} \left(\int_0^{\omega} \frac{\rho^{\gamma} d\rho}{1+\rho^2} \right) d\omega$$
$$+ \frac{\Gamma(\lambda)}{2\pi i} \oint_C \frac{e^{zt} z^{\mu-1}}{(z-a)^{\nu} (z^2+b^2)^{\sigma}} dz - \sum_{k=1}^{\infty} \frac{H_k^{(\theta)}}{k!} \left(\frac{-\partial}{\partial t} \right)^k e^{-ct^2} \cosh(\kappa x) + \prod_{j=1}^N \frac{\Gamma(j+\eta)}{\Gamma(j)} \exp \left(-\delta \sum_{j=1}^N \frac{1}{j^p} \right)$$



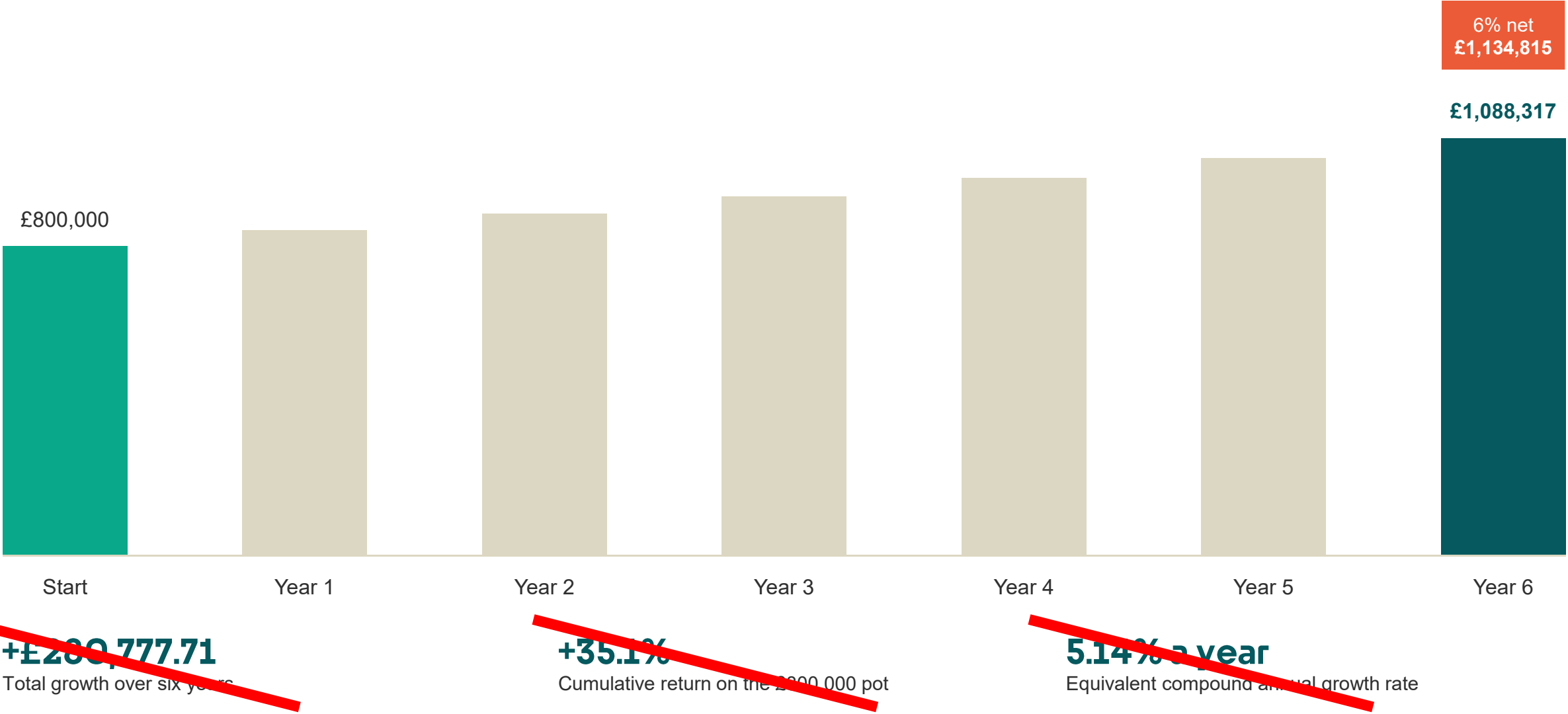
“We can cashflow model until the cows come home but emotions make decisions not maths”



The Fragile Decade

The retirement glide path

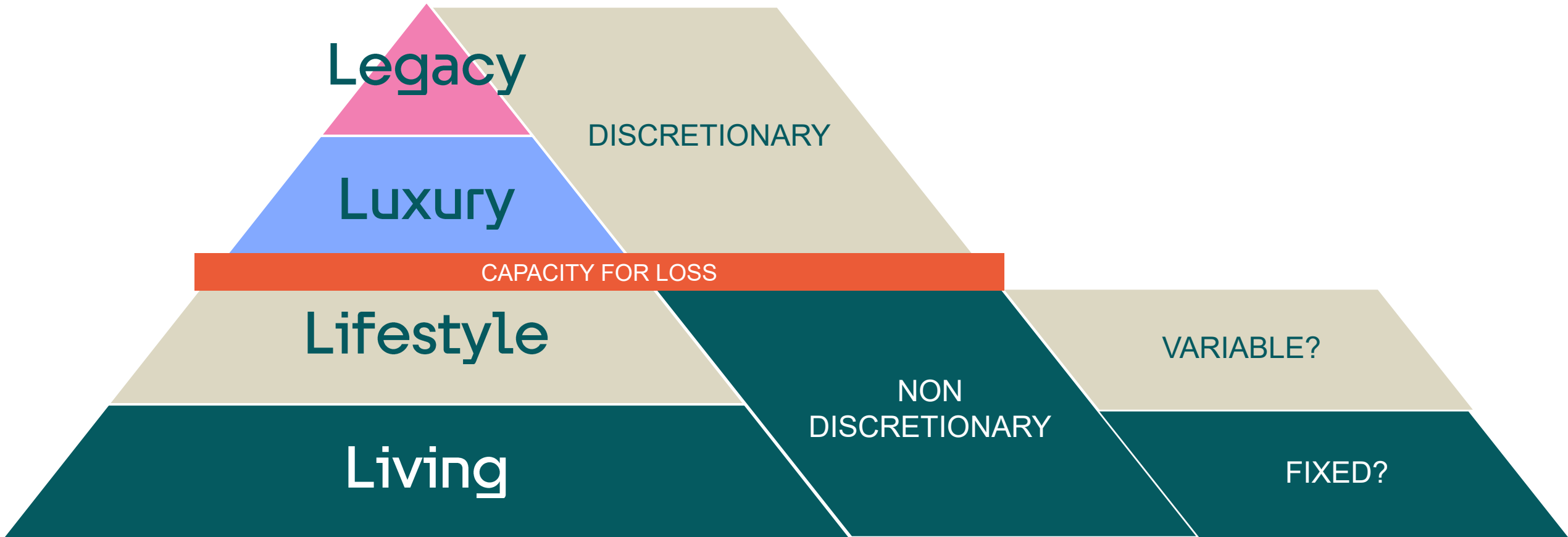
Is it best to know where you will be or where you might be?



Source: M&G PGIP, 6yrs term max lump sum

The 4 L's

Planning



Retirement

... the key risks

Annuity rate

Longevity

Mortality

Investment

Inflation

Day one

What if I run out of money?

... Longevity risk

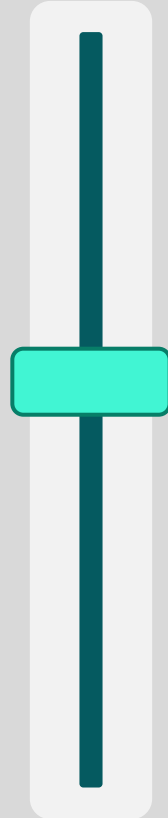
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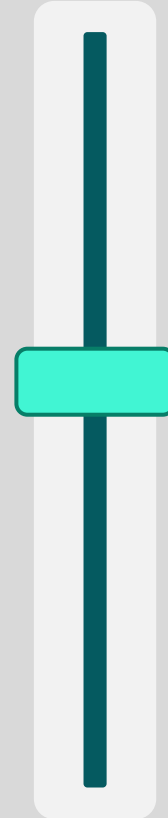
Single Life
Annuity



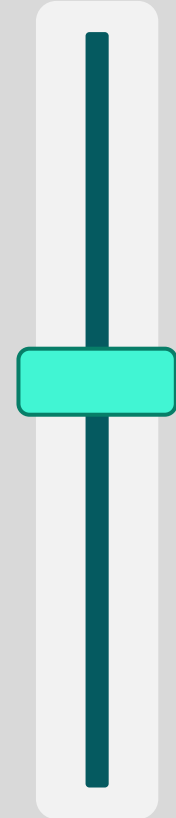
Joint Life
Annuity



Value
Protection



Guarantee
Period



What if I run out of money?

... Longevity risk

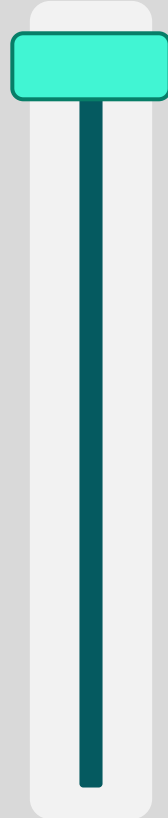
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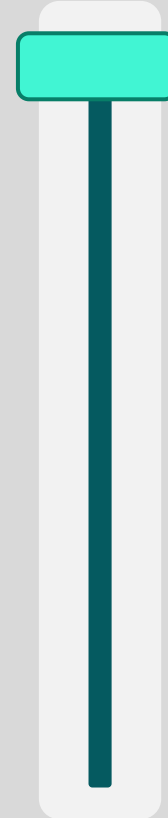
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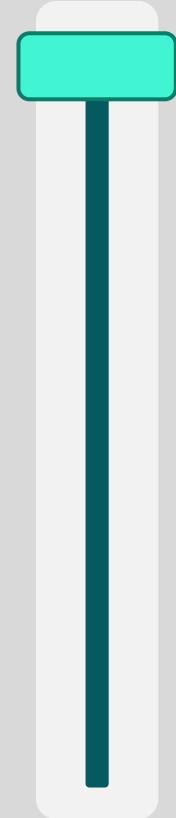
Joint Life
Annuity



Value
Protection



Guarantee
Period



What if I run out of money?

... Longevity risk

FTA

OLDER

YOUNGER

Single Life
Annuity

Joint Life
Annuity

Value
Protection

Guarantee
Period

What if I die early?

... Mortality risk

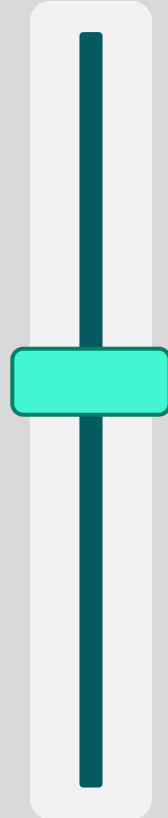
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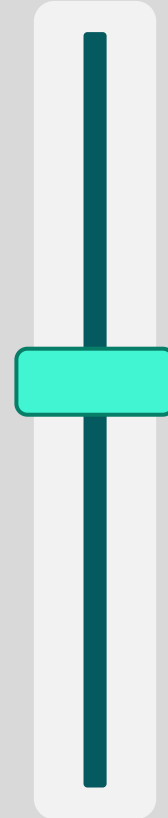
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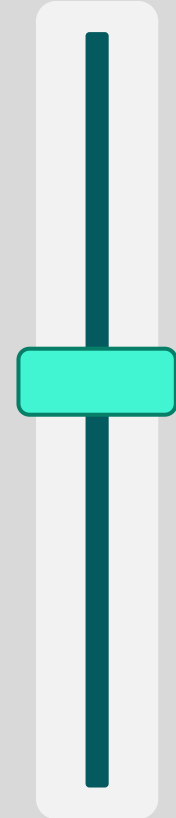
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Protection



Guarantee
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... Mortality risk

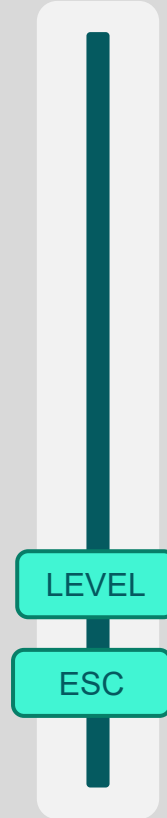
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Single Life
Annuity



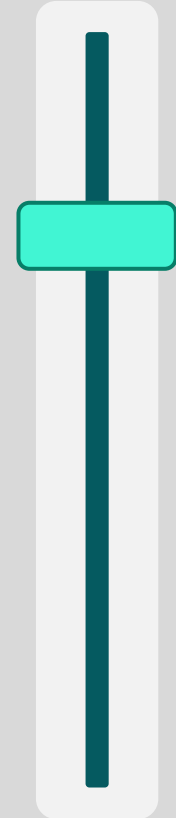
Joint Life
Annuity



Value
Protection



Guarantee
Period



What if my circumstances change?

... Day one risk

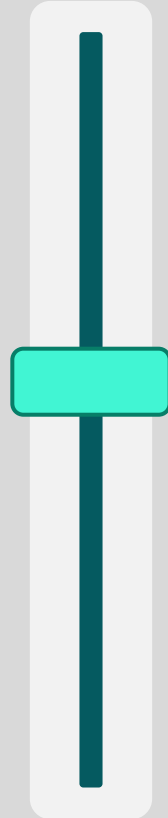
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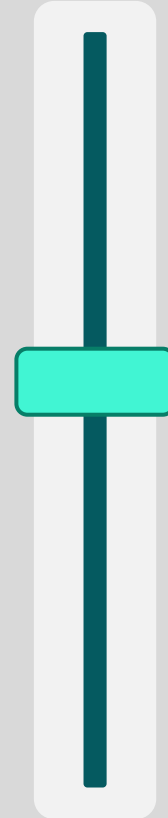
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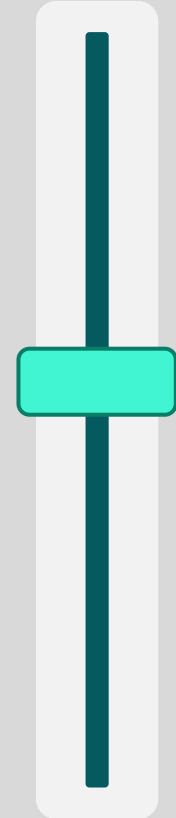
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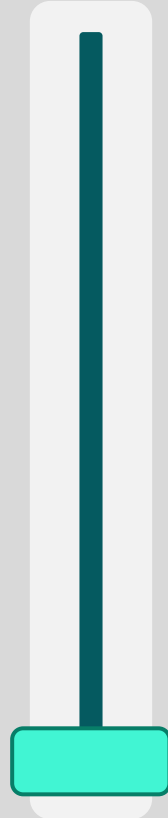
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Single Life
Annuity



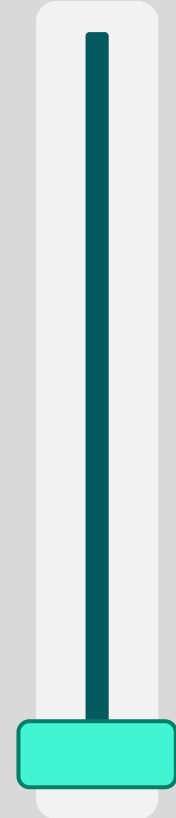
Joint Life
Annuity



Value
Protection



Guarantee
Period



I need to buy what I've always bought!

... Inflation Risk

FTA



Single Life
Annuity



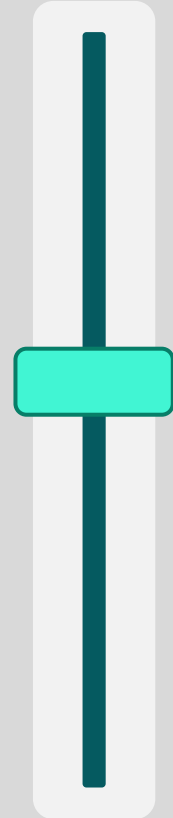
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Protection



Guarantee
Period



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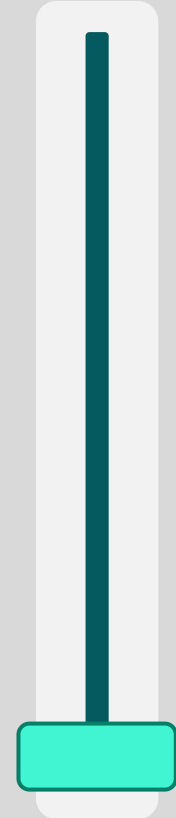
Joint Life
Annuity



Value
Protection



Guarantee
Period



Market movements worry me!

... Investment Risk

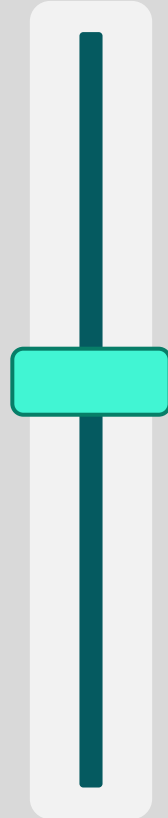
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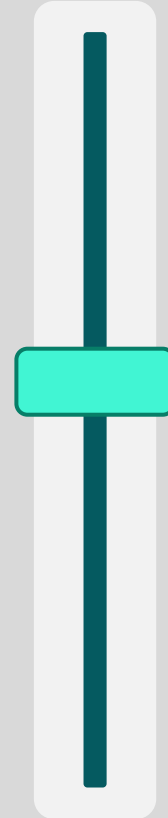
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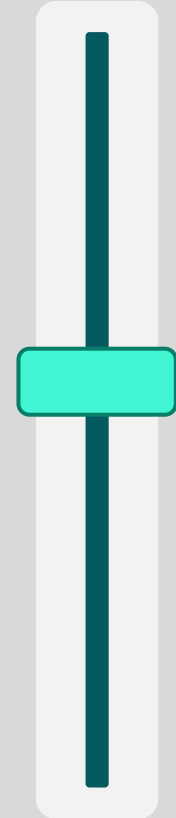
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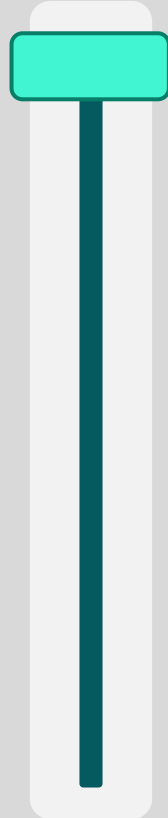
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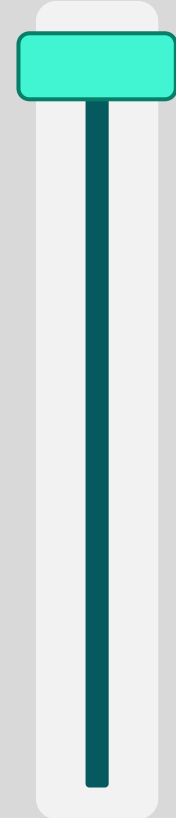
Joint Life
Annuity



Value
Protection



Guarantee
Period



Market movements worry me!

... Investment Risk

FTA

HELD TO
TERM

ENCASHED

Single Life
Annuity

Joint Life
Annuity

Value
Protection

Guarantee
Period

Incomes

.. but its not all about them, it's about trade offs

Annuity	Income	End fund
FTA - Combo 10yr	£23,609	£200,000
75 - Single Life 20 year guarantee	£23,583	
65 - Single Life with Value Protection	£22,719	
FTA - Combo 20yr	£20,894	£150,000
75 - Single Life 30 year guarantee	£20,510	
65 - Single Life 30 year guarantee	£20,426	
FTA - Max income 30yr	£20,299	
65 - Joint Life - 2nd life age 62	£19,974	
FTA - Combo 30yr	£18,866	£150,000
65 - Joint Life - 2nd life age 40	£18,210	
65 - 2.5%	£15,434	
65 - 3%	£14,439	
65 - 3.5%	£13,592	
65 - RPI	£13,199	
65 - 3.75%	£13,057	

Incomes

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Increasing incomes

- are expensive
- mitigate inflation risk
- increase mortality risk

BUT Value Protection is more valuable!

Incomes

.. but its not all about them, it's about trade offs

Annuity	Income	End fund
75 - Single Life 30 year guarantee	£20,510	
65 - Single Life 30 year guarantee	£20,426	
FTA - Max income 30yr	£20,299	

At some point pricing is on the expectation of supporting a guarantee as opposed to an income for the life of the annuitant(s)

This warrants the consideration of long term fixed term annuities

Temporary guarantee

... or not?

	Average Life Expectancy			Live to 67		Live to 90		Live to 100	
	Male	Female		Male	Female	Male	Female	Male	Female
55	84	85	87	90.6%	94.0%	34.7%	47.9%	85	3.6% 7.5%
65	85	95	87	97.6%	98.4%	33.6%	46.3%	95	2.9% 6.3%
75	87	105	89	Made it!		36.1%	47.9%	105	2.6% 5.5%

If the term is long enough to extend beyond the client's reasonable life expectancy, isn't the income effectively lifetime for practical planning purposes?

Bill and Ben

The retirement income men

- Bill and Ben are 65
- Both are widowers with non-dependent families
- They have £300,000 pension pots
- Both are concerned with dying early and not getting value for money
- They have both been in drawdown for several years after their DB transfers but are now looking for some of the certainty they gave up when transferring their DB scheme.

BILL

30 YEARS

GUARANTEE ANNUITY

£20,510

BEN

30 YEARS

MAX INCOME FTA

£20,299

Who is richer?

BILL

BEN

VALUE?

Keeping the key

Cost / Benefit

Lifetime certainty (probably)

Income protected from drawdown risks

Ability to change your mind and do something else

Flexibility on death

Lower income (material?/trade off)

Drawdown risks **if you want to** unlock the door

Unknown value **if** you unlock the door

Potentially unknown value on death

NO LONGEVITY INSURANCE

Inflation risk

65 year old – 3.75% indexing

	Lifetime Annuity 3.75% Indexation	Fixed Term Annuity Level Income	Invested	Income Balance	6% Add growth	LTA top up	Closing
1	£ 13,057.00	£ 20,299.00	Only spend FTA income to match LTA income & invest balance		£ 7,676.52	£ -	£ 7,676.52
2	£ 13,546.64	£ 20,299.00			£ 15,294.62	£ -	£ 15,294.62
3	£ 14,054.64	£ 20,299.00			£ 22,831.32	£ -	£ 22,831.32
4	£ 14,581.69	£ 20,299.00			£ 30,261.55	£ -	£ 30,261.55
5	£ 15,128.50	£ 20,299.00			£ 37,557.98	£ -	£ 37,557.98
6	£ 15,695.82	£ 20,299.00			£ 44,690.83	£ -	£ 44,690.83
7	£ 16,284.41	£ 20,299.00			£ 51,627.74	£ -	£ 51,627.74
8	£ 16,895.08	£ 20,299.00			£ 58,333.57	£ -	£ 58,333.57
9	£ 17,528.64	£ 20,299.00			£ 64,770.16	£ -	£ 64,770.16
10	£ 18,185.97	£ 20,299.00			£ 70,896.19	£ -	£ 70,896.19
11	£ 18,867.94	£ 20,299.00			£ 76,666.88	£ -	£ 76,666.88
12	£ 19,575.49	£ 20,299.00			£ 82,033.82	£ -	£ 82,033.82
13	£ 20,309.57	£ 20,299.00	£ 82,033.82	£ -	Use investments to top up FTA to match LTA		£ 86,945.28
14	£ 21,071.18	£ 20,299.00	£ 86,955.85	£ -			£ 91,401.03
15	£ 21,861.35	£ 20,299.00	£ 92,173.20	£ -			£ 96,141.25
16	£ 22,681.15	£ 20,299.00	£ 97,703.59	£ -			£ 101,183.66
17	£ 23,531.69	£ 20,299.00	£ 103,565.81	£ -			£ 106,547.07
18	£ 24,414.13	£ 20,299.00	£ 109,779.76	£ -			£ 112,251.42
19	£ 25,329.66	£ 20,299.00	£ 116,366.54	£ -			£ 118,317.88
20	£ 26,279.52	£ 20,299.00	£ 123,348.54	£ -			£ 124,768.93
21	£ 27,265.00	£ 20,299.00	£ 130,749.45	£ -			£ 131,628.41
22	£ 28,287.44	£ 20,299.00	£ 138,594.41	£ -			£ 138,921.64
23	£ 29,348.22	£ 20,299.00	£ 146,910.08	£ -			£ 146,675.47
24	£ 30,448.78	£ 20,299.00	£ 155,724.68	£ -			£ 154,918.39
25	£ 31,590.60	£ 20,299.00	£ 165,068.17	£ -			£ 163,680.65
26	£ 32,775.25	£ 20,299.00	£ 174,972.26	£ -			£ 172,994.34
27	£ 34,004.32	£ 20,299.00	£ 185,470.59	£ -			£ 182,893.50
28	£ 35,279.49	£ 20,299.00	£ 196,598.83	£ -			£ 193,414.27
29	£ 36,602.47	£ 20,299.00	£ 208,394.76	£ -			£ 204,594.97
30	£ 37,975.06	£ 20,299.00	£ 220,898.44	£ -			£ 216,476.29

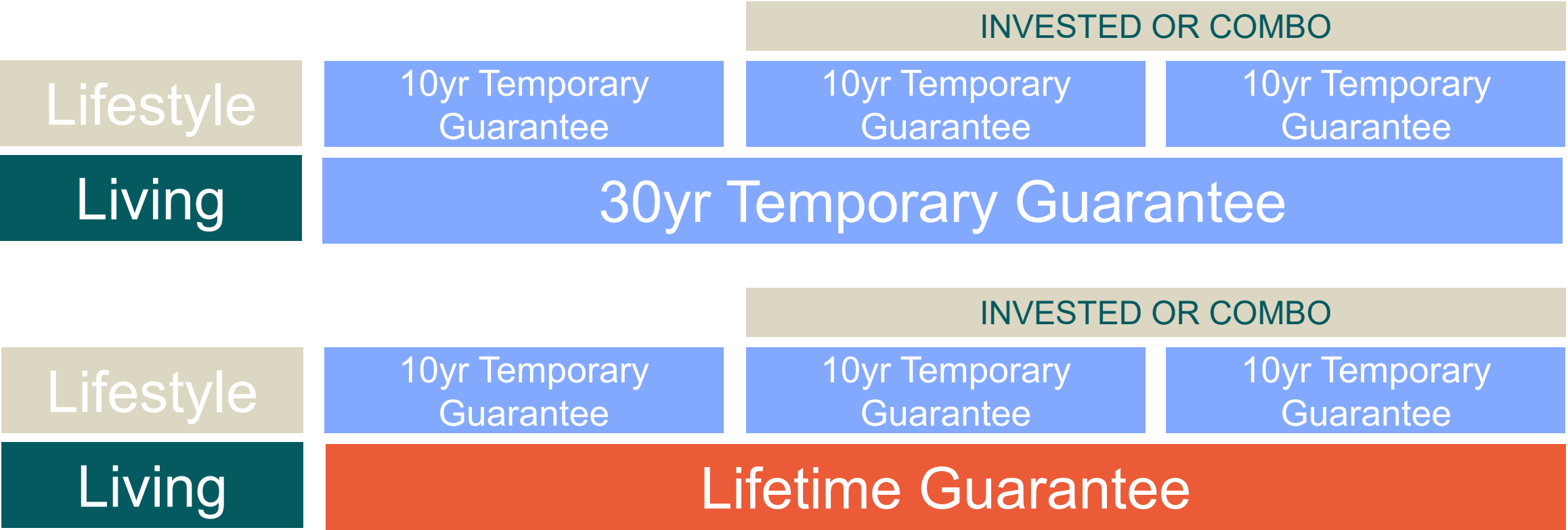
Mix and match

... give your clients money a job

Lifestyle	30yr Temporary Guarantee
Living	30yr Temporary Guarantee
Lifestyle	30yr Temporary Guarantee
Living	Lifetime Guarantee
Lifestyle	Lifetime Guarantee
Living	Lifetime Guarantee

Mix and match

... give your clients money a job



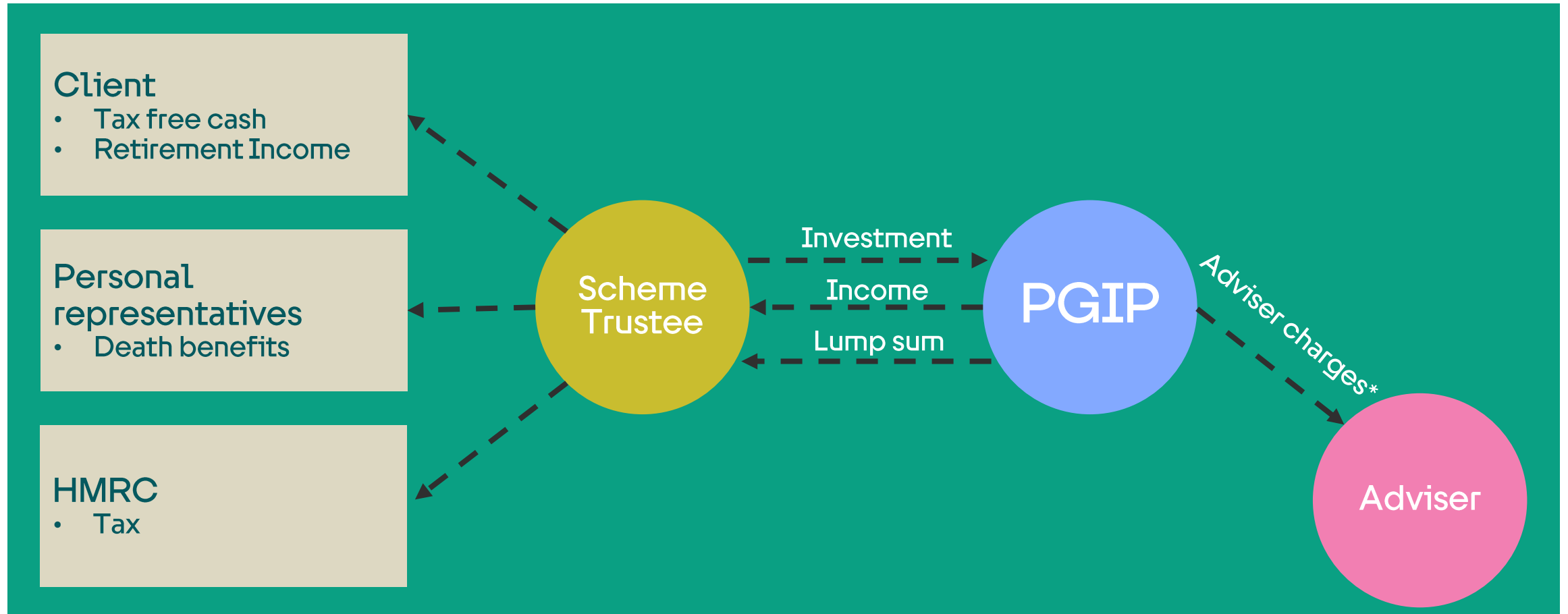
For UK financial advice professionals only



Prudential Guaranteed Income Plan

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&G

Overview of the Prudential Guaranteed Income Plan



PGIP Benefits



Guaranteed **income** at a **level** chosen by you



Guaranteed **income** at a **term** chosen by you



Option for a guaranteed **maturity value**



Written under drawdown rules to maintain **death benefits**



Only **taxed** when **leaving** the plan



Flexibility to change or stop income at any time



100% protected by the FSCS as an insurance contract

Proposition basic details

Minimum Investment	£10,000	
Maximum Investment	£2m (subject to BAU concession process)	
Fixed Term	Minimum: 3 years	Maximum: 30 years
	Terms in whole years and months are allowed ie 10 years and six months. This allows alignment with underlying customers State Retirement Age for example	
Income Frequency	Monthly/Quarterly/Half yearly/Yearly	In Advance or Arrears
Inclusive Death Benefit	No additional cost	Plans are set up on a single life basis so any income will cease on death
Cash-in Value	A full withdrawal can be requested before the end of the fixed term	A cash lump sum will be paid to the SIPP

Single life only.

No enhancements are offered for health and/or lifestyle conditions.

Three ways to setup a PGIP

Max Income

- Full investment amount used to generate income for the fixed-term.
- The starting income is guaranteed to be paid throughout.
- At the end of the term there is nothing left.

Max Lump Sum

- Full investment amount is used to generate a guaranteed lump sum at the end of the term.
- A guaranteed lump sum will be paid at the end of the Plan term. We'll never pay less than this but we might be able to pay a little bit more.
- No income paid during term

Combination Option

- Up to 100% of the investment returned at the end of the term plus a guaranteed income paid throughout.

Selected features in more detail

With-Profits Exposure

Payments are invested in The Prudential Assurance Company Limited (PAC) With-Profits Fund.

Product is backed by an investment strategy within this With-Profits Fund focused on fixed income assets. These can be public or private, and may include asset classes such as government bonds, corporate bonds and asset-backed securities.

This approach provides the stability necessary to support the underlying income and lump sum guarantees we're offering and provides the potential for small increases.

Any increase will be dependent on whether the assets that back the Plan have performed better than we expected when it was set up.

2025 Bonus

The Prudential Guaranteed Income Plan is backed by a fixed income investment strategy within our With-Profits Fund. This strategy, together with the financial strength of the Fund, ensures that we can provide guarantees in the form of a regular income payable over the term of the Plan and/or a lump sum payable at the end of the term. As the plan is part of the With-Profits Fund, we may also be able to pay a little more than the guaranteed regular income and/or guaranteed lump sum if the fixed income assets backing the Prudential Guaranteed Income Plan outperform what is required to support those guarantees.



2025 Performance

Over 2025 the fixed income assets backing the Prudential Guaranteed Income Plan outperformed what was required to support the guaranteed benefits payable under all plans.

Bonus Declaration

We're able to share the benefit of the outperformance with plan holders by declaring a bonus of 0.45%.

Product Charges – Note these are implicit within the rate

Charges and Costs	
Initial Charge	None
Annual Charges	■ Charges pay for the cost of administration, investment management and charges for any guarantees. ■ Charges are variable and depend on the investment returns, expenses, payments to shareholders and cost of guarantees.
Set Up Adviser Charge	■ Maximum 5% of the investment (with an upper limit of £30,000) ■ Any set up advice charge is taken from the investment amount prior to the income and /or lump sum calculation
Ongoing Adviser Charge for external PGIP (non-Retirement Account)	■ Only available where income is being paid ■ Maximum of 1% of the investment after any set up adviser charge ■ Deducted from income and paid to the adviser before any income is paid to the SIPP ■ Paid at same frequency as income ■ Payments can be reduced, switched off or paid to another adviser. They can't be increased or added at a later date.
Market Value Reduction (MVR)	■ The Guaranteed Income Plan does not apply to MVRs.

Why PGIP is easy to do business with

From availability and application through to quote guarantees and research



PGIP availability

- PGIP available in Retirement Account and External SIPP



Digital application

- Fully digital application process



Quote guarantee

- Quotes guaranteed for 42 days



Adviser research

- Available on AMS, IRESS and Ipipeline

GuaranteedIncomePlan Calculator

The Guaranteed Income Plan Calculator is a user-friendly component designed to assist users in inputting and visualising their investment information for a fixed-term annuity product. Combine with Cash Flow modelling to calculate the optimum client outcome.

Investment Information

Investment amount

£200,000

▼

Term

10 years

▼

Product

☒ Combination Option

☐ Maximum Lump Sum Option

☐ Maximum Income Option

Your results

Guaranteed Income	£9,859.08 each year
Guaranteed Lump Sum	£200,000

Important notes

- The results shown are not a guaranteed quotation.
- The results do not include any adviser charges being taken.
- The results are calculated assuming any income is payable on a monthly in advance basis.
- The investment amount will be provided from a decumulation pot within an HMRC registered pension scheme.
- The plan will be set-up as an investment of that scheme.

What are we launching?

1

Fully digital only – increases speed of payments

2

Fully underwritten

3

Full range of death benefits including named non-dependent nominees

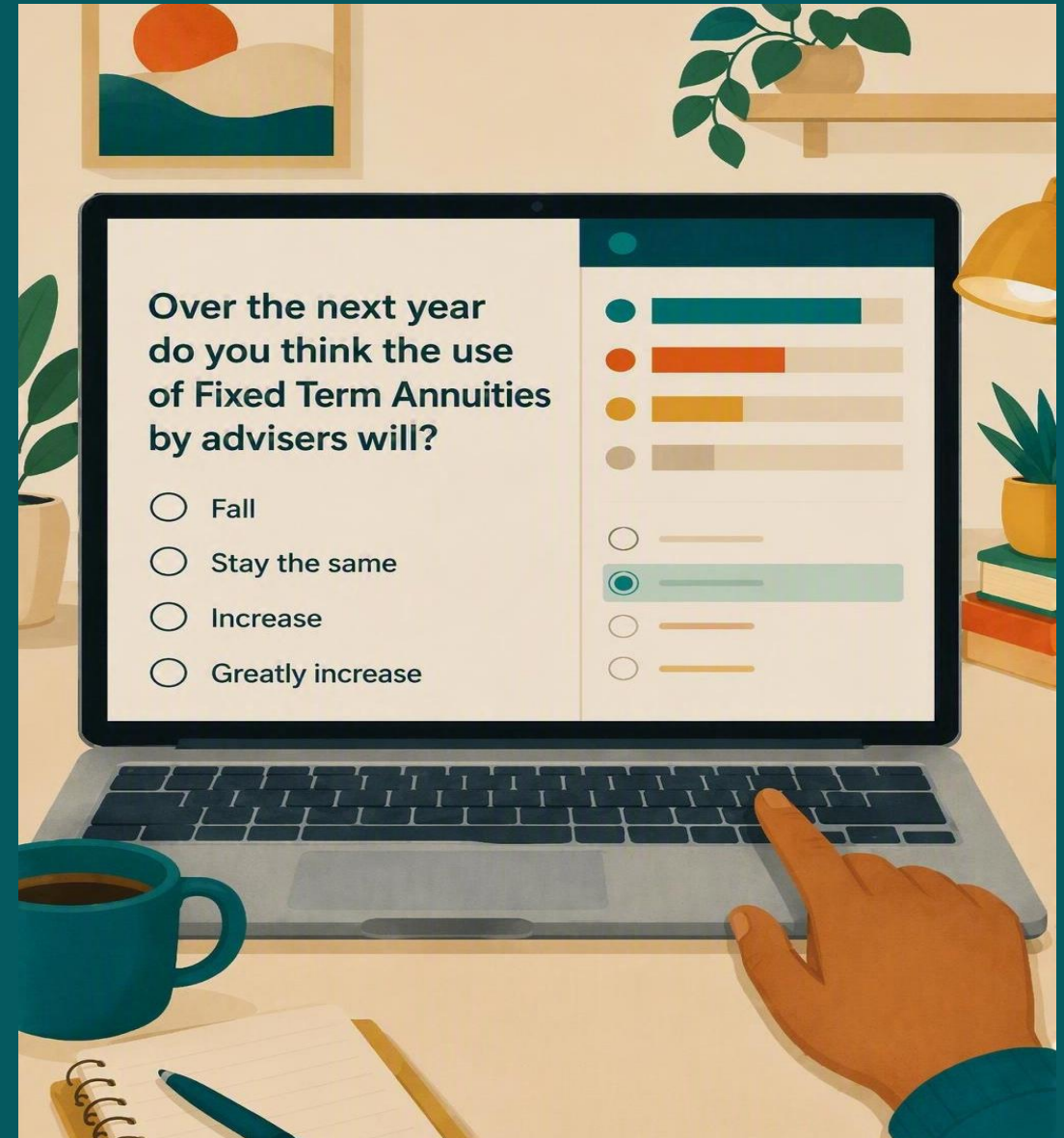
4

Only available via portals

Complete feedback question if you want agency and digital ID set up for launch



POLL



One tool rarely does the whole job

But some tools do many....



Blend, don't choose

The right answer usually combines several options.

Annuities

Death Benefits

FTA	Beneficiary Drawdown	Drawdown Lump Sum Death Benefit	Beneficiary Drawdown
LTA	JOINT LIFE	VALUE PROTECTION	GUARANTEE PERIOD
	Direction	Discretion or direction	

Fundamentally...

This is what's happening ...

s5 IHTA 1984

Estate dictated by death benefit
distribution arrangements

A
P
R
I
L

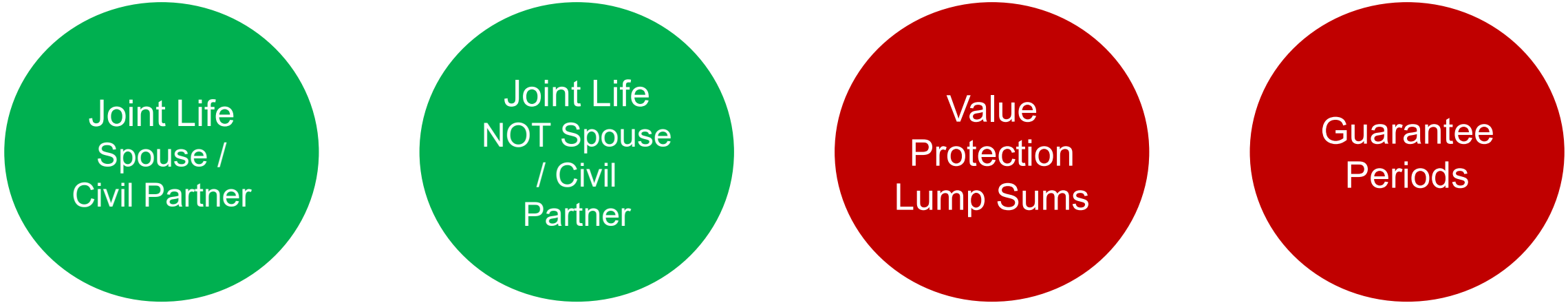
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Estate dictated by the
death benefit type

Annuity Death Benefits

... one of the answers to the pensions and IHT issue?



Joint Life
Spouse /
Civil Partner

Joint Life
NOT Spouse
/ Civil
Partner

Value
Protection
Lump Sums

Guarantee
Periods

Excluded benefits on death
BUT Transfer of Value on purchase

Notional Pension Property
Exemptions available

Transfers of value

Is an annuity purchase one?

...a transfer of value is a disposition made by a person (the transferor) as a result of which the value of his estate immediately after the disposition is less than it would be but for the disposition; and the amount by which it is less is the value transferred by the transfer.

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~~NO DEATH
BENEFITS~~

WITH DEATH
BENEFITS

Value Protection

Is it a dead death benefit?

VALUE PROTECTION (100%) DEATH BENEFIT DISAPPEARS BETWEEN 79 AND 80



Annuity	Income	End fund	Age 80 values Income Shortfall	Death Benefit Value
65 - Single Life with Value Protection	£22,719		NA	
65 - Single Life 30 year guarantee	£20,426		£34,395	15 x £20,426 £306,390 (income)
Max income 30yr	£20,395		£34,860	15 x £20,395 £305,925
Combo 30yr	£18,866	£150,000	£57,795	15 x £18,866 + £150,000 £432,990

Present value
of guaranteed
benefits

Beneficiary Annuities

Death Benefits



What do we do about the beneficiaries beneficiary?

How do you protect

... the beneficiaries beneficiary?

James :

- father died at 88, leaving him a £500,000 pension pot.
- he is 58 with children of his own
- intends to use the money to support his impending retirement
- would like some certainty over his income.
- is concerned that a beneficiary annuity cannot have death benefits if he dies early.
- would like some provision for his children when he dies.

James' adviser explains his potential options using temporary guarantees to resolve his dilemma

OPTION 1 Combination

GUARANTEED INCOME P.A.

£27,936

GUARANTEED AT END OF TERM

£500,000

The whole pot is handed back at the end of the term, on top of the income throughout.

You can take this and if you live to your dad's age they'll give you back what you started with.

OPTION 2 Maximum income

GUARANTEED INCOME P.A.

£33,465

GUARANTEED AT END OF TERM

Nil

The most income possible — the pot is fully used up delivering it over the term.

This will give you the most income but if you live to your dad's age there'll be nothing left for anyone.

OPTION 3 Blend

GUARANTEED INCOME P.A.

£30,684

£16,724 max income + £13,960 combo

GUARANTEED AT END OF TERM

£250,000

£250k in max income and £250k in a combination option, with that capital returned.

A bit more income for you and if you make it to your dad's age they'll give you half the pot back

If you die before your dad did they'll put the value of the guarantees you didn't get into your pension for the kids.

Annuity to fund WOL

Straightforward?

WOL Considerations

Can you get it?

Can you get
enough cover?

Place in
trust!

IHT treatment of
premiums

Gifts!

Periodic
Charges
(discretionary trust)

Liability or
legacy

Straightforward?

But...

WOL Considerations

Nothing to use in
lifetime

Annuity provider
gets growth on
capital

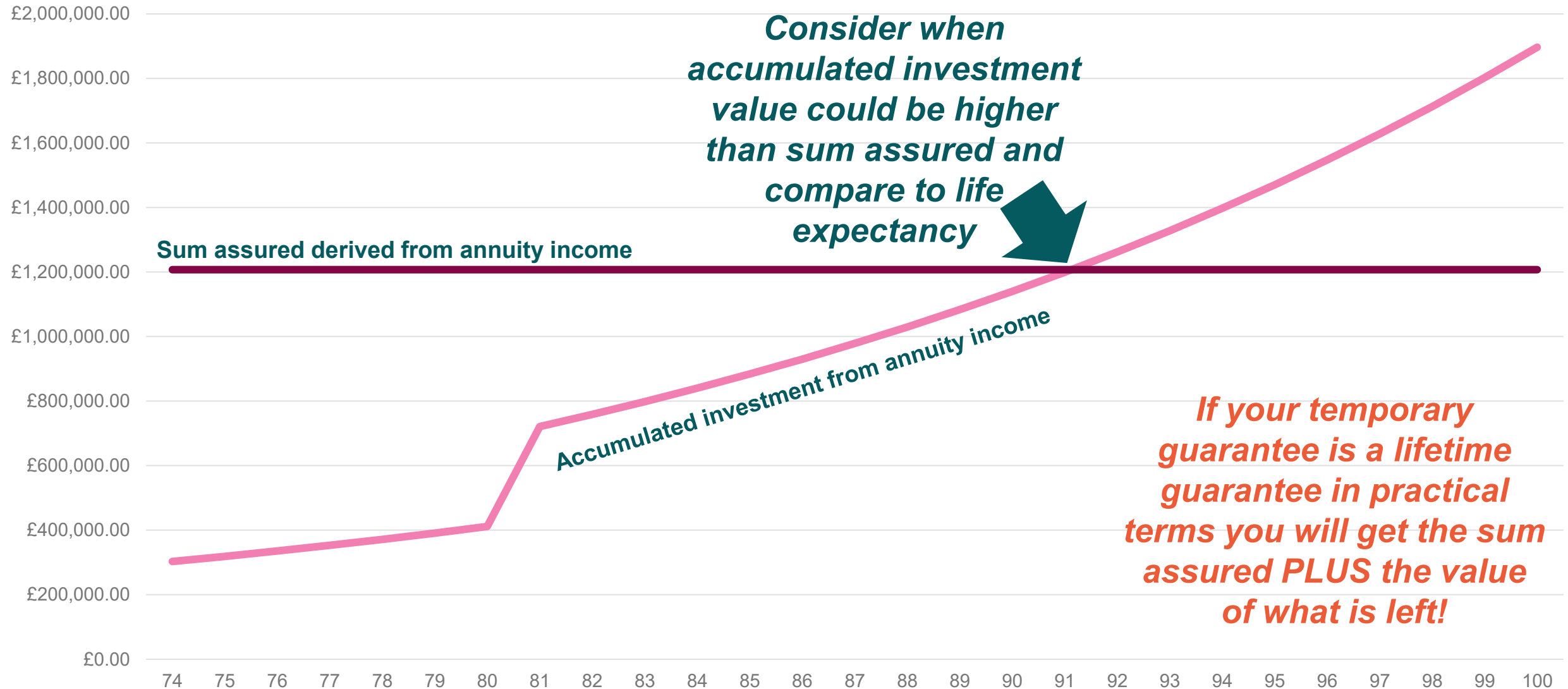
WOL provider
receives growth
on premiums

Lapse Risk?

Inflexible

Can attorney
continue to
fund it?

In principle



Retirement Planning

... getting the balance right



Lifetime Guarantee

Certainty
Inflexible

Comes with Risks



Temporary guarantee

Certainty for fixed period
Flexibility – income and death benefits
Growth potential?

Comes with Risks



No guarantee

Uncertainty
Flexibility – income and death benefits
Growth potential

Comes with Risks

There is no such thing as a risk free retirement

Any
questions?



Thank you

M &G



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