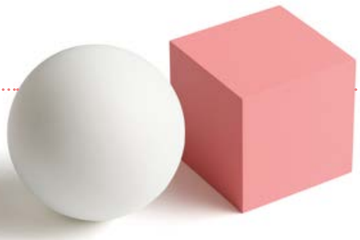
COMPARING DEATH BENEFITS: GUARANTEED INCOME FOR LIFE VS DRAWDOWN



The death benefits from guaranteed income for life solutions (also known as annuities) and drawdown are better aligned since pension freedoms. But there are still some differences. Our table below compares the options.

	Guaranteed income for life	Drawdown
What options are available for when I die?	These options are available for selection at outset **Value protection – lump sum** This option can protect up to 100% of your pension fund (after any tax-free lump sum and taxable lump sum). When you die, the protected amount less any payments already made is paid to your beneficiaries as a lump sum. **Dependant's income** A percentage (up to 100%) of your income will continue being paid to your dependant. **Guarantee period** If you die during this set period (up to 30 years), your income will carry on being paid to your beneficiaries.	These options can be chosen by your beneficiaries after you die **Lump sum** The rest of your pension pot can be paid to your beneficiary as a lump sum. **Carry on with drawdown** Your beneficiaries can draw an income directly from the rest of your pension pot. **Buy a guaranteed income for life** Your beneficiary can use the rest of your pension pot to buy a guaranteed income for life.
Will there be any tax to pay?	**Death before 75** Tax-free. **Death after 75** Subject to beneficiary's marginal rate of tax.	**Death before 75** Tax-free (provided any lump sums are paid within two years of your death). **Death after 75** Subject to beneficiary's marginal rate of tax.
Who can the death benefits be paid to?	**Dependant's income:** you can choose your dependant at the start of your plan. This can be anyone, but some providers restrict this to be your husband, wife, partner or someone else who's financially dependent on you. Once your plan is set up, you normally can't change your chosen dependant. So if your dependant dies, the benefit stops. **Guarantee period:** you can nominate anybody you like as your beneficiary. But the provider may use their discretion to change your beneficiary, for example if your circumstances change. Some providers will only pay to your estate. The guarantee period will carry on being paid for the set period. This means it doesn't stop if your beneficiary dies. **Value protection:** you can nominate anybody you like as your beneficiary. But the provider may use their discretion to change your beneficiary, for example if your circumstances change. The lump sum is usually paid when you die. If you have also chosen a dependant's income, the lump sum is often only paid after you and your dependant die.	You can nominate anybody you like as your beneficiary. But the provider may use their discretion to change your beneficiary, for example if your circumstances change. If there are funds left when your beneficiary dies, these will pass to their beneficiary – this could be a charity or someone outside of your family. If your beneficiary isn't your husband, wife, partner or someone else who's financially dependent on you and they haven't been nominated by you, they may only be able to take what's left of your fund as a lump sum. Your financial intermediary can explain this in more detail.

	Guaranteed income for life	Drawdown
How much of the benefits are returned when I die?	**Value protection** If you include value protection you can protect up to 100% of your pension pot (after any tax-free lump sum and taxable lump sum is paid). When you die, the protected amount less any payments already made is paid to your beneficiaries as a lump sum. If you have already received more than the protected amount, no lump sum will be paid. **Dependant's income** You can select what percentage of your income you want your dependant to receive. This will then be paid for the rest of their life. **Guarantee period** Payments under a guarantee period stay the same as your income and will continue until the end of the set period (some providers will let you choose up to 30 years from the beginning of your plan).	What's left of your pension fund will go to your beneficiary and they can decide what to do with it. The amount will depend on investment performance, market conditions, and how much money's already been withdrawn.
Are any of the benefit amounts guaranteed?	**Value protection** If you choose value protection, it is guaranteed that the provider will pay out at least your protected amount. **Dependant's income** Your dependant's income will be guaranteed for their life. **Guarantee period** Payments under a guarantee period are guaranteed until the end of the selected period.	Most drawdown plans don't offer any guarantees. In other words, once the fund runs out, no more payments are made. Some 'hybrid' drawdown plans offer guaranteed death benefits. If you want to include these, you'll have to pay extra.
Can I combine death benefit options?	You can, with some. For example, you can choose a dependant's income and a guarantee period. If you choose more than one death benefit, you'll also be able to choose how they work together. If you choose a dependant's income and a guarantee period, you can choose for the dependant's income to start from the day you die, or the end of the guarantee period. If your dependant's income starts from the day you die, the annuity provider would pay two incomes until the guarantee period expires. This is known as 'with overlap'. If one payment follows on from another, it's known as 'without overlap'. You have to pay extra to include overlap in your plan. If you choose a dependant's income and value protection, you may be able to choose if the lump sum is paid when you die or only when both you and your dependant have died.	Your beneficiaries can choose to: • take a lump sum • carry on with drawdown, or • buy a guaranteed income for life. They can also choose a combination of the above. For example, they can use some of the fund to buy a guaranteed income for life and leave the rest of the fund invested. If your beneficiary wants to buy a guaranteed income for life, it can't include any death benefits. This means their income will only be paid for their lifetime.

	Guaranteed income for life	Drawdown
What's the difference in cost between choosing a lump sum and continuing income?	**Guarantee periods (see table below)** In the example below, a 23 year guarantee period ensures your pension pot is returned to either you or your beneficiary. This is reimbursed through income payments. The cost depends on the length of guarantee period you chose. **Value protection (see table below)** In the same example, after 23 years, you'll have recouped most of your pension pot as income. The value protection will fall away once the total income paid reaches the level of your pension pot. The cost depends on the percentage of protection you choose (up to 100%). **Comparison** In the example below, a guarantee period is cheaper. Which death benefit you choose really depends on whether you want to choose an income or a lump sum. A guarantee period keeps up income payments for a set time period. Value protection will always return the full value (assuming 100% protection chosen) as a lump sum (allowing for any income already paid) so no time period has to be selected.	In most cases, drawdown death benefit options don't carry a specific cost. The amount of money available depends entirely on investment performance and the value of your fund when you die. If your beneficiary wants to buy a guaranteed income for life, the amount they receive will also depend on rates available at that time. Some 'hybrid' or 'guaranteed' drawdown products may include a cost if there are any guaranteed death benefits.
Other considerations	If your pension provider can use their discretion to choose your beneficiary, there's usually no inheritance tax (IHT) due. Not all providers offer all options, so you'll need to check what's available before making a decision.	

Guarantee Period vs Value Protection - costs after 23 years		
£50,000 fund, 65-year-old[1]	23 year Guarantee Period	Value Protection (100%)
Annuity income (No options selected = £2,698 each year)	£2,230 each year	£2,122 each year
Total Income after 23 years:		
With option selected	£51,290	£48,806
Without option selected	£62,054	£62,054
Total cost	**£10,764**	**£13,248**

[1] Based on individual aged 65 with £50,000 fund, single life basis, paid monthly in arrears, no escalation and moderate health scenario: a person who was diagnosed with type 2 diabetes four-and-a-half years ago, supplied HbA1c readings, and is currently prescribed one daily medication. They also drink 23 units of alcohol per week. Rates offered by Just on 07.09.17.

FOR MORE INFORMATION

Call: **01737 233297**
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