



Key Features of the Lifetime Annuity and Scheme Pension

(including Enhanced versions and those for beneficiaries and dependants)



The Lifetime Annuity and Scheme Pension

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The Financial Conduct Authority is a financial services regulator. It requires us, Canada Life Limited, to give you this important information to help you to decide whether the Lifetime Annuity or Scheme Pension are 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.

For the purposes of this document, ‘annuity’ means a Lifetime Annuity policy or a Scheme Pension policy with Canada Life

The Lifetime Annuity and Scheme Pension are annuity policies that use the money saved in a registered pension scheme to provide you with a guaranteed, regular income for your lifetime and, if you so choose at the outset, your partner’s lifetime.

You should remember that you may choose to buy your annuity policy from any pension annuity provider. This is called the Open Market Option. You should consider carefully the type of benefits you want and take professional advice if you are unsure, or do not fully understand your options or the implications once a decision is made.

Its aims

- To use the savings from a registered pension scheme to provide you with a guaranteed income for the rest of your life.
- To give you the choice of providing an income, after your death, to a second annuitant.
- To provide you with a range of options to suit your circumstances.

Your commitment

- You should retain the services of a professional adviser as you may need ongoing advice on your retirement options.
- To transfer or use the value (which must be at least £10,000 after taking any tax-free cash) of your registered pension scheme benefits to purchase this policy.
- To give up all rights in any pension scheme benefits that you are transferring to us.
- It is important you choose your retirement options carefully as once you have started your annuity, it cannot be changed later. We recommend you discuss these with your professional adviser.
- You will take reasonable care to make sure that your answers to any personal, medical and lifestyle questions are given honestly and as accurately as possible.

Questions and Answers

Risks

- Once your policy is set up, you cannot change it or cash it in, even if your circumstances change.
- Your income will stop when you die, unless you have chosen for it to continue. (Please refer to the section of this document 'What happens to my income when I die?').
- If you choose a single life annuity and die after the policy is set up, and you have not chosen a death benefit (see appropriate section), the policy will cease and no further payments will be made.
- Inflation will reduce the spending power of your income, especially if you choose an income that does not increase each year.
- If you choose to have your income change in line with the Retail Prices Index (RPI) your income could go down if the price of goods and services included in that index are lower than they were one year earlier.
- Income tax rates may change in the future. If you are a taxpayer and income tax rates go up, the income paid to you after tax will be lower.
- If you provide us with any information that is inaccurate or your doctor is unable to confirm your medical and lifestyle information, your income may be reduced from the start of the policy.
- If you choose to provide an income for a named person as a second annuitant, should your personal situation change, you will not be able to pass it on to a different person, even if you divorce or dissolve your civil partnership, unless we are directed otherwise by the court under a valid court order. In this case, we will be entitled to reclaim reasonable costs from you (and/or the second annuitant) and/or charge you and any second annuitant a new or additional premium in order to comply with such an order.
- If you choose to accept your income payments in arrears without proportionate payment on death, please note that your income will stop on your death, unless you die within a guaranteed payment period.

Who is the annuity suitable for?

The annuity may be suitable for you if:

- You are aged 55 or over with UK registered pension scheme savings of your own, or from any age if you are the beneficiary of UK pension savings of someone who has died;
 - you are a UK resident;
- The pension savings that you want to use to purchase your annuity are equal to at least £10,000 after deduction of any tax-free cash you are entitled to;
- You need to generate a guaranteed lifetime income from your pension savings
- You want your spouse/partner or other beneficiary to receive an income and/or lump sum after your death (not available if you are the beneficiary of pension savings of someone who has died).

When is the annuity not appropriate?

The annuity will not be appropriate if:

- You have less than £10,000 to invest after you have taken your tax-free cash
- You want to invest your money in funds to generate capital growth, an income stream or a combination of the two
- You want to withdraw all of your funds immediately in one go.

We recommend, if you have not yet done so, that you discuss your financial objectives with a professional adviser, in order to identify the most suitable solution to meet your needs. **Please note that Canada Life is not authorised to provide financial advice.**

Questions and Answers

Do I need advice?

Canada Life is an insurance provider and cannot give personal recommendations about the products it offers. To help you decide if the Lifetime Annuity or Scheme Pension is suitable for you, you should speak with a professional adviser. If you do not have an adviser, you can find one local to you by using the following website: www.unbiased.co.uk

Before you make any decisions you should speak to Pension Wise, a free and impartial service set up by the Government, to discuss your options. Pension Wise can be accessed online, over the telephone or face to face. You can contact Pension Wise by telephone on **0800 138 3944** or by visiting their website at www.pensionwise.gov.uk

Please note this does not replace the need for professional advice.

What is the Lifetime Annuity (and Scheme Pension)?

- The Lifetime Annuity and Scheme Pension are annuity policies designed to accept lump sum payments from a UK registered pension scheme to provide a guaranteed lifetime income.

How much do I need to buy an annuity?

- The minimum lump sum you need is £10,000 after taking any tax-free cash (pension commencement lump sum).
- If you want to transfer additional pension savings into an annuity, this would be treated as a new, separate policy.

Is the annuity suitable for me?

- The annuity may be suitable if you want to secure a guaranteed lifetime income (with or without taking any tax-free cash you are entitled to).

Am I eligible to apply for an annuity?

- Yes, if you are aged 55 or over with savings held in a UK registered pension scheme, or any age if you are the beneficiary of the UK pension savings of someone who has died.

How do I apply?

- You can transfer funds from a UK registered pension scheme to purchase an annuity. This can be paid to us as a 'full funds' transfer (we pay any tax-free cash you are entitled to) or as an 'Open Market Option' (after your pension scheme has paid any tax-free cash to you). If you are transferring more than one source to us as a 'full funds' transfer, we will hold your pension savings until all the transfer payment(s) have been received. We will then pay out any tax-free cash entitlement to you (usually up to 25% of the amount transferred) and set up your annuity.

- If the transfers are coming from a drawdown plan, then no tax-free cash can be paid to you from these transfers.
- You do not need to use all your savings to purchase an annuity. You can use part of your pension savings to purchase the annuity and invest the remainder in other retirement income products if you so wish. Please speak to your professional adviser about the other options available to you.

What type of benefits can I choose?

There are a number of options available. Please bear in mind that if you choose any of the following options, your starting income will be lower. If you would like to understand the impact of these options, please speak to your professional adviser, who will be able to obtain a Personal Example for you.

- **Tax-free cash (also referred to as Pension Commencement Lump Sum)**
 - You may be able to take up to 25% of your existing pension fund as a tax-free cash lump sum. Your professional adviser will be able to explain this option in more detail.
- **Income payments**

You can choose to have your income payments:

 - remain at a fixed level for the remainder of your lifetime; or
 - increase by a fixed percentage every year (between 0.1% and 10%); or
 - vary in line with the Retail Prices Index (RPI); or
 - vary in line with the RPI but capped at 5% or 2.5%;
 - paid into your bank account on a monthly, quarterly, half-yearly or yearly basis.
 - made either:
 - In advance, where the first payment will be paid as soon as possible after the policy is set up; or
 - In arrears, where for example if you choose monthly, in arrears, the first payment will be paid at the end of the first month after the annuity is set up. Please see 'Risk' section.

What happens to my income when I die?

Guaranteed payment period

- You can choose to have your income guaranteed for a minimum period of time in months (from one month to 30 years). If you die within this guaranteed period, your income will continue to be paid until the end of the guaranteed period. Canada Life has discretion regarding who receives the income (unless the annuity is owned by the Scheme) and you can tell us who you would like us to consider.

Payments to a second annuitant

- You can choose to provide an income for a second annuitant after your death. This can be at the same level or a lower percentage, for example 50%, of the amount paid to you.
- You can select that the income is paid to any person who is aged 35 or over (50 for enhanced annuities).
- On a Scheme Pension, if a second annuitant who is not your spouse or civil partner is selected, that person must be financially dependent on you when the annuity is set up and at the time of your death for the second income to be paid.
- If you choose a guaranteed payment period, you should also choose whether the second annuitant's income will be paid **with** or **without overlap**: –
 - **With overlap** – means we will start paying the second annuitant's income on your death during the guaranteed period. This means that we will pay two streams of income.
 - **Without overlap** – means that we will only start paying the second annuitant's income after the guarantee period has ended.

Value Protection

- You can choose for a lump sum to be paid if you die. This is a way of protecting your original investment less any income already received.
- Under current tax rules, any benefits paid to your beneficiary are free of tax if you are under the age of 75 at the time of your death. Otherwise all benefits are taxable at the marginal income tax rate of your chosen beneficiaries.

Annuities for Beneficiaries and Scheme Pensions for Dependants

- If you are the beneficiary of the pension savings of someone who has died, the above death benefits are not available. The policy will cease on your death and no further payments will be made.

What is an enhanced annuity?

- If you qualify for an enhanced annuity you will be able to receive a higher income than a standard annuity. The amount of additional income you receive will depend on your health and lifestyle.
- You could qualify for an enhancement due to your lifestyle, any existing medical conditions or a combination of these. Qualifying medical conditions can include any ailment however some of the most common are cancer, heart related conditions, strokes and diabetes. When we mention lifestyle, we mean whether you are a smoker, are overweight, or have high blood pressure or cholesterol.

- You will need to answer a few questions or complete a questionnaire so we can see if you qualify.
- If you select a second annuitant's income they may qualify for an enhancement, even if you do not.
- We are not able to increase your income if you tell us about an illness, or you are diagnosed with one, after the annuity has been set up.

How is the premium paid?

- The premium must be paid to us by cheque or telegraphic transfer from the Trustees/ Administrator of your registered pension scheme(s), or from the insurance company holding your money.

What are the charges?

- The costs for setting up your annuity are allowed for in the calculation of your income.
- Any charges relating to advice or service payable to your professional adviser in connection with choosing the annuity can be paid from the premium before it is applied to the policy.
- Where an adviser charge is being paid from the premium, the deduction will only be made if we receive written instructions from you (for example on your application form). Please note that if you have asked us to pay a percentage of your premium to your professional adviser, the amount we pay to them will be based on the actual amount we receive from your pension scheme. This means that the amounts could be different to those shown in your original Personal Example.
- Your Personal Example, which forms part of your application, will show any adviser charges you have agreed to pay.

How are my income and death benefits taxed?

Your Income payments

- The income we pay you will be treated as taxable earnings under the HM Revenue and Customs Pay As You Earn (PAYE) system. The amount of tax you pay will depend on your total income from all sources and your personal allowance.
- Unless we receive a P45 from you, we initially use a temporary (emergency) tax code to calculate how much tax, if any, to deduct. After that we deduct tax according to the tax code HM Revenue & Customs (HMRC) allocates to your income.
- If you are the beneficiary of the savings of someone who has died before age 75 and are buying a Lifetime Annuity, your income will not normally be taxable. The income from a Scheme Pension will be always be taxable under PAYE.

Questions and Answers

- If the UK government changes the tax treatment of Lifetime Annuities or Scheme Pensions, the income paid to you will change.

Income paid to your named second annuitant after your death

- If you die before reaching age 75, the selected level of income will be paid tax-free unless it is a **Scheme Pension** which means it will be taxed under PAYE at the recipient's marginal rate.
- If you die after reaching age 75, the selected level of income will be taxed under PAYE at the recipient's marginal rate.

Income paid under a guarantee

- The income will continue to be paid for the duration of the remaining term up to the end of the guarantee period. If your policy is a Lifetime Annuity, and you die before age 75, the income will be paid tax-free to your beneficiary(ies).
- If you die after reaching age 75 or on your death at any age if your policy is a Scheme Pension, the income paid to your beneficiary(ies) will be taxed under PAYE at the recipient's marginal rate.

Value protection

- Under current tax rules, any benefits paid to your beneficiary are free of tax if you are under the age of 75 at the time of your death. Otherwise all benefits are taxable at the marginal income tax rate of your chosen beneficiaries.

Lifetime allowance

- The total value of your pension arrangements is measured against the standard lifetime allowance, or your higher personal allowance if you hold lifetime allowance protection with HMRC. Details of the current standard lifetime allowance can be found on the HMRC website. Each time you take benefits you will use up a percentage of the allowance. If you exceed the allowance, your benefits will be reduced by the lifetime allowance charge. For more information on whether this affects you, please refer to a professional adviser.

All information in this document is based on our understanding of UK tax rules and regulation as at February 2023. Tax rules are subject to change and how they impact you will also be dependent on your own personal circumstances.

Who should receive any benefits after I die?

- When you complete the application you should tell us who you would like to receive any continuing income payments under a guarantee or any lump sum death benefits you have selected on your annuity. We exercise discretion when deciding who to pay, so that the payment does not usually fall within your estate for inheritance tax purposes. We will take your wishes into consideration but your circumstances may change over the years. It is therefore important for you to keep this in mind and update your wishes from time to time, as and when appropriate.
- If the annuity is set up in the name of your pension scheme, it will be the scheme that decides who will receive the payment, not Canada Life.

Can I change my mind?

Yes. When you apply, you'll have the right to cancel your annuity:

- At any point before your annuity starts or,
- Within 30 days from the date that you receive confirmation that your annuity has started.

If you decide to exercise your right to cancel, you must do so within the first 30 days of your annuity commencement date. To do this you should write to us quoting your annuity policy number.

You must also return any money you have received, including any tax-free cash payments.

Any adviser charges we have taken from your annuity and paid to your professional adviser, up to the point we receive your request to cancel, will be refunded in full. You may still be liable to pay your professional adviser for the advice or services you have received.

On cancellation, we will try to return your pension fund to your original pension provider. Please bear in mind that the original pension provider may refuse to accept the repayment on the terms that previously applied to you, or may not even accept the repayment at all.

If your original scheme will not accept the repayment, you must, along with a professional adviser (if appropriate), find another provider who will accept the transfer of the pension fund.

If you have not exercised your right to cancel within 30 days as stated above, your annuity will continue in accordance with the Policy Provisions.

Cancellation requests should be sent to:

Customer Services Department, Canada Life Limited
Canada Life Place, Potters Bar, Herts, EN6 5BA

Further information

How to contact us

You can also contact Canada Life in the following ways:

Phone: 0345 6060708
(lines are open Monday to Friday 9am – 5pm)

E-mail: customer.services@canadalife.co.uk

Head office address:
Customer Services Department
Canada Life Limited
Canada Life Place
Potters Bar
Hertfordshire
EN6 5BA

Website: www.canadalife.co.uk

How to complain

If you need to complain about any part of the service we have provided, please contact us using the details above. If you are not happy with our response you can contact:

The Financial Ombudsman Service
Harbour Exchange Square
London E14 9SR

Phone: 0300 123 9123 or 0800 023 4567

E-mail: complaint.info@financial-ombudsman.org.uk

Website: www.financial-ombudsman.org.uk

Making a complaint will not affect your right to take legal action against us.

Client categories

The regulator has defined three categories of client in its regulations. We will treat you as a 'retail client', which gives you the greatest level of protection provided by the regulator.

Potential conflicts of interest

Sometimes a conflict of interest can occur when Canada Life companies or affiliates of Canada Life are transacting business on your behalf. If this happens we will take reasonable steps to ensure that you are always treated fairly and the standard of service you receive from Canada Life will not be compromised.

Compensation

We are covered by the Financial Services Compensation Scheme (FSCS). This is the UK's statutory fund of last resort for customers of authorised financial services firms, such as Canada Life Limited. If you have a valid claim against us and we are not able to meet our responsibilities in full, you may be entitled to compensation from the FSCS. Currently the scheme covers 100% of the value of a valid claim.

For further information on the scheme you can get a copy of their leaflet by writing to the FSCS or by visiting their website.

Financial Services Compensation Scheme
PO Box 300
Mitcheldean
GL17 1DY

Phone: 0800 678 1100

E-mail: enquiries@fscs.org.uk

Website: www.fscs.org.uk

Please contact us if you would like any information on compensation arrangements.

Law

This policy will be subject to and governed by the laws of England and Wales.

Your policy documents, including the policy provisions and schedule, along with all other correspondence will be written in English. All verbal communication will also be in English.

Canada Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our Financial Services Registration Number is 110394.

You can check this on the Financial Services Register by visiting <https://register.fca.org.uk/> or by calling the Financial Conduct Authority on 0300 500 8082.

Solvency And Financial Condition Report

Our Solvency and Financial Condition Report is available on our website at <https://www.canadalife.co.uk/about-us/solvency-2>

Terms and conditions

This document is a guide to the key features of the Lifetime Annuity and Scheme Pension. You can read the full terms and conditions in the Lifetime Annuity and Scheme Pension policy provisions. The policy provisions and policy schedule, together with the application form and, for enhanced policies, the confirmation schedule or any other medical or personal information relied upon by Canada Life shall constitute the legally binding contract between you and us. The terms are based on our understanding of relevant legislation as at February 2023 and could be subject to change in the future.

We suggest you take your own independent tax advice before considering any retirement product.

For further information about Canada Life Limited, please visit www.canadalife.co.uk or call us on **0345 606 0708**.



Our telephone line is open between 9.00am and 5.00pm, Monday to Friday. Telephone calls may be recorded for training and quality monitoring purposes.

Canada Life Limited, registered in England no. 973271. Registered office: Canada Life Place, Potters Bar, Hertfordshire EN6 5BA.
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