

Prudential Guaranteed Income Plan

Case study – Maximum Income Option

Not long after the Prudential Guaranteed Income Plan was launched in February 2025, Sarah invested £250,000 through her Self-Invested Personal Pension (SIPP). She chose the maximum income option with a 10-year term. Every year, £30,200 is guaranteed to be paid back into her SIPP, 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 Sarah's case, this means we'll pay her guaranteed regular income of £30,200 payable in year 2, plus a bonus of £131. So a total of £30,331 will be paid back into her SIPP. The box on the right shows how this is calculated using the Guaranteed Return of 4.01%.

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 £131 each year for the rest of the term, in addition to the guaranteed income.

So the 2025 bonus could be worth around £1,179 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.

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

Current yearly income: £30,200

Guaranteed Return: 4.01%

Earned Return: 4.46%

Total payment in year 2 = Current yearly income x (1 + Earned Return) / (1 + Guaranteed Return)
= £30,200 x 1.0446 / 1.0401
= £30,331

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 Sarah's case over the 10-year term:

	Maximum income option, £250,000 investment, 10-year term										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Guaranteed Return	4.01%										
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	4.46%	4.21%	4.16%	3.61%	4.21%	4.46%	4.01%	4.41%	4.21%	4.31%	
Guaranteed income	£30,200	£30,200	£30,200	£30,200	£30,200	£30,200	£30,200	£30,200	£30,200	£30,200	£302,000
Bonus income (not guaranteed)		£131	£189	£233	£116	£174	£305	£305	£423	£482	£2,358
Total income	£30,200	£30,331	£30,389	£30,433	£30,316	£30,374	£30,505	£30,505	£30,623	£30,682	£304,358

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.

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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