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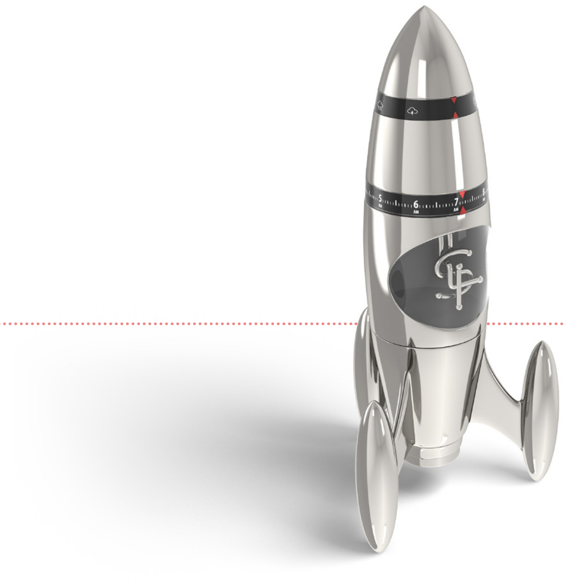
SECURE LIFETIME INCOME

FREQUENTLY ASKED QUESTIONS



This document details some of the frequently asked questions you may have about Secure Lifetime Income (SLI).

What makes our SLI different from traditional pension annuities?

SLI is held as an asset of a client's trust-based, UK-registered pension scheme, such as a SIPP, and it sits alongside traditional SIPP assets. It can form part of a portfolio that reflects a client's individual income needs, risk appetite and capacity for loss. Much like income generated from assets such as funds, income from SLI can be taken or left within the SIPP.

It is also worth noting that, as SLI sits within a SIPP, it offers much more flexibility than a traditional pension annuity.

As well as paying an income for life, SLI has a number of features that compare favourably to traditional pension annuities. For example:

- **A death benefit – for a set period**
  SLI has been designed to offer clients a high level of initial death benefit on early death, compared to a traditional 5 or 10 year guaranteed annuity, whilst not significantly reducing their level of regular income. This will be paid as a lump sum death benefit into the SIPP cash account which provides additional flexibility to beneficiaries around how they receive it. The amount payable is initially set at 75% of the purchase price at outset and the death benefit then reduces by two times the monthly income due.
- **A cash-in-value – for the first time, clients have the flexibility to change their mind for a set period**
  SLI offers a unique cash-in value. This gives clients access to a lump sum for a set period, which may be of use to them if their circumstances change significantly. The cash-in value starts at 75% of the purchase price at outset and then reduces by two times the monthly income due. Unlike the death benefit, the cash-in value amount is not guaranteed and is subject to change according to market conditions.

  With a traditional pension annuity, once the policy is purchased the decision can't be reversed once outside the cancellation period.
- **SLI facilities a blended retirement solution – combining a secure income with the investment options and flexibility offered by a platform**
  SLI helps you offer an easy-to-manage, blended solution. This provides clients with income security and flexibility with the full range of SIPP investments available – all in one place.
- **Income paid within the SIPP – providing flexibility and tax-planning opportunities**
  Unlike a traditional pension annuity, with SLI the guaranteed income is kept within your client's SIPP. It's only liable to income tax if your client withdraws this from their SIPP. This means you can help your clients manage their tax position. Or they can reinvest their income within the SIPP, if they wish (SIPP charges may apply to reinvested income).

How does SLI compare to other retirement income solutions?

The section below compares some alternative retirement income options against our SLI.

1. Packaged 'Hybrid' Retirement Accounts

SLI allows you to blend lifetime income guarantees into your platform-based retirement proposition – as and where appropriate. Unlike packaged solutions that run on their own platform, SLI can run on a platform where you do business (subject to agreement). Packaged accounts involve you changing most of what you do for your retirement clients. For example, having to use a different platform. This proposition generally offers a wider range of investment options than are available with packaged solutions to support and enhance a blended solution.

2. Guaranteed With Profit Fund

SLI isn't an investment guarantee or complex and expensive 'third-way' variable annuity. Instead, it simply provides your client with a guaranteed income for the rest of their life. This allows clients to secure an income to cover their regular outgoings – or a pre-determined baseline level of income. This allows you to create a blend of security and flexibility, to suit their needs.

SLI income doesn't depend on future investment returns and cannot go down under any circumstances.

3. Natural income

SLI isn't dependent on individual stock or fund performance to generate a secure income.

Taking a natural income approach means there's a risk that the client's income will be volatile from one year to the next. Also, if a client withdraws additional funds to make up any income shortfall, their overall assets may reduce quickly. This means they may not be able to sustain their required income.

SLI guarantees an income for life. This can give clients the peace of mind that comes with not having to worry about market performance or longevity risk for this element of their income during retirement.

4. Fixed term annuity

SLI makes sure your clients have a guaranteed, secure income – no matter how long they live.

A fixed term annuity pays a specified amount in the same way as a traditional pension annuity – but it's time limited. If a lump-sum option is included for the end of the term, this will also affect the overall monthly income.

The main disadvantage of this approach is that the income stops at the end of the term and therefore doesn't protect fully against longevity risk. There is also no guarantee that it will be possible to buy a similar income at the end of the term or the rates available at the time.

General product questions

Can I buy SLI off-platform?

No, it's only available within platform-based SIPPs who offer SLI.

Can I buy a joint life SLI?

SLI is only available on a single life basis.

Can SLI be set up with an escalating income?

SLI pays a level income. With the blended approach, the client's invested assets could protect against inflation, and you can then apply to top up their guaranteed income with these funds at a later date.

A client can apply to buy additional SLI at any point, up until the age of 90. This can help boost their income, if they need to.

What charges apply to SLI?

All our costs for providing SLI are included in the rate we offer customers. As a result we will not make any additional charges for the SLI.

There are other charges which may apply when a customer buys SLI. These are:

1. **Adviser charge**
   If you want to make a one-off charge for any work you've done in recommending SLI, you will need to take this separately. This charge will be taken from the SIPP. We won't facilitate this through SLI.
2. **Ongoing adviser charge**
   Ongoing adviser charges are facilitated by the SIPP. The SLI is an asset of the SIPP and the cash-in value is reported to the SIPP daily and may be available for the calculation of any ongoing adviser charge. The SIPP will confirm the basis of any charge.
3. **Platform charge**
   A platform charge is likely to apply to SLI as it is held as an asset of the SIPP and any income reinvested within the SIPP may also be subject to SIPP charges. The SIPP will confirm the basis of any charge.

We don't apply any of the three charges listed above to the guaranteed income rate we pay. Further information on these charges can be obtained from your platform provider. You should take all charges into account when recommending SLI.

How can I compare SLI to other annuity solutions?

The SLI purchase process can provide transparency around the traditional pension annuity rates offered to clients, via an on-screen comparison portal. This can compare the rates to other annuities.

The main reasons for showing comparisons are to:

- demonstrate the competitiveness of the rate
- offer transparency and client choice regarding the rate
- give you the comparison information up front, to ensure a seamless and uninterrupted journey
- help you show you're providing 'best/suitable advice', and
- make the sales journey as simple as possible to avoid unnecessary complexity.

The alternative annuity solutions can be shown on-screen during the quote process. This can give you and your clients a gauge as to where SLI sits in comparison.

It won't provide an exact like-for-like comparison, as the products are different in terms of the benefits provided. If other providers launch a product similar to SLI, the comparisons will be on a like-for-like basis.

Advisers can compare SLI against:

- annuity with 5-year guarantee
- annuity with 10-year guarantee

What else should I be aware of when making comparisons?

There are a number of factors to take into account when making a comparison. One of these is the various charges that may be taken at different times. For example, quoted income rates can be shown with or without platform charges and ongoing adviser charges.

We've decided to present comparative rates excluding any charges for a number of reasons, including:

- **Keeping the comparison as simple and easy to use as possible.** Rates including one or more charges would make explaining what each of the rates are showing much more difficult. For example, it would mean the rate shown would be different to the rate without charges shown in the illustration.
- **The charge calculations can be complicated.** This makes explaining the guaranteed income rates to clients much easier.
- **Trying to avoid confusion.** Taking into account charges on the rates would make it appear that we're paying out less income than promised in the **personal quotation** – which isn't the case.

For more detailed information about SLI and its benefits, please read our other documentation including the Adviser Guide, Key Features and the Technical Summary, or visit justadviser.com

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FOR MORE INFORMATION

Call: **01737 827915**
Lines are open Monday to Friday, 9.00am to 5.00pm

Email: **FI.Direct@wearejust.co.uk**

Or visit our website for further information: **justadviser.com**

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