Key Features of the

LV= Fixed Term Annuity

(Protected Retirement Plan)

The Financial Conduct Authority is a financial services regulator. It requires us, LV=, to give you this **important information** to help you to decide whether our Fixed Term Annuity is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Important
Once you've read these key features and the Plan Conditions and are happy with the quote and ready to apply, please complete the application form and return it to your financial intermediary.

Its aims

- To pay an income for the plan term, a guaranteed maturity value, at the end of the term, or both (depending on the options you choose).
- To provide an income for a beneficiary, a lump sum payment, or both if you die before the maturity date (depending on the options you choose).
- To give you the flexibility of choosing another retirement income product, or to take a lump sum from your pension fund, when the plan ends (as long as you live until the maturity date and you've chosen a guaranteed maturity value).

Your commitment

- To transfer your pension fund of at least £10,000, after taking any tax-free cash, to the LV Personal Pension Scheme. The trustees of the scheme then invest in a Fixed Term Annuity.
- To take any tax-free cash entitlement from your pension fund when you invest. You can't do this after your plan starts or if you've already taken any benefits from the pension fund you're transferring.
- To choose the benefits you need before the plan starts. You can't change them afterwards.

Risks

- Although we guarantee the amount payable at the maturity date, we can't guarantee what income this will provide. This depends on the economic and investment conditions at that time.
- We can't guarantee that the amount we pay you when your plan ends will be enough to buy you or your beneficiary an annuity or will be enough to provide the income you need for the rest of your life.
- Unless you include death benefits in your plan, your income will stop if you die before the maturity date, and we won't pay out any guaranteed maturity value. This may result in an inadequate provision for your beneficiaries if you die before them.
- In order to provide the guaranteed elements (income and or maturity value) the plan is invested in a range of relatively cautious assets. Alternative products may give you more freedom to invest in assets that may deliver a higher return but may not provide the same level of guarantee.
- If you choose a level income, or an income that increases each year by less than inflation, your income may not keep up with rising prices.

Questions & Answers

We've given you answers to some very important questions about our Fixed Term Annuity. These are set out in the following sections and will help you decide if you want to invest in a Fixed Term Annuity. **We recommend that you speak to your financial intermediary before you decide what to do. They can help you with anything you're unsure about**.

The plan

What is the Fixed Term Annuity?

It's a way of investing some or all of your pension fund for a fixed term, to provide an income, lump sum, or both, depending on the options you choose.

Full guaranteed income – You can take all the money you invest as income. This will guarantee a level of income for a fixed term (if you live to the end of the plan term). As the whole fund is taken as income, no guaranteed lump sum will be paid when your plan ends.

Full guaranteed lump sum – You can invest your pension fund for a fixed term. We guarantee the amount we'll pay out at the end of the term, so you'll know exactly what you'll get back. We call this a guaranteed maturity value. No income payments will be made from the plan during the term.

However, to meet the '**annuity**' definition, your plan needs to produce a **minimal income** of £1 each year payable in arrears, which will normally be held back by LV= and added to the guaranteed lump sum at the end of the fixed term. You can request payment of this held back minimal income at any time on request to LV= but you should first speak to your Financial Intermediary if you selected to have no income payments for tax planning purposes.

Guaranteed income and guaranteed lump sum – You can take a regular income for a fixed term from your plan AND receive a lump sum when the plan ends. Both the income you'll receive and the guaranteed maturity value are guaranteed, so you'll know from the outset exactly what you'll get back, and when.

If your plan includes a guaranteed maturity value, you can use this in a number of different ways when your plan ends:

- Purchase a lifetime annuity
- Reinvest in another LV= plan
- Transfer it to an alternative pension scheme
- Take it as a taxable cash lump sum

As the Fixed Term Annuity guarantees the income and/or maturity value to be paid, you can't make changes to the plan once it starts. So you must think carefully about how to set up your plan to best suit your needs.

For all plans, a mutual bonus may be added each year at the discretion of LV=. The mutual bonus is not guaranteed and can be removed at any time prior to being paid. Any mutual bonus that has accrued will become payable at the time the plan ends and will be in addition to the guaranteed benefits chosen.

What is the Mutual Bonus?

This is a bonus that may be payable when your plan ends. It's designed to reward eligible members for their support of the development and growth of our business.

You can find out more about this in our booklet '**Your Guide to how we manage our with profits business - Fixed Term Annuity'** document.

How is the Fixed Term Annuity set up?

The Fixed Term Annuity is set up as a Trustee Investment Plan, as an investment of a drawdown pension.

A drawdown pension is an arrangement where you can take a tax-free lump sum and/or an income, directly from your pension fund.

To buy a plan

- You transfer your pension fund from a registered pension scheme to the LV= Personal Pension Scheme and become a member of the scheme.
- We will then pay you any tax-free cash you've asked for (if you're eligible) before setting up a plan.
- The trustees of the LV= Personal Pension scheme (NM pension trustees limited) will then invest your pension fund in a Fixed Term Annuity for you.
- We will then pay any income and lump sum benefits in line with your plan schedule and plan conditions. We will use our discretion, where applicable, taking into account any beneficiaries you've nominated.

All plans will be set up as a Flexi-access Drawdown contract.

Who is this plan suitable for?

If you answer 'yes' to any of the following questions this plan may be right for you.

- Do you like the idea of a guaranteed income but don't want to lose control of your pension fund?
- Do you like the idea of a guaranteed income but are generally in good health? (You may lose out if you buy an annuity now and then end up not so healthy in the future – as the income is based on your health when the annuity starts.)
- Do you like the idea of a guaranteed income but you don't know what's around the corner and don't want to commit to something that may not be suitable in five or ten years' time?
- Do you like the idea of a drawdown pension but don't want to risk losing any of your pension fund?

The plan provides some of the features of both annuities and drawdown pensions, without the investment risks of traditional drawdown pensions and without tying you to a set income for life as annuities do. In other words, it offers you some breathing space to allow you to decide what to do with your pension fund when the plan ends.

When can I invest my pension fund in a plan?

You can invest in a plan as long as:

- you're aged 55 or more when the plan starts (this could be lower in certain prescribed circumstances), and
- you're choosing to invest pension funds you've built up in a UK registered pension scheme

If you transfer an existing pension into this plan and you know that you are in serious ill health when you do so, should you die within two years of the transfer this amount could become liable to inheritance tax.

How much can I invest?

You can invest from £10,000 in a plan (after taking any tax-free cash), with no upper limit. However, we'll consider investments over £500,000 on an individual basis.

What term can I choose?

You can choose any term between 3 and 25 years. This must be in whole years and months, unless you choose the plan to run to a chosen age and must end on your 90th birthday at the latest.

How much income can I choose?

You set the level of income you'd like each year when the plan starts. The maximum income you can choose will depend on:

- The size of the pension fund to be invested
- The chosen plan term, and
- The value of any lump sum at the end of the plan term (if you choose one)

You can choose an income that stays the same each year or increases each year by a fixed amount (0% – 8.5%). If you choose an increasing income it means that the income we pay you will increase each year on the anniversary of the start date.

We show you how much income you've chosen in your personal quote, which is guaranteed for 30 days. The actual amount of income we pay may be different from the amount shown in the quote, if, for example:

- the value of the pension fund is different from that shown on the quote, or
- if the quote guarantee period ends before we've set up your plan.

If this happens, we'll re-confirm details of income to be paid before the plan starts.

You can also choose not to receive any income at all, in which case we'll pay the guaranteed maturity value, if you live to the end of the plan term.

Note that if you choose this option, a minimal income of £1 a year will be held within the plan and become payable when the plan ends.

When will you pay my chosen income?

We can pay the income every month, every three months, every six months, or every year.

We can either pay the first income payment as soon as we receive the funds (commonly known as 'in advance'), or at the end of the first payment period (commonly known as 'in arrears').

Example

We receive your application form on 1 March. The plan will start on the date we receive the application, but we can't start paying the income until we receive the funds. We receive the funds on 30 April, but because income has been chosen to be paid monthly in arrears, we'll start paying income on 30 May.

Can my income ever be reduced?

No, we promise never to reduce your income (unless future changes in the law mean we have to)

If you choose to take an income from your plan, using Flexi-access Drawdown, the amount of tax relievable pension contributions you, or someone on your behalf, can make to a Money Purchase pension without incurring a tax charge (known as your Money Purchase Annual Allowance (MPAA), will reduce from £60,000 a year to £10,000 a year.

If your plan just provides the minimal income normally the MPAA wouldn't apply to you as it is retained during the term of the plan. The exception would be if you ask us to pay the minimum income out to you during the plan term.

When your plan starts and you're taking an income, you have 91 days to tell all the other Money Purchase pension schemes you are contributing, or expect to contribute to, that you've flexibly accessed your pension fund and are subject to the 'Money Purchase Annual Allowance rules'.

If you choose not to receive any income at all, we won't pay anything out until the maturity date. If you die before the end of the plan, we will pay any death benefit that you have added. If you haven't added a death benefit, we will only pay out any minimal income and mutual bonus that has accrued within the plan.

How is the default income option calculated?

If you choose this option we'll calculate an income level which aims to provide a guaranteed maturity value that if used to purchase an annuity would provide an income of a similar level to that paid from this plan. We will calculate this using our current annuity rates and will take into account the options you have selected on your plan such as death benefits and if you wish your annuity to increase. The actual amount of income that your guaranteed maturity value will be able to purchase will depend on on a number of factors and may be higher or lower than the income paid by this plan.

How much will the guaranteed maturity value be?

This depends on:

- the size of the pension fund invested in a plan
- the plan term
- your age
- how much income you choose, if any, and when you choose it to be paid, for example monthly
- the death benefit options you choose
- investment markets at the time you take out the plan

We show you how much the guaranteed maturity value might be in your personal quote, which is guaranteed for 30 days. The actual guaranteed maturity value may be different if, for example, the term of your plan has become shorter (as you have asked it to end on a certain date), the amount you transfer is different from that shown in your quote, or if your quote guarantee ends before we receive the money from your current pension scheme – if it is, we'll let you know.

Can I end my plan if my circumstances change?

Yes! You can end your plan at any time, for any reason – so you won't have to wait until your maturity date if you don't want to. This conversion option is automatically included in your plan at no extra charge.

If you choose to exercise the conversion option, you can use the transfer value to:

- pay you a final income payment, subject to income tax
- buy an annuity
- transfer to another pension scheme, or
- invest in another LV= retirement product

If you're thinking of ending your plan early, we recommend you speak to your financial intermediary before you decide what to do. They may charge you a fee to do this.

The value of your plan may be significantly less than your guaranteed maturity value or your original investment amount if you cash in or transfer out in the early years, or if investment conditions have worsened since you took the plan out. You can read more about this in our Plan Conditions.

What happens if I die before the maturity date?

Unless you've chosen a death benefit to be paid after you die, your income will stop if you die before the maturity date and we will only pay out any minimal income and mutual bonus that has accrued within the plan.

What are the death benefit options?

The death benefit options are as follows:

Value Protection

This allows you to protect up to 100% of the fund used to set up the plan if you die before the maturity date.

The lump sum will be the percentage of the fund you chose to protect, for example 100%, less the income already paid. If this turns out to be less than zero we won't pay anything out (or ask for any income to be paid back).

In addition, we will also pay out any mutual bonus and/or minimal income that has accrued within the plan at this point.

Example

Simon invests £50,000 into a Fixed Term Annuity (after tax-free cash). His plan has a five year term and includes 100% value protection. It pays an income of £500 a month and offers a guaranteed maturity value of £35,000. Simon dies just two years after taking the plan out.

We calculate the lump sum we'll pay out as follows:

Purchase price		£50,000
Income paid during lifetime	£500 a month x 12 months	£6,000 a year
	£6,000 a year x 2 years	£12,000
Lump sum to be paid on death	£50,000 – £12,000	£38,000

So when Simon dies, we pay £38,000 to his chosen beneficiary, together with any mutual bonus that had accrued within the plan.

Plan Protection

Plan Protection guarantees that, if you die during the plan term, the income will continue to be paid for the rest of the plan term, and any guaranteed maturity value will be paid when the plan ends.

For plans with no guaranteed maturity value, only income payments are protected. For plans which don't pay an income, only the guaranteed maturity value is protected. If your beneficiary(s) do not want or are unable to continue with the plan, they can utilise the conversion option and end the plan immediately, thereby swapping the remaining income and/ or guaranteed maturity value for a lump sum - note that only a single beneficiary can continue the plan under plan protection. Where there are multiple beneficiaries, they will need to utilise the conversion option.

In addition, we will also pay out any mutual bonus and/or minimal income that has accrued when the plan ends.

Example

Rosie invests £100,000 into a Fixed Term Annuity (after tax-free cash). Her plan has a ten year term and includes plan protection. It pays an income of £11,000 a year and has no maturity value. Rosie dies after 8 years.

As long as there is only one beneficiary, they can choose to leave the plan to pay income to the end of the term. If they do, the additional income paid will be £22,000. As the plan had no maturity value, only the mutual bonus accrued (if any) is paid at the end of the term.

Alternatively, the beneficiary(s) may choose to end the plan early and accept a transfer value based on the current value of remaining income payments. This lump sum would be paid directly to the beneficiary(s).

You can add either Value Protection or Plan Protection to your plan when it starts, but you can't add both. If you choose not to add any death benefits to the plan, it will end when the scheme member dies and only the mutual bonus and/or minimal income accrued will be payable (if any).

Please ask your financial intermediary for personal quotes to show your different death benefit combinations. These will help you to compare the different levels of starting income and guaranteed maturity value before you decide which combination best suits your needs. You can't change any of the options once your plan starts so it's important that you choose them carefully.

Tax and charges

How is the Fixed Term Annuity taxed?

The income we pay you and your beneficiary will normally be taxed under the Pay As You Earn (PAYE) system. This is similar to tax on employment income. We will deduct tax according to your tax code on your P45 and pass the tax on to HM Revenue & Customs. If we don't have all the tax information needed when your income starts you'll be taxed on the emergency code (month 1) basis to start with.

If the Government changes the tax treatment of this plan the income paid to you and your beneficiary may fall.

If when you die you die before age 75, both the regular income and lump sum options are paid tax-free.

If you die at age 75 or older, both lump sum payments and regular income will be taxable at your beneficiary's marginal rate.

Any references to taxation are based on our understanding of current legislation and HM Revenue & Customs practice, which can change.

What are the charges?

We take off a charge at the start of the plan to cover the set-up costs and our yearly administration costs. We take these into account before we calculate the starting income (if you choose this) and the guaranteed maturity value.

How much will my financial intermediary be paid?

Your financial intermediary will give you full details of how they are paid. If you have requested that LV= pay an adviser charge or that commission is to be paid the amount will be shown in your personal quote.

Your right to cancel

You can cancel any time within 30 days of the start of your plan. Your plan will start on the day we receive your completed application form. If you cancel and we've already set up the plan we'll cancel it. We'll pay your pension fund back to your original pension scheme.

To cancel you can tell us in writing and return any money paid to you during the 30-day cancellation period.

Our address is:

LV= Savings & Retirements
PO Box 343
Wymondham
NR18 8HT

Alternatively, you can email us at **Annuity.Servicing@LV.com** or call us on **0800 032 2990**. If we've already received your pension fund and set up the plan, and you cancel it within the 30 day period, we'll only refund the current value of your investment. This may be less than the amount you gave us. To calculate the value of the plan we'll use the value of the underlying assets at the date you cancel, and actuarial principles, to produce a fair value. If you've asked us to pay any adviser charges from your plan, or we've paid money to you from the plan (for example, tax free cash), which you haven't returned, these amounts will be deducted from the value we return to your original pension scheme, or transfer to another provider.

Once the plan starts and the 30 day cancellation period has ended, you can't cancel your plan or cash it in, unless exercising the conversion feature which we've explained under '**Can I end my plan if my circumstances change?**' on page 3 of this booklet.

Further Information

Client categorisation

We're required by our regulator, the Financial Conduct Authority, to categorise our customers to determine the level of protection they'll receive. If you take out the plan described in this key features document, we'll treat you as a retail client. This gives you the highest level of protection available under the Financial Conduct Authority rules.

Law

The Fixed Term Annuity and its terms and conditions are governed by the laws of England and Wales. In the unlikely event of any legal disagreement, it would be settled exclusively by the courts of England and Wales. We'll always communicate in English.

Queries and complaints

If you have a complaint about any part of our service it's important that we know about it so we can help put things right. You can let us know by calling us on **0800 032 2990** (for textphone, dial 18001 first). Alternatively, you can email us at **Annuity.Servicing@LV.com** or you can write to us at:

LV= Savings & Retirements
PO Box 343
Wymondham
NR18 8HT

Your complaint will be dealt with promptly and fairly and in line with the Financial Conduct Authority's requirements.

If you want more information on how we handle complaints, please contact us, or visit **LV.com/complaints**.

We hope that we will be able to resolve any complaint that you have. If you're unhappy with the resolution of your complaint, the Financial Ombudsman Service may be able to help you free of charge but you'll need to contact them within six months of receiving our final response letter.

Their website is **financial-ombudsman.org.uk** which includes more information about the service, including details of the various ways they can be contacted. If you make a complaint it won't affect your right to take legal action.

Compensation

We've been in business since 1843, and take great care to manage our affairs sensibly.

We're required to publish a report each year about our solvency called a Solvency and Financial Condition Report. Solvency is a company's ability to meet its long term financial commitments and this report will help you understand more about our solvency and how we manage our capital and risks. If you'd like a copy you can visit **LV.com/sfcr**, or you can write to:

Group Company Secretary
County Gates
Bournemouth
BH1 2NF

If we ever did get into financial trouble and could not honour our commitments, you would be entitled to compensation from the Financial Services Compensation Scheme. The compensation you could get depends on the type of product you have. For this type of plan, the scheme covers 100% of the claim. The scheme's first responsibility is to seek continuity rather than to pay compensation.

For more information go to **fscs.org.uk** or call **0800 678 1100** or **0207 741 4100**.

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

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