

Helping to give balance to your pension investments

A guide to your Trustee Investment Plan

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Introduction to Prudential's Trustee Investment Plan

This guide will help to show you how Prudential's Trustee Investment Plan (TIP) could benefit you. You can access investment solutions which you cannot get directly through your Self Invested Personal Pension (SIPP) or Small Self Administered Schemes (SSAS).

In your SSAS or SIPP you may have a range of investment choices open to you –

- Stocks and shares
- Property
- Collective investment schemes
- Structured products
- Bank deposit accounts

Your retirement portfolio may benefit from smoothed returns which we can provide through our With-Profits Fund and PruFund Funds. If you have a SIPP or SSAS you can only access these funds through Prudential's Trustee Investment Plan.

The value of your investment, and any income taken from it, can go down as well as up so you might not get back the amount you have put in.

What is a Trustee Investment Plan (TIP)?

A TIP is a single premium investment available to trustees of UK registered Occupational Pension Schemes and Self-Invested Personal Pension Schemes (SIPPs).

The minimum initial investment into our TIP is £20,000. The maximum investment is normally £1,000,000 although we may accept higher amounts on request. You can make additional investments of £10,000 or more which will be set up as separate plans.

What is the Prudential Trustee Investment Plan?

Who can invest?

Occupational Pensions Schemes (including deferred arrangements)

Self-invested Personal Pensions (SIPPs)

Small Self Administered Schemes (SSASs)

What does TIP offer?

Multi-asset
fund choices

Regular income
option

Partial and full
withdrawals

What Prudential can offer

Access to With-Profits Fund & PruFund Funds

Smoothed returns

The Plan offers access to a range of funds including our With-Profits Fund and the range of PruFund Funds. Regular and one off withdrawals can be taken from the Plan.

Setting up your TIP

Investments from SIPPs will be set up in your name – known as a ‘member designated’ plan. UK registered Occupational Pension Schemes can designate the plan to an individual member if they wish or can invest under the Pension Scheme name. You can only make the TIP member designated at the start of the plan on the application form.

There is no set investment term, so you can invest for as long as you require.

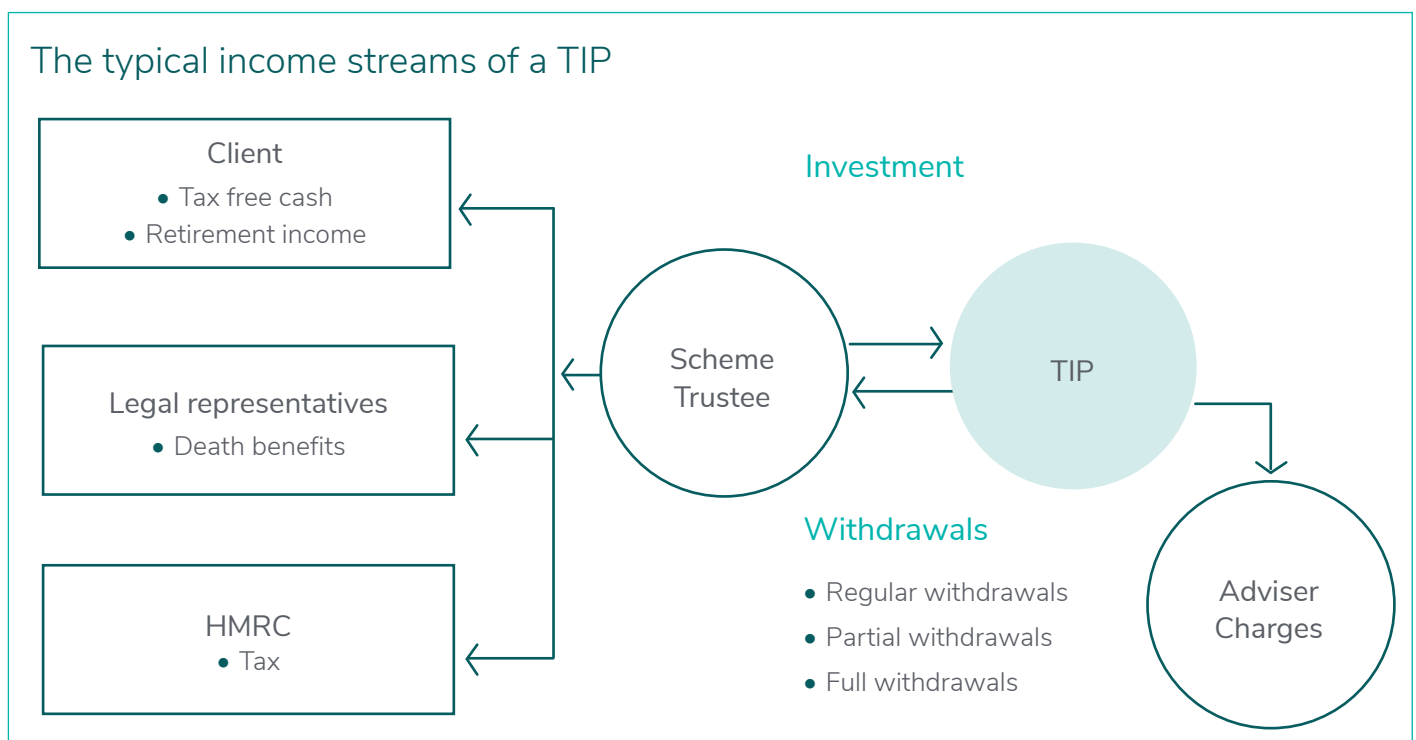
How could a TIP help your investment and retirement planning

A TIP could help as you approach retirement by providing access to multi-asset funds which can help to reduce investment risk within your portfolio. If you want With-Profits based investments then you need access to these investments through an insurance contract, for example a TIP.

A TIP can provide income to help with:

- Scheme pension or income drawdown payments without having to sell or release funds from other assets held in the scheme
- Meeting loan repayments for assets held in the scheme
- Covering any ongoing costs and charges within the scheme

The typical income streams of a TIP



Any payments from the TIP are paid to the pension scheme trustees to distribute in accordance with the rules of the scheme. Regular withdrawals can be taken monthly, quarterly, six-monthly or annually.

If the plan is invested in the With-Profits Fund regular withdrawals of up to 7.5% of the original investment can be made each year, starting from the first anniversary of the plan. Taking a partial withdrawal will proportionately reduce this limit as shown in the example opposite.

For plans not investing in the With-Profits Fund there's no limit on the amount of the regular withdrawal allowed each year, up to a maximum of the original investment, and withdrawals can start from as soon as one month of the plan commencing.

For example (for plans investing in the With-Profits Fund)

If an initial investment of £100,000 is made, then the maximum regular withdrawal is £7,500. If a partial withdrawal is taken of £50,000 then the maximum regular withdrawal will be reduced.

If the fund value had grown to £130,000 before the partial withdrawal is taken, then the new maximum regular withdrawal would be $80/130 \times £7,500 = £4,615$

Any withdrawal or adviser charge taken from your plan will reduce its value. If the withdrawals, including adviser charges are more than any overall growth achieved, the value of your plan will reduce below the original level of capital invested.

Consider the impact of inflation

Cash holdings within SIPP's or Occupational Pension Schemes have recently been subject to rising interest rates whilst inflation was increasing. Interest rates on cash investments tend to follow the base rate – currently 5% (as at August 2024).

Should inflation start to trend downwards then it is likely that interest rates could also start to reduce in turn.

Investing in a multi asset portfolio like PruFund can give you the potential to protect against inflation. The key reasons to hedge against inflation are to preserve the purchasing power of your pension assets, protect against rising costs and potentially maintain growth towards long term future plans.

	Today	After 5 years	10 years	15 years	20 years
2.5% Annual Inflation	£100,000	£88,385	£78,120	£69,047	£61,027

Over time the impact that inflation will have on savings in cash could mean the true value is eroded.

Is there an alternative?

If you are willing and able to take some risk with some or all of your money, and you accept investments can go down as well as up, there may be investment alternatives that could produce returns better than inflation over the medium to long term (5-10 years or more).

Investment choices to suit your needs

Prudential Multi-Asset Funds

Our range of globally diversified Multi-Asset funds are managed by M&G Treasury & Investment Office (T&IO). They're a team of around 80 members, which includes economists, mathematicians and analysts who are specialists in different areas of the investment world. M&G T&IO manage around £153 billion (31 December 2023) of our customers' money through multi-asset funds. M&G T&IO provide the strategic asset allocation for the Risk Managed Passive range and they are managed by M&G Investment Management Ltd, part of the M&G Group.

A multi-asset fund typically invests in many different types of investments including UK and international shares (equities), cash, property, and fixed-interest securities such as corporate bonds. Each type of investment (asset class) has its own level of risk and return. By spreading your investment across different asset classes, it can help to reduce the extreme ups and downs that you get when investing in a single asset class. This is often referred to as asset allocation.

In our **Trustee Investment Plan fund guide** each fund is given a risk rating so you can decide with your Financial Adviser which type of fund is suitable for your needs.

When you start your Plan, you will need to select the funds you wish to invest in. Choosing which funds to invest in can be difficult. That's why we offer a broad range of funds which may suit your needs now and in the future.

Investment choices in the Trustee Investment Plan

PruFund Range of Funds

Risk Managed PruFunds

PruFund Risk Managed 1

PruFund Risk Managed 2

PruFund Risk Managed 3

PruFund Risk Managed 4

Other PruFunds

Growth

Cautious

Additional Fund Choice

With-Profits Fund

Risk Managed Passive 1*

Risk Managed Active 4

- Please note the PruFund range of Funds are not directly accessible through external platforms or SIPP product wrappers

* M&G Investment Management Ltd (MAGIM) part of the M&G Group, are the investment managers for the Risk Managed Passive range. They make the fund selections and asset allocations adjustments recommended by M&G T&IO.

How your investment could grow

By putting your money into chosen funds, and keeping your money with us over the medium to longer term (5-10 years or more), your money has the potential for growth. However, it's worth remembering as with any investment, the value of your plan may go down as well as up and you may get back less than has been invested.

Most funds are Investment-linked, which means they can go up and down on a daily basis in line with how the investments within the chosen fund perform. Each fund will have a different level of investment risk and potential reward.

Our PruFund Funds and With-Profits Fund invest in a wide range of assets. By investing in a range of assets, the Funds are less exposed to significant changes in the values of individual assets. So if the value of one asset is falling, then the value of another asset may be increasing. Of course, there could be times when all of the assets in the Funds are either rising or falling in value, depending on the market conditions at that time.

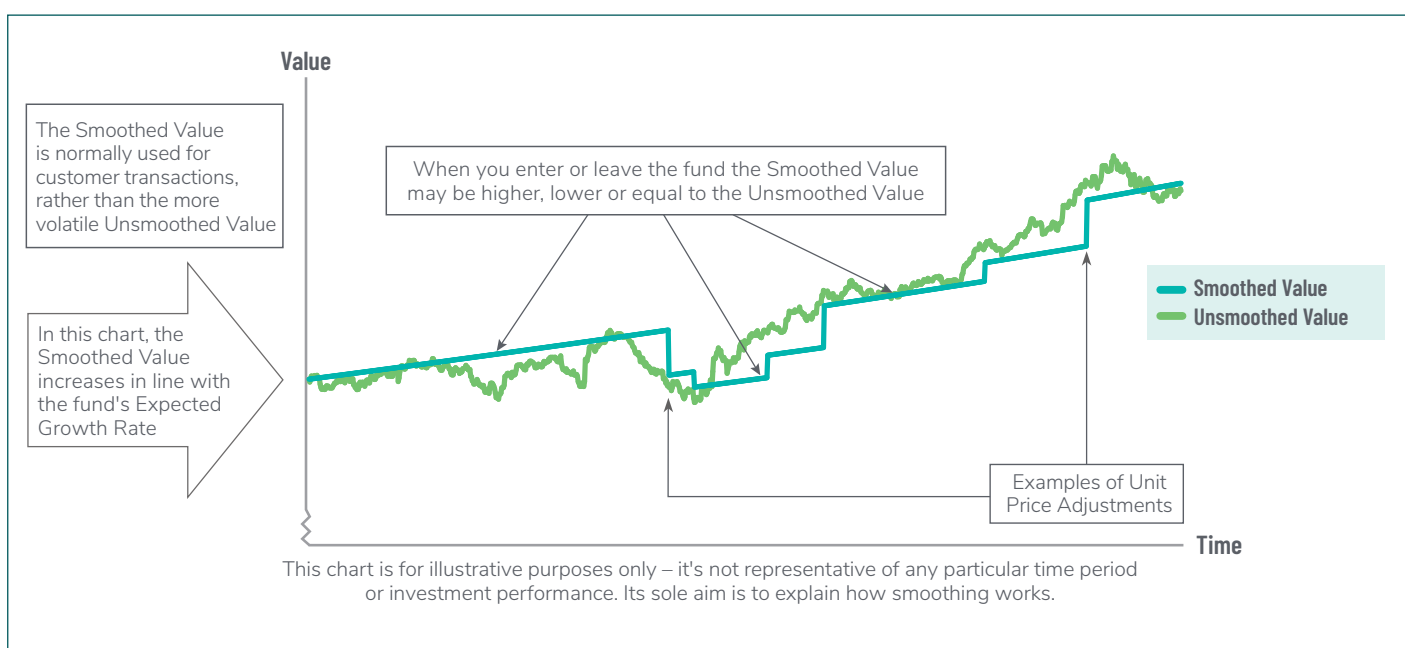
Our PruFund Funds and With-Profits Fund also aim to smooth some of the ups and downs of short-term investment performance.

PruFund Funds

PruFund funds aim to grow your money while giving you a smoothed investment journey.

The PruFund range of funds all invest in Prudential's With-Profits Fund, which is the largest With-Profits fund in the UK. However, there are differences across the range of PruFund funds in their objectives and mix of assets, and how PruFund delivers returns to investors when compared to other with-profits business, which means the returns received by investors will vary by fund choice. As a with-profits investment, PruFund funds are designed to spread risk by investing in a range of different asset types.

The PruFund funds have an established smoothing mechanism which aims to provide you with some protection from the short term ups and downs of the markets.



Expected Growth Rates (EGRs)

We set Expected Growth Rates (EGRs); these are yearly rates your investment will normally grow at. They reflect our view of how we expect the underlying assets of PruFunds to perform over the long term (up to 15 years).

The likelihood of receiving returns in line with these expectations will be greater, the longer you remain invested.

Each PruFund has its own EGR and your investment will normally grow daily by the relevant EGR, through an increase in the price of the units you hold (known as the Smoothed Price). Although we take a long-term view, we do review the rates every three months to allow for any changes, which may mean a change in EGR on a quarterly basis, up or down.

Unit Price Adjustments (UPAs)

While the Expected Growth Rate (EGR) reflects our long term view, we also need to check that the Fund is performing as expected; if not an adjustment may be needed to your fund value, either up or down. There are limits which set out when an adjustment would be required.

The value of your investment in PruFund is based on the Smoothed Price, which grows daily by the EGR. The Smoothed Price is compared against the Unsmoothed Price, which reflects the value of underlying assets. If the gap between these two prices is outside of set limits; the Smoothed Price will be adjusted to bring the gap within limits. This could be a price increase or a price decrease.

Suspending smoothing

There may be occasions where we have to suspend the smoothing mechanism for one or more PruFunds for a period of consecutive days, to protect our With-Profits Fund and those invested in it.

When this happens, the Smoothed Price for the affected fund(s) is set to the Unsmoothed Price for each day until the smoothing mechanism is reinstated.

We will suspend smoothing to ensure continued fairness for customers, this is only expected to be used in highly unusual circumstances.

Range of funds

There are a range of PruFund funds designed to suit different attitudes to risk and reward. They are designed for those wishing to invest for 5 to 10 years or more. There are five Risk Managed PruFund funds (only 1-4 available on TIP) and also the PruFund Growth and Cautious funds.

The five Risk Managed PruFunds use our established PruFund smoothing mechanism and are designed to help you meet your attitude to risk by using asset allocation.

The numbering of the funds within the fund names i.e. Prudential Risk Managed Passive 1 fund, up to Prudential Risk Managed Passive 5 fund, indicates the increasing level of investment risk associated with that fund – with 1 low and 5 high. The higher the level of investment risk, the greater the potential reward.

The PruFund Growth Fund aims to produce investment growth by investing in a range of assets, with approximately 50% of the fund currently held in shares. The PruFund Cautious Fund aims for growth using a cautious approach to investing. The fund invests in a range of assets, with approximately 25% of the fund currently held in shares.

For the range of PruFund funds, what you receive will depend on the value of the underlying investments, the smoothing mechanism, our charges and when you take your money out.

With-Profits Fund

Investments in the With-Profits Fund grow by adding bonuses. There are two types of bonus:

Regular Bonus – This is added daily during the term of your Plan. We don't guarantee that a regular bonus will be added each year, but once added to your Plan it acts to increase the guaranteed minimum payout.

Final Bonus – This is an additional bonus we expect to pay when you take your money from your Plan. If the investment return has been low over the lifetime of your Plan, a final bonus may not be paid

Market Value Reduction – If you take money out of the With-Profits Fund, we may adjust the value of your Plan if the value of the assets underlying your Plan is less than the value of your Plan including all bonuses. This adjustment is known as a Market Value Reduction (MVR). It is 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.

An MVR will reduce the value of your Plan and you may even get back less than you have invested in your Plan.

We guarantee not to apply an MVR on any regular withdrawals or on any claims due to death where the Plan is member designated.

Please see your document titled "Your With-Profits Plan – a guide to how we manage the Fund (Prudential Unitised With-Profits Plans and Cash Accumulation Plans)" for more information.

Size of With-Profits Fund

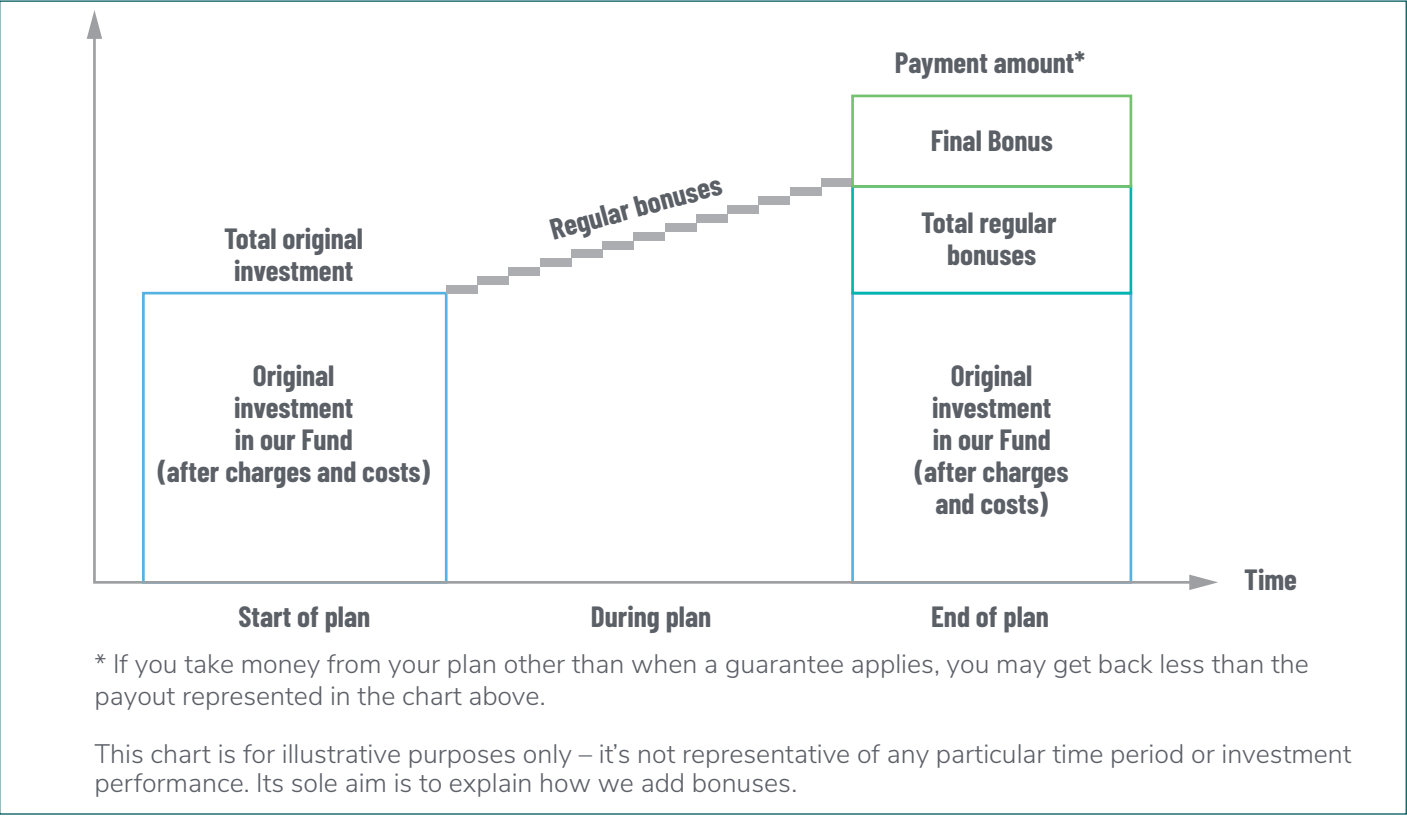
The Prudential Assurance Company Limited With-Profits Fund is the largest with-profits fund in the UK.

The total level of assets backing the with-profits business in the Fund was £129 billion as at 31 December 2023.

You can only choose to invest in the With-Profits Fund if;

- the plan is member designated; and
- you are under age 85.

This is an example of how With-Profits bonuses are applied



Risk Managed Passive range

Our Risk Managed Passive range is managed to meet an expected long term volatility ceiling to help target different attitudes to risk. The range gives you access to M&G T&IO for active asset allocation, with a focused selection of underlying funds that use predominantly (at least 70%) passive fund management approaches.

Currently (as at August 2024) we offer one Risk Managed Passive fund on your Trustee Investment Plan (see table on page 7).

Risk Managed Active Range

Our Risk Managed Active funds are a range of multi-asset, Open Ended Investment Company (OEIC) funds, invested across a broad range of asset classes and designed to provide for different levels of risk (Risk Managed Active 4 is the only one available on TIP).

As actively managed funds, they are slightly more expensive than our passive funds – but you benefit from the fund manager's active involvement in selecting which company, or area to invest in or avoid.

The charges, costs and rewards

Annual Management Charges (AMC)

The AMC is the charge we take for looking after your investment.

Further costs

There are other costs which aren't covered by the AMC, these can include maintenance costs for property investments and costs associated with investing in infrastructure, such as utilities, transport and renewable energy. These can vary over time.

Yearly total

The yearly total combines the Annual Management Charge and further costs.

The fund, or funds, you choose will determine how much we deduct. You can see a full list of funds and the associated AMCs and further costs in our "Fund Guide: Prudential Trustee Investment Plan (Series A)".

Guarantee charges

There are charges for the guarantees on the With-Profits Fund. We take the guarantee charge by making a small adjustment to regular and final bonuses.

Fund Size discounts

We apply a Fund Size discount to the AMC based on the size of your fund.

The table below shows how the discount is applied.

Fund size	AMC discount
Less than £100,000	0.350%
£100,000 – £149,999	0.400%
£150,000 – £249,999	0.450%
£250,000 – £499,999	0.4750%
£500,000 – £749,999	0.500%
£750,000 – £999,999	0.525%
£1m and over	0.550%

The discount to the AMC will apply to the whole of your investment, not just the portion above the threshold levels shown above.

Plans set up on or after 28 April 2014 will be added together to calculate the value of the Fund Size discount. For Occupational Schemes, all TIP plans will be combined and for SIPPs, TIP fund values for each designated member only will be combined.

For example:

If Richard invests £120,000 into a TIP and he selects a fund with an AMC of 1.41%, he will only pay 1.01%, a reduction of 0.400%. This is a saving of over £480 each year on the AMC payable. He could earn higher discounts if his fund grows or lower discounts if the investment falls or withdrawals reduce the value of the fund.

Case Studies – How could a TIP help you?

Jack is looking for income in retirement from his investments



Jack is aged 63, and has a £500,000 SIPP. He wants to use his SIPP to generate an income.

Jack may use Prudential's Trustee Investment Plan so he can:

- allocate some of his investment to TIP to provide an income

The value of any investment, and any income taken from it, can go down as well as up so your customer might not get back the amount they put in.



Emma is aged 55
Selected Retirement Age 60
SIPP value £260,000

Her concerns are:

- Market volatility/inflation concerns
- Need for real growth and a secure income

Potential solution – Include Prudential's Trustee Investment Plan in her portfolio:

- Remains actively invested in the market.
- Offers real growth potential and a secure income

These aren't real life examples or recommendations.

During the lifetime of your Plan

Free fund switches

You can invest in up to six funds at any one time. If you want to change your investment choices you can switch your money between funds at any time.

Keeping track of your savings

To help the scheme trustee/administrator keep track of your investment, we will send them an annual statement. We also send an annual statement to your Financial Adviser so they can review and discuss your plan with you.

Where to find more information

The Key Features document and Fund Guide for the Trustee Investment Plan are both good points of reference for further information. We recommend that you also speak to your Financial Adviser if you do need any further information.

About Prudential

We've been providing UK customers with pensions and investments for more than 170 years.

