A guide to the Prudential Guaranteed Income Plan

Stay in control of your retirement planning

Introduction to the Prudential Guaranteed Income Plan

The Guaranteed Income Plan can offer you the security of a guaranteed income for a fixed period of time, without committing for the rest of your life. This guide will help you find out how it could form an important part of your retirement planning.

You can choose from one of three options and depending on the option you choose, you can:

- decide how much guaranteed income you need and for how long, or
- receive a guaranteed lump sum at the end of your chosen term, or
- get your money back at the end of the term in addition to a small guaranteed income.

You can access funds before the end of the term if your plans change with the peace of mind that your money can be passed on if you die.

The Guaranteed Income Plan is available through trustees of UK registered pension schemes, particularly Self-Invested Personal Pension schemes (SIPPs), who can invest on behalf of scheme members. To access the Guaranteed Income Plan you will need to do this through a financial adviser.

Meeting a range of needs

The Guaranteed Income Plan provides an alternative to some of the other solutions available when you retire. It can help you fulfil a range of important needs.

Who can have one

Our Guaranteed Income Plan is available to you if:

- you're a member of a UK registered pension scheme,
- you've reached retirement age – most people can access their pension from age 55 (age 57 from 2028) unless they have a protected pension age, and
- you're in drawdown.

Your financial adviser can recommend to the trustees of your pension scheme that they invest on your behalf. Any money paid out from the plan will be paid back to your pension scheme bank account. The trustees can then pay you an income, less any tax payable.

Who it's suitable for

It could help meet your retirement needs if you want any of the following:

- a guaranteed income until you start receiving your State Pension or Pension Scheme benefits.
- to top-up your income so you can reduce your working hours.
- to blend different retirement income solutions, combining a degree of security and flexibility.
- a lower-risk investment to produce a guaranteed lump sum in the future.
- to stay in control of your retirement funds and maintain flexibility for the future.
- to pass money on if you die.

Who it's not suitable for

It may not be suitable if you:

- need an income for life or one that continues if you die.
- want to keep your pension savings invested in higher-risk assets to benefit from potential future investment growth.
- are looking for continued flexible access to your money, as and when you need it.
- have a shortened life expectancy.
- are under age 55 and can't access your pension yet.

Combine with other retirement solutions

The Guaranteed Income Plan is available on its own or it can be combined with other pension products as part of a structured retirement strategy. This is sometimes known as 'blending'.

Blended solutions have become popular as a way of achieving different objectives with different pots of money in a total retirement fund. For example, you could invest part of your retirement fund in a Guaranteed Income Plan to secure a guaranteed income for your chosen term and invest the rest for growth.

Choose the option that's right for you

You can choose from one of three options to match your needs:

- **Maximum income option** – provides a guaranteed income for a fixed period but no lump sum at the end
- **Maximum lump sum option** – provides a guaranteed lump sum at the end of a fixed period but no income throughout the term
- **Combination option** – provides both a guaranteed income and a guaranteed lump sum

If you choose to receive an income you can decide how often you receive it (monthly, quarterly, half-yearly or annually) and if it's to be paid in advance or in arrears.

You need to invest at least £10,000 from your pension fund into the plan, for anything from five to 15 years (in whole years and months).

Additional benefits

- **Full withdrawal option*** – funds can be returned to the scheme if your circumstances change.
- **Death benefit*** – a lump sum death benefit is included at no additional cost so funds can be passed on if you die before the end of the term.
- **Security** – backed by an investment strategy within our With-Profits Fund focused on fixed income assets. This approach aims to provide stability to support the underlying income and lump sum guarantees.

We'll never pay less than the guaranteed income but some years we may be able to pay a little bit more. Similarly, we'll always pay the guaranteed lump sum at the end of the term but there's a chance we'll also pay a small additional amount.

**The amount paid will be based on the value of the remaining benefits at that time. This amount will change over time as market conditions change and may be less than the investment amount, or the total amount payable over the term.*

For more information about the Guaranteed Income Plan, including the risks, please ask your financial adviser for a copy of the Key Features Document.

Find out more about each of the options

The first step is to decide which of the three options is most suitable for you.

If you know how much you want to invest and how long you want to invest for, your financial adviser can tell you how much guaranteed income or lump sum this will provide. Or, you can tell your financial adviser how much guaranteed income or lump sum you need and when you need it, and they can tell you how much you need to invest.

For the combination option, we'll guarantee your investment amount back at the end of the term, plus we'll pay a small guaranteed income each year.

Let's look at each of the options in more detail.

Case study – Maximum income option

Angela 60

Angela is 60 and wants to give up work so she can spend more time with her grandchildren. She will receive her State Pension and other pension scheme benefits at age 67. She has £160,000 in a Self-Invested Personal Pension (SIPP) and wants to maximise the income she can take to see her through until then.

Her adviser recommends she moves this money into drawdown and takes tax-free cash of £40,000. He also recommends that she invests the remaining £120,000 into a Guaranteed Income Plan. This will pay her a guaranteed income of £19,958 each year until she receives her State Pension.

Angela is happy that she won't be taking any investment risk and that if she were to die, any remaining funds could be passed to her family. Over the seven year period she receives her guaranteed income of £139,706.

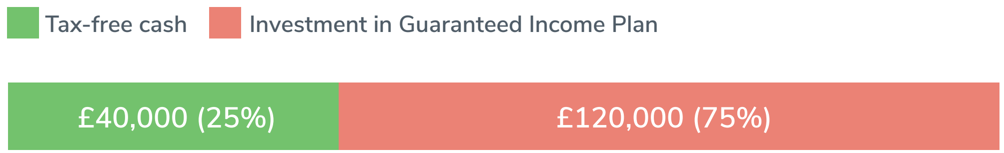
In this example the assets backing Angela's plan have delivered an annual return of 0.2% more than the Guaranteed Return. The Guaranteed Return is the fixed rate of investment return we use at the start of the plan to determine the amount of guaranteed income we'll pay. We add this 0.2% to the Guaranteed Return to give the annual Earned Return for Angela's plan. It's the Earned Return that generates any bonus we pay over and above Angela's guaranteed income.

Maximum income option

Under this option

- A guaranteed income will be paid for the duration of the plan term.
- We'll never pay less than this but some years we might be able to pay a little bit more.

There won't be any money left at the end, but this option provides the highest guaranteed income.



Total – £160,000

	Maximum income option, £120,000 investment, 7 year term							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Guaranteed income	£19,958	£19,958	£19,958	£19,958	£19,958	£19,958	£19,958	**£139,706**
Bonus (not guaranteed)	0	£38	£77	£115	£154	£193	£231	£808

Notes

This example is for illustrative purposes only.
The guaranteed income is based on a Guaranteed Return of 4.0%.
Any income over and above the guaranteed amount is based on an annual Earned Return of 4.2%.
For details of how income is calculated please ask your financial adviser for a copy of the Key Features Document.

Case study – Maximum lump sum option

Anne 65

Anne is 65 and has built up pension savings of £666,000. She is retiring and planning to take 25% of her fund (£166,000) as tax-free cash to cover short-term income needs. She wants to invest some of her fund for growth, but is also looking for an element of security. She likes the idea of a guaranteed lump sum in the future.

Her adviser recommends that she moves into drawdown and invests 50% of her remaining fund (£250,000) in medium-risk assets. This will provide growth potential, but also carries some risk. He then recommends she invests the remaining £250,000 in a Guaranteed Income Plan for ten years. At the end of the term she will have a guaranteed lump sum of £369,128 to provide a new solution, based on her income needs at that time.

After ten years the plan pays Anne the guaranteed amount of £369,128.

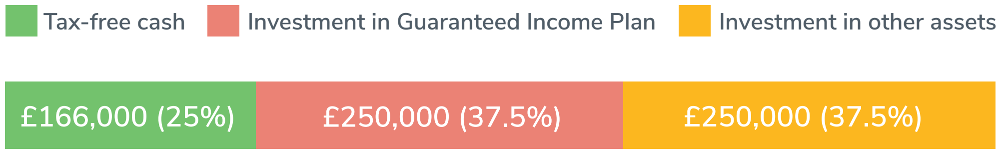
In this example the assets backing Anne's plan have delivered an annual return of 0.2% more than the Guaranteed Return. The Guaranteed Return is the fixed rate of investment return we use at the start of the plan to determine the amount of guaranteed lump sum we'll pay. We add this 0.2% to the Guaranteed Return to give the annual Earned Return for Anne's plan. It's the Earned Return that generates any additional lump sum we pay over and above Anne's guaranteed lump sum.

Maximum lump sum option

Under this option

- 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.

There won't be any income paid, but this option provides the highest guaranteed lump sum.



Total – £666,000

Maximum lump sum option, £250,000 investment, 10 year term	
Guaranteed lump sum	**£369,128**
Additional lump sum (not guaranteed)	£7,160

Notes

This example is for illustrative purposes only and figures have been rounded.
The guaranteed lump sum is based on a Guaranteed Return of 4.0%.
Any amount in addition to the guaranteed lump sum is based on an annual Earned Return of 4.2%.
For details of how the guaranteed lump sum is calculated please ask your financial adviser for a copy of the Key Features Document.

Case study – Combination option

David 55

David is 55 and has reduced his working hours as he transitions to full retirement at age 60. He has a pension fund of £400,000 and wants to use this to top up his salary of £32,000 without paying unnecessary income tax.

His adviser recommends taking his full £100,000 tax-free cash and using this to pay off his mortgage. With his remaining fund he chooses to invest £200,000 in a Guaranteed Income Plan for five years, using the combination option. This guarantees that he'll get his £200,000 investment back at the end of the term and also guarantees him an income of £7,544 each year, keeping his total income below the higher rate threshold.

As he has the certainty of his £200,000 being returned, David is happy to invest his remaining £100,000 in a range of higher-risk funds to maximise the opportunity for growth.

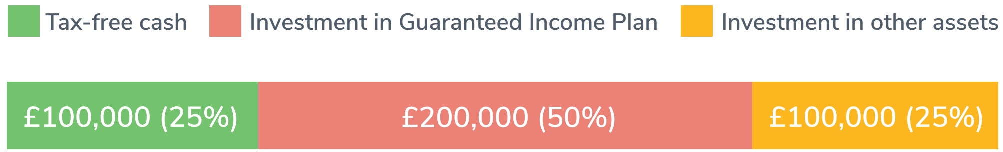
At the end of the five years David will be retiring fully and can use the lump sum from his Guaranteed Income Plan plus the value of his other funds in drawdown to select a new income solution.

In this example the assets backing David's plan have delivered an annual return of 0.2% more than the Guaranteed Return. The Guaranteed Return is the fixed rate of investment return we use at the start of the plan to determine the amount of guaranteed benefits we'll pay. We add this 0.2% to the Guaranteed Return to give the annual Earned Return for David's plan. It's the Earned Return that generates any bonus or additional lump sum we pay over and above David's guaranteed income and lump sum.

Combination option

Under this option

- We guarantee to pay back the whole of your investment amount at the end of the term.
- In addition, we'll pay a guaranteed income throughout.
- We'll never pay less than the guaranteed income but some years we might be able to pay a little bit more.
- We'll never pay less than the guaranteed lump sum but we might be able to pay a little bit more.



Total – £400,000

	Combination option, £200,000 investment, 5 year term					
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Guaranteed income	£7,544	£7,544	£7,544	£7,544	£7,544	**£37,720**
Bonus (not guaranteed)	0	£15	£29	£44	£59	£147
Guaranteed lump sum						**£200,000**
Additional lump sum (not guaranteed)						£1,934

Notes

This example is for illustrative purposes only.
The guaranteed income and guaranteed lump sum are based on a Guaranteed Return of 3.8%.
Any income over and above the guaranteed amount is based on an annual Earned Return of 4.0%.
Any amount in addition to the guaranteed lump sum is based on an annual Earned Return of 4.0%.
For details of how the guaranteed income and guaranteed lump sum are calculated please ask your financial adviser for a copy of the Key Features Document.

Backed by Prudential's With-Profits Fund

The Guaranteed Income Plan is backed by an investment strategy within the Prudential Assurance Company Limited (PAC) With-Profits Fund, focused on fixed income assets. This approach aims to provide stability to support the underlying income and lump sum guarantees.

The Prudential Assurance Company Limited With-Profits Fund is the largest and one of the financially strongest with-profits funds in the UK.

During the lifetime of your plan

To help the trustees keep track of your plan, we'll send them an annual statement. Your financial adviser may also receive a copy so they can review and discuss your plan with you.

Where to find more information

We recommend you read this guide along with the Key Features Document to find out more about the Guaranteed Income Plan. Your financial adviser can show you a quote before you make any final decisions.

Importance of getting advice

To help you make informed decisions about the options available to you, we recommend you get advice from a regulated independent financial adviser. They will be able to give you advice on what's right for you from providers across the market. They will charge for their services and explain any costs and charges before you commit to any decisions. If you don't have an adviser you can find one in your area at unbiased.co.uk

About Prudential

We're a leading savings and investments business with a long-term outlook, caring for customers for over 170 years. We've a long history of finding innovative solutions for our customers' changing needs. Our purpose is to give everyone real confidence to put their money to work.

Prudential has an A+ rating for financial strength from Standard & Poors.*

Our business is built on core values of care and integrity. Prudential is part of M&G plc.

**Applies to The Prudential Assurance Company Ltd – correct as of 19 March 2024.*

We’re here to help

If you have hearing or speech difficulties, you can contact us using Relay UK or SignVideo. For more information please visit pru.co.uk/signrelay

Do you need audio, braille or large print?

Please contact us and we’ll send them to you.

GIPB10098102 01/2025_WEB