

JUST.

SECURE LIFETIME INCOME

CUSTOMER GUIDE

SECURE LIFETIME INCOME





Guarantee the income you need for regular spending, while still benefitting from flexible access to your investments. Also have the **flexibility to cash in** for a set period if your circumstances change, and **peace of mind with a death benefit** paid for a set period.



Tax efficient and flexible with the ability to adjust your income as your retirement needs change.



Easy to manage in your SIPP, with your retirement assets held in one place and a single portfolio view.

Discover many more benefits and uses of Secure Lifetime Income in this guide.

ENJOY THE BEST OF BOTH WORLDS

At Just, we believe that everyone deserves a fair, secure and fulfilling retirement. We've already provided 600,000 retirees with a better income. Our mission is to help you get the most out of your retirement.

As part of this mission, we looked at how some of our customers want to manage their retirement and developed a brand new solution to meet their specific needs.

Secure Lifetime Income (SLI) offers you the best of both worlds in retirement. With it, you can have a guaranteed income for life, leaving you to choose how you invest your other funds within your Self-Invested Personal Pension (SIPP).

This guide gives you more information about SLI so you can decide – with help from your adviser – whether it's right for your retirement.

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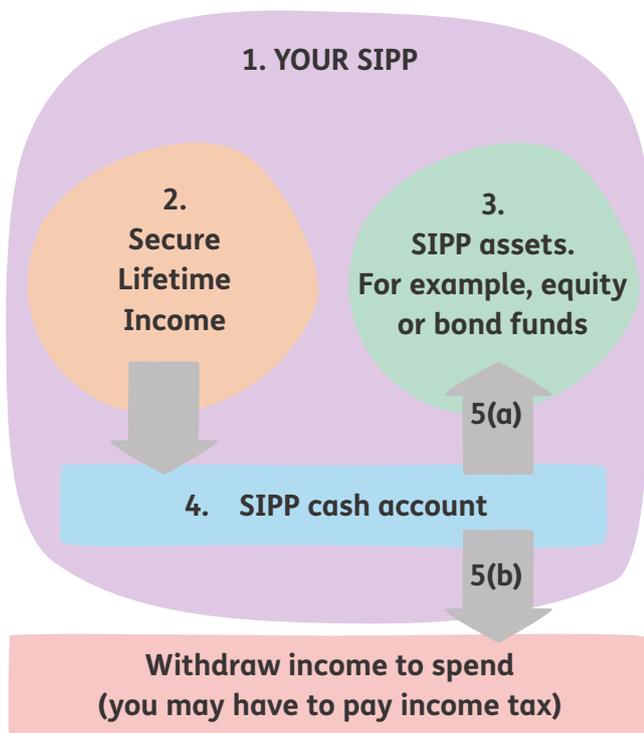
HOW SECURE LIFETIME INCOME WORKS

SLI is a new way to help you cover your regular outgoings – for the rest of your life. It can give you peace of mind with a guaranteed income for life and the flexibility to integrate your remaining funds for potential growth within your SIPP.

It's simple to set up within your SIPP. This means you can spend your time enjoying retirement in the knowledge you can have an income paid for life.

The diagram below shows how Secure Lifetime Income works, with an explanation of each part on the right.

Your adviser will discuss your options with you, to ensure you're making the best decisions for your personal circumstances.



1. This box shows your SIPP. You can buy SLI within your SIPP, alongside your other assets, such as equity funds or bond funds.
2. This represents the SLI. It will pay a monthly income into your SIPP for the rest of your life.
3. This area represents the rest of your pension assets, including funds, bonds and shares
4. Your monthly income is paid into your SIPP cash account.
5. You can choose to withdraw or reinvest some or all of your monthly or leave it to accumulate in your cash account.

- (a) Reinvesting some or all of the monthly income is tax-efficient as reinvested income is not subject to income tax (SIPP charges may apply to reinvested income).
- (b) SLI only becomes subject to income tax at the point it's withdrawn from your SIPP.

Please note: SIPP charges will be deducted from your SIPP cash account. This will affect the amounts available to you for withdrawal or reinvestment. You can find out about these charges in your SIPP illustration or from your adviser. It is important that you consider all the charges before purchasing SLI.

BENEFITS OF SECURE LIFETIME INCOME

The main purpose of SLI is to give you the security and peace of mind that comes with getting a guaranteed regular income for the rest of your life.

The main benefits SLI offers are shown below.

Lifetime income

SLI aims to give you a rate of income comparable to our pension annuities.

Freedom

You get the best of both worlds – a guaranteed income for life (which you might be using for your regular outgoings), and flexible access to the rest of your SIPP funds as and when you need them.

Payment when you die

You can leave a lump sum if you die with a death benefit that protects some of your capital for a **set period**. The length of time your death benefit applies will depend on the SLI you receive. You can find out more about the death benefit in the death benefit section on page 7 of this guide and also in your **Personal Quotation**.

Flexibility

With SLI it's now possible to change your mind about taking a guaranteed income using the cash-in value, which is available for a **set period** from the start of the income payments. You can find out more information about this in the cash-in value section on page 8 of this guide.

Tax planning

You can decide how much income you take out of your SIPP. This gives you more control over how much tax you pay throughout your retirement.

Simplicity

SLI is available in your SIPP, making it easier to manage your retirement income.



You will find examples of situations where SLI could benefit you in the case studies section on page 10 of this guide.



SLI aims to be comparable with our pension annuity rates. The recommendation from your adviser will compare a Secure Lifetime Income with other guaranteed income solutions.

UNDERWRITING – EVERYONE IS DIFFERENT

We're underwriting specialists, which means we'll take your personal, health and lifestyle information into consideration to give you a personalised level of income based on your circumstances. This may mean that you receive a higher level of guaranteed income for life in retirement than you could have received elsewhere.

Underwriting techniques have developed over many years, and with developments in medical science and a wealth of information and expertise, we can offer everyone their own personalised rate of income.

Underwriting information generally falls into two main areas – lifestyle and medical.

- **Lifestyle** – this information includes simple things like your height and weight. Over time, this can have an impact on your health and hence how much income we will be able to pay you each year for the rest of your life. High blood pressure and cholesterol, respiratory conditions and even marital status can also have an effect on life expectancy, so we'll take these into account as well.
- **Medical** – this information tends to be what would be recognised as illnesses, such as diabetes, heart conditions, strokes and cancer.

Everyone's health and lifestyle information is individual to them, and can be used to give a better view of how long someone is likely to live for. No two people are the same, so underwriting allows us to offer a tailored income rate for everyone.

Underwriting can make a big difference to the level of SLI you receive. No one needs to settle for a 'standard' guaranteed income rate.

The following examples help give some idea of the effect that underwriting can have. In each of the cases (which are for illustration purposes only) the person is age 65, and they purchase SLI for £100,000.



Excellent

Laura feels pretty good health-wise and hasn't been to the doctors for as long as she can remember. She doesn't take tablets for any health conditions and she looks after herself with regular exercise and healthy eating. Laura would be able to get an annual income from her SLI of £4,960 for the rest of her life.



Reasonable

Graham's health is generally okay, but not brilliant. He managed to give up smoking years ago, and – despite being underweight – has high blood pressure and cholesterol. He keeps these in check with medication that he takes every day. Graham's health and lifestyle means that he would be able to get an annual income from his SLI of £5,310.



Coping

Pamela's health is suffering, but she feels that it's mostly under control. She is still active, but has to keep an eye on her high blood pressure and cholesterol, for which she takes tablets every day. She was also diagnosed with diabetes about nine years ago. She has to take a tablet and check her blood glucose levels every day. Pamela's annual income would be £6,250.



Challenging

Margaret is suffering with her health. She is an ex-smoker and – although she takes tablets for high blood pressure and cholesterol – it is the more serious condition of Parkinson's disease that is affecting her. She spent time in hospital related to this condition about a year ago and continues to take medication for it. Because of this, Margaret is able to get a guaranteed annual income of £7,190.

THE DEATH BENEFIT

What is the death benefit?

SLI has a guaranteed death benefit available for a **set period**. The length of time your death benefit applies for will depend on how much SLI you get. You can find out more about your personalised death benefit in your **Personal Quotation**.

The lump-sum death benefit amounts are guaranteed and won't be affected by market conditions. This means you can be sure of the amount that will be paid if you die during the death benefit period. The value of your initial death benefit and when it will end are set at the start of your plan, and will be shown in your **Personal Quotation**.

How is the SLI death benefit calculated?

The death benefit amount starts at 75% of the price you pay for your SLI.

The example on this page shows a 66-year-old who buys £6,000 of yearly income with £100,000 from their SIPP. In this example the initial death benefit is £75,000 (75% of £100,000). The death benefit available will then reduce in value by twice the amount of the monthly income due, until the lump sum reaches zero.

Based on a £6,000 yearly income figure, at the end of the first month there would have been one income payment of £500 received. After that payment, the new death benefit would be £75,000, less two times £500 (£1,000) – in other words, £74,000. The death benefit will reduce in this way every month, on the day the income payment is due.

In the example above, if the individual died at the start of the fourth year of the plan – having received three years' worth of income (£18,000) – the lump sum we paid into the SIPP would be £39,000 (as we reduce the starting death benefit of £75,000 by £36,000 – two times £18,000). For people who die part way through the year the exact amount would depend on how much SLI they were due to receive before their death.

What happens when I die?

Your guaranteed income for life payments stop when you die. If you die within your death benefit period, we will pay a lump-sum death benefit.

We pay the death benefit into your SIPP, which means your beneficiaries have complete flexibility on how they use the lump sum.

Death benefit and guaranteed income



This example is for illustrative purposes only. All our customers have their own personalised income and your death benefit values will depend on the price you pay for your SLI, and the yearly income amount you choose. More detailed information on this is in your **Personal Quotation**. Indicative Just SLI rates as at 26 April 2019.

THE CASH-IN VALUE

What is the cash-in value?

The main reason for buying SLI is to have access to a guaranteed income for the rest of your life. However, we understand that personal circumstances can change and sometimes it's useful to know that you can do something about it if this happens. You may, for example, find you have a greater need for a cash lump sum than for a regular income.

That's why, during the death benefit period, SLI gives you the option to receive a cash lump sum instead of your future monthly income payments and your death benefit entitlement. This is your cash-in value.

If you take your cash-in value, your monthly income payments will stop and you will have no continuing entitlement to the death benefit.

How can I find out my cash-in value?

Your cash-in value will be shown alongside other assets in your SIPP.

How do you calculate my cash-in value?

Your cash-in value is specific to you and you will find some example figures in your Personal Quotation.

The actual amount you will receive if you take the cash-in value depends on market conditions at the time and is not guaranteed.

The cash-in value starts at 75% of the purchase price (the same as the death benefit) and will never be more than the death benefit at the time you take it. As a result, the cash-in value reduces by at least as much as the death benefit shown in the previous section.

The cash-in value may be less than the death benefit, depending on market conditions at the time. For example, in times of increased interest rates the cash-in value could be lower. An example of this is shown on the next page and in your **Personal Quotation**.

At a detailed level, the cash-in value calculations also take into account regulations which we are required to follow in managing our business, and in particular the amount of capital that we are required to hold. For example, if regulations specified a change to the way in which we apply long-term interest rates when calculating our capital requirements, this could impact the cash-in value.

The importance of taking Financial Advice

You will need to take **advice from a financial adviser** before choosing to take your cash-in value. Your SLI comes with a number of valuable guarantees and you will give these up if you cash it in.

If you do choose to cash in your plan, the total amount you receive from SLI will be at least 25% lower than the price you paid for your plan and could be considerably lower than that. That's why taking your cash-in value is only likely to be a choice to consider if your circumstances have changed significantly since you bought your plan.



Flexibility to receive a cash lump sum if your circumstances change within a set period.

An example showing the effect of an interest rate rise on the cash-in value

Carol, aged 66, buys an income of £6,000 a year with £100,000, so her cash-in value starts at 75% of the purchase price – £75,000¹

As described earlier, her personal cash-in value will never be more than her death benefit, and that reduces each month by twice the amount of income due until it reaches zero. If market conditions and relevant regulations don't change, her cash-in value will be equal to her death benefit, and that is shown in the table below.

If market conditions do change, the table below also shows an example of what would happen to her cash-in values if there was a sharp increase in interest rates generally, based on an increase of 3% the day after her SLI was set up. This could happen if, for example, interest rates increased from 0.75% to 3.75% and all other interest rates also increased by the same amount.

You will see that the main effect of this change applies to the first two years of the cash-in value. In this example, the cash-in value at the start of year three and from then on is the same as the death benefit. This shows that it would require a greater change in conditions to cause it to reduce after the first two years. This is because the cash-in value is restricted to the guaranteed death benefit, and as this reduces at a faster rate than the income (twice the rate of income), a greater movement in market conditions would be needed in later years to impact the cash-in value.

| At the start of year | Cash-in value assuming no change in market conditions | Cash-in value assuming interest rates generally increase by 3% |
|----------------------|---|--|
| 1 | £75,000 | £57,984 ² |
| 2 | £63,000 | £55,276 |
| 3 | £51,000 | £51,000 |
| 4 | £39,000 | £39,000 |
| 5 | £27,000 | £27,000 |
| 6 | £15,000 | £15,000 |
| 7 | £3,000 | £3,000 |
| 8 | £0 | £0 |

Summary of the cash-in value

- Your cash-in value is available for a **set period** which is personal to you. After this time, you will no longer have the option to take the cash-in value and we'll carry on paying your guaranteed income for the rest of your life. The length of time your cash-in value applies for will depend on the Secure Lifetime Income you receive. You can see the cash-in value **set period** for your plan in your **Personal Quotation**.
- It's there to act as a 'safety net' in case your circumstances change significantly.
- If you need to take your cash-in value, the combination of the lump sum and guaranteed income payments received will be significantly less than the amount you originally invested.
- Both your income and (depending on when you die) your death benefit, are guaranteed. However, the amount of your cash-in value isn't guaranteed and can change, based on market conditions and changes in relevant regulations or their application (see prior example).
- Your SLI payments will stop if you take your cash-in value and you will also no longer be entitled to your death benefit.
- For more information about the cash-in value, you can speak to your adviser or read **The Technical Guide to the Cash-In Value For Customers** which is available from your adviser or from your SIPP platform.

¹ Indicative Just SLI rates as at 26 April 2019

² These numbers assume interest rates change by 3% on the day Carol purchases SLI and show how the cash-in value may be affected in future years. The cash-in value is not guaranteed and so you should view these numbers as illustrative only

CASE STUDIES

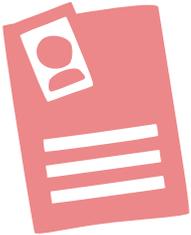
Our SLI could benefit you in a number of different situations

The following case studies illustrate how you could benefit from an SLI if:

- You want to cover your regular outgoings with a guaranteed income while still benefiting from flexible access to your investments within your SIPP.
- You want to reduce risk and gradually move away from market based funds as you get older. You can phase this 'de-risking' approach by buying your SLI over a number of years.
- You can leave your SLI accumulating within your SIPP if you retire but decide to go back to work for a year, or part-time. This can potentially save on income tax and increase your SIPP funds at the same time (SIPP charges may apply to reinvested income).



Peace of mind for the complexities of later life planning.



CASE STUDY – AN INCOME FOR YOUR REGULAR OUTGOINGS WITH YOUR REMAINING FUNDS INVESTED WITHIN YOUR SIPP

SLI provides a solution to anyone who wants to cover their regular outgoings such as bills or groceries. If you need more income for your regular outgoings later on

in life – or you need more guaranteed income – you can apply for another Secure Lifetime Income to cover this based on the applicable terms at the time.

SIMON'S STORY

Simon put all his pension funds into a SIPP to give him flexibility in retirement.

After looking at his future retirement plan, he decided to make sure his regular outgoings were covered. He decided that SLI provides the perfect solution within his SIPP to make sure he's paid a guaranteed income for the rest of his life.

Example:

Simon is 68 and currently takes an income of £10,000 a year from his SIPP to top up his State Pension.

After a discussion with his adviser, Simon decides to purchase a guaranteed income of £9,000 a year to cover regular outgoings. His adviser purchases SLI with £161,000 from Simon's SIPP. Simon carries on withdrawing a total of £10,000 a year from his SIPP knowing that £9,000 a year of this is guaranteed for the rest of his life.

In the future, Simon can add to his guaranteed income for life, if he wants to, by applying for another SLI plan.

Indicative Just SLI rates as at 26 April 2019

Inflation

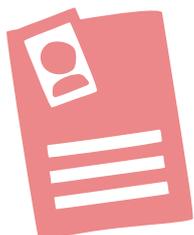
Your inflation rate is personal to you, depending on your lifestyle and spending habits. Inflation may affect your spending power in the future, so there are a number of things you can do.

SLI gives you an income that doesn't increase over time. To increase your income at any time, you can either:

- top up your SLI with regular or one-off amounts from your SIPP (if available), or
- you can apply for more SLI that will be paid for the rest of your life.



All the numbers in the case studies are illustrative only to show how SLI could be used. They are based on our current understanding of tax law and are not intended to provide any form of advice or recommendation.



CASE STUDY – USE A PHASED APPROACH TO REDUCE MARKET RISK

If your pension funds are invested, the amount you can take may depend on market conditions. In order to reduce this risk, you may want to consider gradually moving out of investment markets as you get older.

For example, you could phase this in over a period of 10 to 15 years, so that by the end of the period you have a fully secured and protected guaranteed income for life.

With SLI in your SIPP, you can gradually apply for additional guaranteed income for life from your retirement funds. This means you'll get a guaranteed lifetime income while your remaining funds stay invested. As time goes by, you can reassess your situation at any time and use parts of your funds (subject to the minimum purchase price) to apply for another SLI based on the applicable terms at the time.

SARAH'S STORY

Sarah retired five years ago. Since then, her retirement funds have grown within her SIPP due to positive market performance.

She now wants to lock in some of this investment growth. Sarah also wants to slowly reduce her risk and market exposure so she can secure more income for the long term.

Sarah's adviser rebalances her portfolio after buying SLI and recommends buying extra SLI each year. This is so Sarah can gradually build up a secure, guaranteed lifetime income.

Example:

Sarah, 70, has £450,000 in Drawdown funds. She wants to reduce the risk in her portfolio and convert £400,000 into SLI over the next six years.

With her adviser, she agrees a strategy to immediately convert £100,000 into SLI – to provide £5,955 a year. Over the course of the next five years, Sarah converts £60,000 each year to buy extra guaranteed income – paying an overall income of just over £25,000 at the end of the five year period.

Her remaining funds will be £50,000 (plus or minus any market growth or loss and less any income taken).

Indicative Just SLI rates as at 26 April 2019



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CASE STUDY – YOU’RE RETIRED BUT DECIDE TO GO BACK TO WORK AS A CONSULTANT

If you retire and buy SLI but decide, after a year, to go back to work, you’ll still receive your monthly income into your SIPP. However, you don’t have to take the income out of your SIPP if you don’t need it – you could choose to re-invest some or all of it, and this could give you a tax advantage.

Alternatively, you could use some of your SLI to provide part of your income and cover the rest of your income need through working part time rather than full time.

DAVID’S STORY

David is 66 and retired last year.

He took out SLI – paying him a guaranteed income into his SIPP – but he has now been offered a contract consultant role by his previous employer. This role will give him enough income to live on, so he doesn’t need to withdraw his Secure Lifetime Income from his SIPP for the time being.

Example:

David currently gets £8,767 a year in State Pension. He also gets £10,473 a year from his SLI – having invested £200,000 via his SIPP. This gives him a total income of £19,240 a year.

David will earn £45,000 in his new consulting role. This means he has no immediate need to withdraw his SLI.

Because David’s SLI is paid within his SIPP, he won’t be taxed on this income until he takes it from his SIPP. This means David is saving just over £4,000 a year in tax whilst leaving the SLI income in his SIPP. This gives him the chance to manage his income at a later date, when he may be in a lower tax band.

Another potential benefit David has is the option to use the income payments to reinvest into SIPP investment funds (SIPP charges may apply to reinvested income).

Indicative Just SLI rates as at 26 April 2019



All the numbers in the case studies are illustrative only to show how SLI could be used. They are based on our current understanding of tax law and are not intended to provide any form of advice or recommendation.

HOW CAN I SET UP AND MANAGE SECURE LIFETIME INCOME?



Setting up and managing SLI is simple and straightforward. SLI is available within your SIPP – giving you total control of your retirement.

How to set up your SLI

- Your adviser will discuss SLI with you, to help you decide whether it's the best option (compared with other guaranteed income solutions).
- If you and your adviser decide that it's the right option, you can buy SLI through your SIPP platform.
- We'll ask some questions about your lifestyle and medical history. This is so we can tailor an individual quote for you.
- Once you're happy with your quote, some of your SIPP funds will be sold to purchase your SLI. When your SLI is set up by the trustees, you'll then receive your guaranteed income every month for the rest of your life – paid direct into your SIPP.

Managing your SLI

- Your SLI is set up with two separate unit classes, income units and value units.

Income units are fixed and represent the amount of income that you will receive each month, for life, from SLI. You will see an income figure on your SIPP.

Value units show how much your plan is worth at a given time if you choose to take the cash-in value. This value will vary based on the income

you receive each month and market conditions as described in the cash-in value section on page 8 above. These units will be shown within your SIPP.

- You can choose how much income to withdraw from your SIPP and when. Or, if you'd prefer, you can reinvest some or all of it (SIPP charges may apply to reinvested income). Either way, you can relax knowing that you have a SLI that will be paid for the rest of your life.
- You can also apply for another SLI on the applicable terms at the time, currently up until you're aged 90. This could be a good option if you want to add to the amount of guaranteed income you get, while reducing some of the risk you may have in invested funds.

SLI structure

SLI is purchased by the **trustees** of a SIPP.

The trustees will make the purchase when you apply for SLI using the online application process. It is held as an asset of the SIPP in a similar way to other investments your SIPP may hold.

QUICK FACTS ABOUT US

We are Just. We believe that everyone deserves a fair, secure and fulfilling retirement. We're here to help you get the most out of yours.



We were created after the merger of Just Retirement and Partnership Assurance in 2016.



We were awarded a 14th consecutive '5-star' award in the 'Life and Pensions' category at the 2018 Financial Adviser Service Awards.



We have already provided 600,000 retirees with a better income.



At the heart of our brand is a social purpose and our mission is to help one million people with the challenges of later life. Read more on our website, wearejust.co.uk



JUST.

FOR MORE INFORMATION

Please contact your adviser or your SIPP provider.

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