

Prudential Guaranteed Income Plan

Case study – Combination Option

In May 2025, Martin invested £250,000 into a Prudential Guaranteed Income Plan, for 10 years. He chose the combination option and set it up to provide a guaranteed lump sum of £250,000 so he'd get 100% of his investment amount back at the end of the term, plus a guaranteed income of £11,000 every year throughout the term.

The plan is written in our With-Profits Fund and is backed by an investment strategy focused on fixed income assets, designed to meet the guaranteed benefits. As the plan is part of the With-Profits Fund we may be able to pay a small bonus each year, depending on how the fixed income assets that back the plan have performed. Over 2025 they outperformed what was required to support the guaranteed benefits payable under all Guaranteed Income Plans.

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

In Martin's case, this means we'll pay his guaranteed regular income of £11,000 in year 2, plus a bonus of £47. So a total of £11,047 will be paid back into his pension. The box on the right shows how this is calculated using the Guaranteed Return of 4.51%.

We don't yet know how much bonus will be paid after year 2 because it depends on how the assets perform in future. If the return on assets in the future is in line with the Guaranteed Return, then the bonus of 0.45% declared in 2025 means:

- we'll continue to pay a bonus of £47 each year for the rest of the term, giving a total of £423 of bonus income in addition to the guaranteed income.
- we'll pay an additional lump sum of £1,077 at the end of the term, over and above the guaranteed lump sum amount.

So the 2025 bonus could be worth around £1,500 in total across the term of the plan.

If the assets continue to earn more than the Guaranteed Return, these extra amounts could be more. But if they earn less, the extra payments may need to be reduced, possibly to zero. We'll still always pay the guaranteed income and lump sum.

This is how we've worked out the total we can pay in year 2

Current yearly income: £11,000

Guaranteed Return: 4.51%

Earned Return: 4.96%

Total payment in year 2 = Current yearly income x (1 + Earned Return) / (1 + Guaranteed Return)
= £11,000 x 1.0496 / 1.0451
= £11,047

The Guaranteed Return is the fixed rate of investment return we use at the start of the plan to work out the guaranteed benefits we'll pay. We add the bonus of 0.45% to the Guaranteed Return to give the Earned Return. It's the relationship between the Guaranteed Return and the Earned Return that determines if we can pay a bonus in addition to the guaranteed income.

The Guaranteed Return is shown in the final quote and is set considering investment conditions at that time. This means that different plans will have different rates of Guaranteed Return. Once set, it won't change during the term of the plan.



Here's an example of what could happen in Martin's case over the 10-year term:

Combination option, £250,000 investment, 10-year term												
Guaranteed lump sum £250,000 (100% of investment amount)												
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total	
Guaranteed Return	4.51%											
Bonus rate applicable at end of each plan year	0.45%	0.20%	0.15%	-0.40%	0.20%	0.45%	0.00%	0.40%	0.20%	0.30%		
Earned Return	4.96%	4.71%	4.66%	4.11%	4.71%	4.96%	4.51%	4.91%	4.71%	4.81%		
Guaranteed income	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	£110,000	
Bonus income (not guaranteed)		£47	£69	£84	£42	£63	£111	£111	£153	£175	£855	
Total income	£11,000	£11,047	£11,069	£11,084	£11,042	£11,063	£11,111	£11,111	£11,153	£11,175	£110,855	
Guaranteed lump sum											£250,000	£250,000
Additional lump sum (not guaranteed)											£4,697	£4,697
Total lump sum											£254,697	£254,697

Notes

This example is for illustrative purposes only and figures have been rounded. It's based on actual investment experience since we launched the Guaranteed Income Plan in February 2025, and assumed investment performance for all future years. The total income is adjusted each year by comparing the Earned Return to the Guaranteed Return, as described overleaf. The additional lump sum reflects the total performance over the whole term. Through the combination option, customers can select how much guaranteed lump sum is payable at the end of the term and this can be anything up to 100% of the investment amount. The higher the guaranteed lump sum, the lower the guaranteed income will be.

Commentary

- In years 2 and 3, the return on assets continues to exceed the Guaranteed Return, increasing the total income and building on the increase from the 2025 performance.
- In year 4, the return on assets is less than the Guaranteed Return, so the total income in year 5 reduces. As the average return on assets since the plan started is still more than the Guaranteed Return, a bonus is payable.
- In year 7, the return on assets is in line with the Guaranteed Return, so the total income in year 8 stays the same as the previous year.
- In the other years, the return on assets is above the Guaranteed Return, like the first three years, so the total income increases.

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