

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

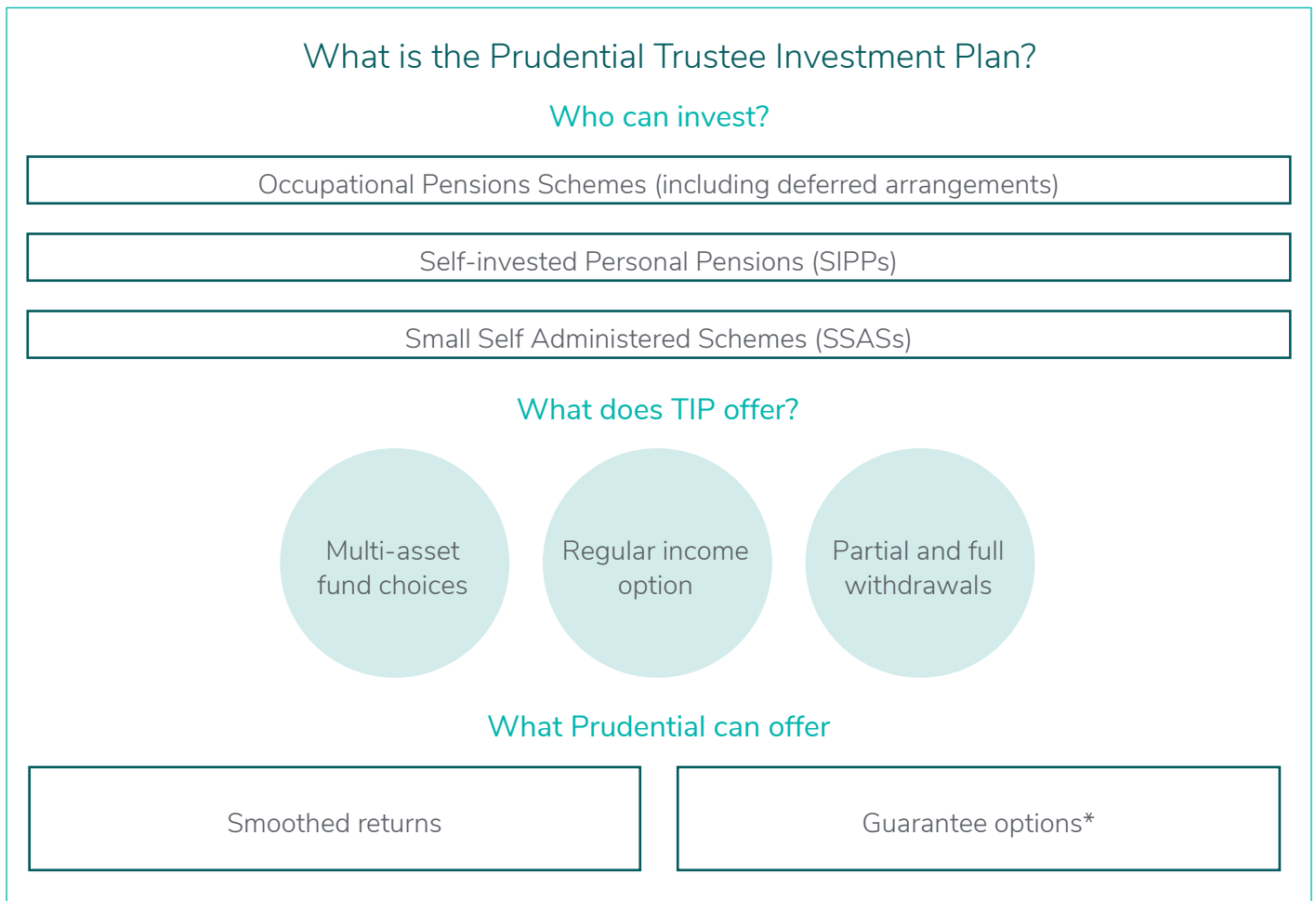
Your retirement portfolio may benefit from smoothed returns which we can provide through our With-Profits Fund and PruFund Funds. We also offer some guarantee options for an additional charge through the PruFund Protected Funds. If you have a SIPP or SSAS you can only access these funds through Prudential's Trustee Investment Plan. New guarantees on PruFund are currently suspended as, under current market conditions, the cost of guarantees on PruFund means they would not offer value for money.

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.

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.



* New guarantees on PruFund are currently suspended as, under current market conditions, the cost of guarantees on PruFund means they would not offer value for money.

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.

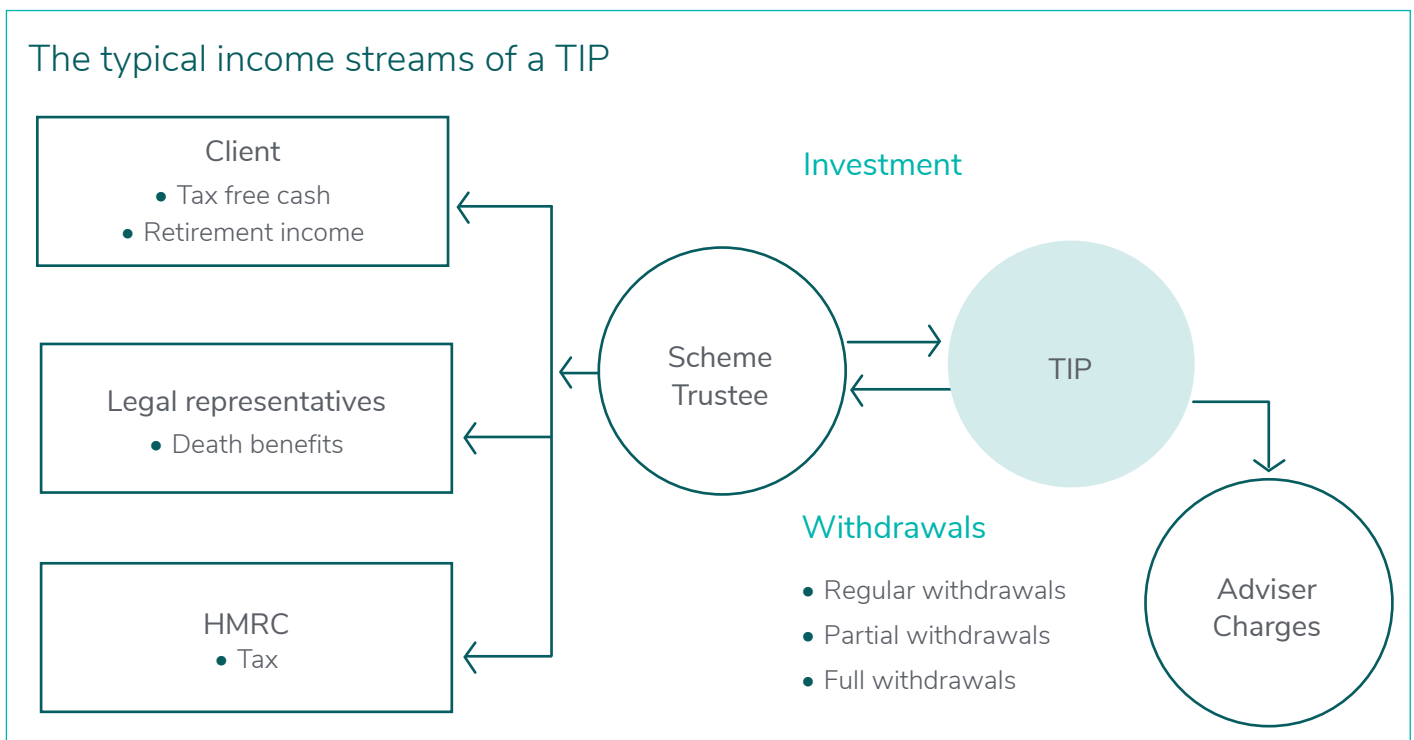
There is no set investment term, so you can invest for as long as you require.

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



Any payments from 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 Pensions Schemes have been subject to rising interest rates and the level of returns now are often below the level of inflation. Interest rates on cash investments tend to follow the base rate – currently 4.50% at the time of writing.

	Today	After 5 years	10 years	15 years	20 years
5% Annual Inflation	£100,000	£77,380	£59,870	£46,330	£35,850

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).

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 £152 billion (31 December 2022) 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
Protected Growth**
Protected Cautious**

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

Additional Fund Choice

With-Profits Fund

Risk Managed Passive 1*

Risk Managed Active 4

* 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.

** New guarantees on PruFund are currently suspended as, under current market conditions, the cost of guarantees on PruFund means they would not offer value for money.

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), 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.

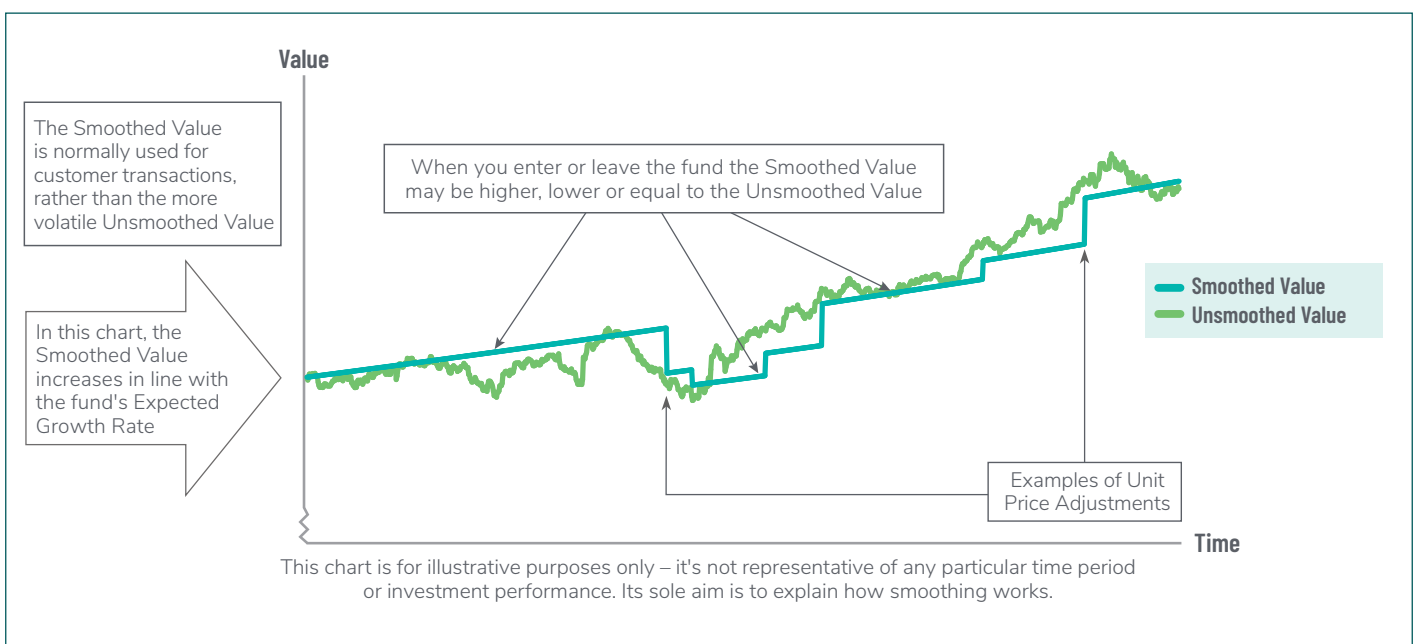
Our PruFund Funds and With-Profits Fund also aim to smooth some of the ups and downs of short-term investment performance.

PruFund Funds

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

The PruFund range of funds all invest in Prudential's With-Profits Fund, which is one of the largest With-Profits funds 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 process which aims to provide you with some protection from the extreme short terms ups and downs of the markets.



Expected Growth Rates (EGRs)

Prudential set Expected Growth Rates (EGR); these are the annualised rates your investment would normally grow at. The Expected Growth Rates (EGR)'s reflect our view of how we think each PruFund fund will perform over the long term (up to 15 years). Each PruFund fund has its own EGR and investments into a PruFund will normally grow daily by the relevant EGR. EGR's are reviewed every 3 months, when they could rise or fall.

Unit Price Adjustments (UPAs)

Although we use a long term view of performance to set EGRs, we also have to take into account shorter term performance. On a daily basis, if the shorter term performance differs too much from our current Expected Growth Rate, we would have to amend the value of your fund up or down to ensure we are not returning too much or too little. We call these Unit Price Adjustments.

Suspending smoothing

In certain circumstances we might need to suspend the smoothing process for one or more of the PruFund funds. This is in order to protect the With-Profits Fund and the clients invested in it. This can happen independently for each fund in the PruFund range of funds.

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 latter two include some guarantee options (at an additional charge).

The five Risk Managed PruFunds use our established PruFund smoothing process 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 maximise 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 steady and consistent growth by investing a range of assets, with approximately 25% of the fund currently held in shares.

While the PruFund Funds aim to grow your money and provide a smoothed investment journey, there are optional guarantees (for an additional charge) which are offered on the PruFund Cautious Fund and the PruFund Growth Fund.

These are called PruFund Protected funds. Where available, if you select a PruFund Protected fund, you will be able to choose from a range of guarantee terms. These provide a guarantee that your investment will be worth at least a minimum amount at the end of the guarantee term. New guarantees on PruFund are currently suspended as, under current market conditions, the cost of guarantees on PruFund means they would not offer value for money.

For the range of PruFund funds, what you receive will depend on the value of the underlying investments, the Expected Growth Rates as set by the Prudential Directors, our charges, the smoothing process, if there is a guarantee 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 fund 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

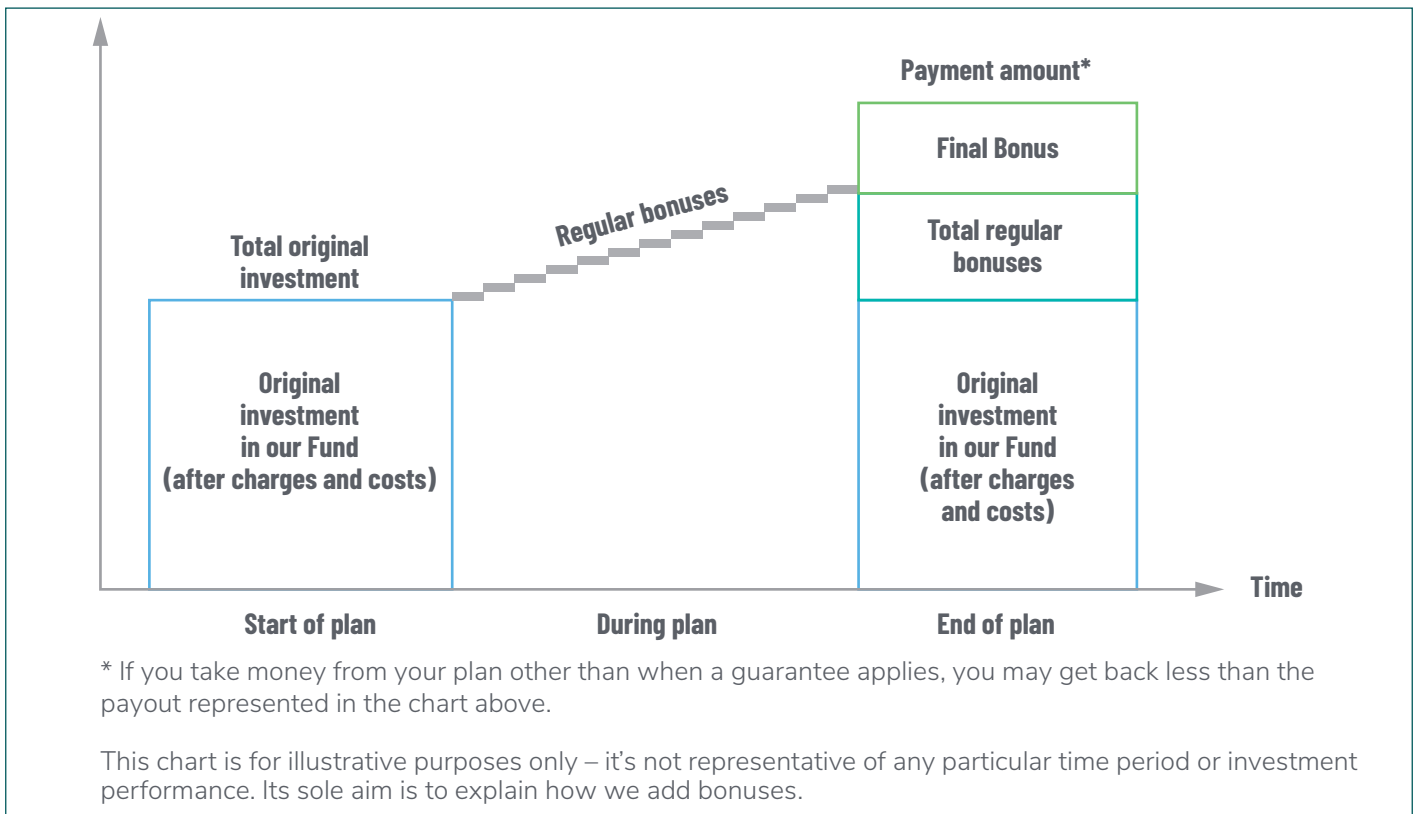
The Prudential Assurance Company Limited With-Profits Fund is one of the largest with-profits fund in the UK.

The total level of assets backing the with-profits business in the Fund was £117.6 billion as at 31 December 2022.

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 March 2023) 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?

Peter with SIPP investment – cautious of the investment market



Peter is aged 53 and following advice he chose to leave the market in 2020 during the market downturn. He has £50,000 in his existing SIPP Cash account.

Peter's concerns are:

- Market timing
- Concern over low returns
- Inflation reducing the real value

Peter may consider switching part of this investment to Prudential's Trustee Investment Plan to benefit from:

- Investment growth potential
- Active management of M&G T&IO managed multi-asset funds in line with the risk profile of his selected fund
- For PruFund, we declare Expected Growth Rates (EGRs), which can help to give an indication of future growth on his investment. However EGRs can change each quarter and we may apply unit price adjustments. There may be occasions where we have to suspend the smoothing process.

This isn't a real life example or a recommendation.

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.

pru.co.uk

'Prudential' is a trading name of Prudential Distribution Limited. Prudential Distribution Limited is registered in Scotland. Registered Office at 5 Central Way, Kildean Business Park, Stirling FK8 1FT. Registered number SC212640. Authorised and regulated by the Financial Conduct Authority.