



## **Key Features of the Fixed Term Income Plan**



# Key Features of the Fixed Term Income Plan

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 Fixed Term Income Plan 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.

The Fixed Term Income Plan is a flexi-access income drawdown plan which allows your savings from registered pension scheme(s) to provide you with the combination of a regular guaranteed income and a guaranteed lump sum at the end of your chosen term (we call this the Guaranteed Maturity Value) over a specified term of your choice.

## Its aims

- To pay any combination of the following benefits that you choose at the outset, over a specified fixed term of your choice:
  - A fixed regular income for the whole term, which can increase each year.
  - A Guaranteed Maturity Value payable at the end of the fixed term.
- To provide a lump sum death benefit to your spouse/civil partner, dependant or beneficiary if you die before the maturity date.
- To give you flexibility to use your Guaranteed Maturity Value, if you have chosen one, to purchase another retirement income product when your chosen fixed term expires.

## Your commitment

- To transfer your pension fund to Canada Life of at least £10,000 (after taking any tax-free pension commencement lump sum).
- To leave your money invested in the Fixed Term Income Plan for a minimum term of one year up to a maximum of 20 years (your plan must mature before your 96th birthday).
- To take your chosen pension commencement lump sum entitlement (also known as tax-free cash) before you invest in a Fixed Term Income Plan as you cannot do this afterwards.
- To choose the benefits you need before the plan starts. You can't change them afterwards.

## Who is the Fixed Term Income Plan suitable for?

The Fixed Term Income Plan may be suitable for you if:

- You are a UK tax resident, aged 55 or over with UK registered pension scheme savings of your own (not as a beneficiary of the pension savings of someone who has died).
- The value of your pension savings is at least £10,000 after deduction of any tax free cash you are entitled to.
- You want to generate a guaranteed income, a guaranteed capital return or a combination of the two over a fixed period of more than one year.
- You understand that returns from your plan are fixed at the outset and cannot change.
- You can afford to tie the money up for your chosen term as you will not be able to cancel the plan after it is set up.
- You want to use this money to provide a lump sum for your dependants in the event of your death.

## When is the Fixed Term Income Plan Account not appropriate?

The Fixed Term Income Plan will not be appropriate if:

- You have less than £10,000 to invest after you have taken your tax-free cash.
- You want to withdraw all of your funds immediately in one go.
- You need to have flexible access to your savings.
- You cannot commit to leaving your money invested for the fixed term.
- You wish to use your pension savings to buy a guaranteed income for life.

We recommend, if you have not yet done so, that you discuss your financial objectives with a professional adviser 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

### Risks

- Whilst we guarantee the income you have chosen from outset, this is not payable for life, only the term selected.
- We cannot predict what income the Guaranteed Maturity Value (if selected) will provide, if used to purchase another retirement income product, such as a lifetime annuity.
- We cannot guarantee that the Guaranteed Maturity Value will be enough to buy you, your spouse or beneficiary another Fixed Term Income Plan.
- Your income will stop if you die before the end of your chosen term. The death benefit payable will be the original purchase amount less the income paid to you (before tax) up to the date of your death and any adviser charge that you have asked us to pay.
- 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.
- The higher the income you choose the lower the Guaranteed Maturity Value.
- You have 30 days after we receive your completed application form to change your mind. Once this 30 days is up you can't change your mind or transfer to another provider.
- 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.
- If you choose to take your Guaranteed Maturity Value as a cash lump sum, this will be treated as taxable income and may result in you paying a higher rate of income tax.
- You will not be able to change the plan after it has started.
- The income we pay may have an impact on any means tested state benefits you receive.
- If you choose a shorter term, your overall return (the total income payable and any guaranteed maturity value) may be less than you paid in.
- If you draw an income from this plan (excluding tax-free cash), any future pension contributions made to defined contribution pension schemes by you and any employer, will be limited by the Money Purchase Annual Allowance (currently £10,000 yearly).

### Do I need advice?

- Canada Life is an insurance provider and cannot give personal recommendations about the products it offers. To help you to decide if the Fixed Term Income Plan 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](http://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 on 0800 138 3944 or visit their website at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)
- Please note this does not replace the need for professional advice.

### What is the Fixed Term Income Plan?

- Fixed Term Income Plan is available to anyone aged 55 or over looking for a tax-efficient way to provide a fixed or increasing level of income over a specified term, a guaranteed maturity value at the end of the term, or a combination of both.
- The Fixed Term Income Plan is written under 'Flexi-Access Drawdown' rules meaning you have complete flexibility of how much income you can choose to take, although this must be set at the outset of the plan and cannot be changed during the plan term.

### How much can I invest?

- The minimum lump sum investment is £10,000 (after taking any tax-free cash). We have no upper limit. The plan can only be set up using funds transferred from a UK registered pension scheme you already hold and must not include any pension savings left to you by, or in respect of, someone who has died.
- You can combine transfer payments made up of uncrystallised funds totaling £10,000 (after tax-free cash), to set up one Fixed Term Income Plan. You cannot combine multiple transfers of crystallised (drawdown) funds, so a separate plan with its own term, will be needed to accommodate each source.
- Any subsequent transfer payment will be used to set up a new plan with its own term. The minimum investment is £10,000 (after tax-free cash).

# Questions and Answers

## Is the Fixed Term Income Plan suitable for me?

- The Fixed Term Income Plan may be suitable if you;
  - Want to access your tax-free cash and invest your savings for a fixed term without taking any investment risk.
  - Do not want to commit your savings to providing a guaranteed income for life under a lifetime annuity.
  - Want security of a guaranteed income and/or a guaranteed return at the end of that term.

## Can I apply for this plan?

- Yes, if you're aged 55 or over and a UK tax resident with savings of your own in a UK registered pension scheme.

## How do I apply for a Fixed Term Income Plan?

- You can transfer funds from a UK registered pension scheme to set up a Fixed Term Income Plan. **Canada Life cannot accept applications for this plan from customers exercising their open market option. It has to be a transfer of funds from a UK registered pension scheme.**

This is because the Fixed Term Income Plan is a **flexi-access income drawdown** product, **not an annuity**.

- As stated previously, a Fixed Term Income Plan cannot be set up using pension savings left to you by, or in respect of, someone who has died.
- You can combine more than one source of **uncrystallised funds** (pension funds not already held in drawdown). When we have received all the transfer payments we will pay any tax-free cash that you wish to take. We will then apply the balance of the combined funds to one Fixed Term Income Plan.
- Legislation does not allow different drawdown arrangements to be combined. This means that if you have more than one source of **crystallised funds** (existing drawdown funds) held in different schemes or in different arrangements within a scheme, we will need to set up more than one Fixed Term Income Plan for you. Please also note that we cannot pay any tax-free cash to you from transfers made from other drawdown plans.
- If you wish to transfer a mixture of uncrystallised and crystallised funds, we will issue the minimum number of Fixed Term Income Plans needed to provide your benefits. You will not incur any additional charges if we have to issue more than one plan to accept your funds in a way that complies with the legislation.

- You may not need to use all your savings to purchase the plan. Subject to legislation, you may be able to use part of your pension savings to purchase the Fixed Term Income Plan and invest the remainder in other retirement income products if you so wish. Please speak to a professional adviser about the other options available to you.

## What options are available at the end of the term?

- At the maturity date you can use your Guaranteed Maturity Value to:
  - Withdraw your money as a cash lump sum (taxed as income).
  - Purchase another Fixed Term Income Plan (if you're still eligible).
  - Purchase a guaranteed income for life under a lifetime annuity (taxed as income) with Canada Life or any other provider. We recommend searching the market for the best rate at that time.
  - Transfer to another flexi-access drawdown plan with Canada Life or another provider.

**There are different tax implications for all of the above options and we recommend discussing these with your professional adviser before making any decision.**

## What happens to my pension fund if there is a delay in setting-up my plan?

- We cannot start paying your income until we've received all the pension funds and your application form. We'll simply hold the funds for you until the purchase can take place.

## What term can I choose?

- You can choose any term between 1 and 20 years. This must be in whole years and must end before your 96th birthday.

## How much income can I choose?

- This depends on:
  - The size of your pension savings used to purchase the Fixed Term Income Plan.
  - The length of term chosen.
  - Whether you choose your income to remain fixed or increase each year by a fixed percentage, for example by 3% (you can choose any level of increase from 0.1% to 10.0%).
  - When you choose your income to be paid, for example monthly starting from the date we receive the funds.

- We show you how much income you've chosen in your Personal Example. The actual income we pay you may be different to this because of additional information you provide in your application form and the final amount(s) of the transfer payment(s) we actually receive. If this is the case we will provide you with a new Personal Example.

### Can my income ever be reduced?

- Yes, it may be reduced if additional information is provided that was not disclosed on the application form which materially affects the pricing of your Fixed Term Income Plan. In most cases if this were to happen, we would adjust the Guaranteed Maturity Value and provide you with a revised Personal Example and Policy Schedule.
- The income and any Guaranteed Maturity Value will be reduced if the plan becomes subject to a pension sharing order made under a financial settlement on divorce or civil partnership dissolution. In the case of a 100% sharing order, any income payments will cease, no death benefit or Guaranteed Maturity Value will become payable and the plan will be cancelled.

### When will you pay my income?

- We will pay your income on the same basis as your Personal Example. We can either pay the first income payment as soon as we receive the funds or on a future date within 12 months.
- Payment frequencies available are monthly, every three months, every six months or every year. Once set up, the payments frequency cannot be changed.

### How will the benefits provided by my Fixed Term Income Plan be calculated?

- This will be shown on your Personal Example and is dependent on factors such as:
  - The amount invested in the Fixed Term Income Plan.
  - The term (number of years) you choose for the plan to run.
  - Your age.
  - Your postcode.
  - How much income or Guaranteed Maturity Value you choose, if any, and how often you want it to be paid, for example monthly.
  - Whether you choose a level income or an escalating income.
  - Investment market conditions when you purchase the plan.
- We show you how much the Guaranteed Maturity Value will be in your Personal Example.

### Can the Fixed Term Income Plan be accessed before the end of the specified term?

- Only in certain circumstances such as if:
  - You die during the term (see 'What happens if I die before maturity date?').
  - The plan becomes subject to a pension sharing order made under a financial settlement on divorce or civil partnership dissolution. (In this case the value of the plan for pension sharing purposes may be significantly less than the original purchase amount used to set up the plan).

### What happens if I die before the maturity date?

- We provide a guaranteed death benefit which is the original purchase amount, less any income paid to you before tax, up to the date of your death and any adviser charges you have instructed us to pay. The tax treatment of death benefits depends on whether death occurs before or after age 75. Please refer to the Client Guide and the section below titled 'Tax on death' for more information.

### How long is my Personal Example guaranteed for?

- The income and Guaranteed Maturity Value shown in your Personal Example will be valid if we receive your application within 14 days of the quotation date and provided that all our requirements are met, including receipt of all funds, within 30 days thereafter. Details of the exact dates are shown on the Personal Example.

### How are the plan benefits taxed?

#### During your lifetime

- The income we pay you will be treated as taxable earnings and normally be taxed under HM Revenue & 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 an emergency (temporary) tax code to calculate how much tax (if any) to deduct. After that, we deduct tax according to the tax code HM Revenue and Customs allocates to your income.
- So, any income/cash sum you draw from your pension will be added to any other income you receive (for example, your salary/pension) and this could push you into paying basic rate (20%) even if you currently don't pay any income tax, higher rate (40%) or even top-rate (45%) income tax.
- If the UK Government changes the tax treatment of flexi-access drawdown income (the payments from this plan), the amount of income paid to you may change.

# Questions and Answers

## On death

- At the start of the plan you can tell us the type of death benefit (lump sum or beneficiary's flexi-access income drawdown) you would like Canada Life to consider paying and to whom you would like it to be paid. We are not bound to follow your preferences but will take them into account and will use our discretion when deciding what and who to pay. This means that the benefit should be free from inheritance tax (but see the next bullet points). You can update your preferences to us, in writing, at any time during the life of the plan.
- If at the time of transferring an existing pension into this plan, you know that you are in serious ill health, should you then die within two years of the transfer this amount could become liable to inheritance tax.
- If you die before reaching age 75 the death benefit (lump sum or beneficiary's flexi-access income drawdown) will usually be paid tax-free.
- If you die after age 75 the death benefit (lump sum or beneficiary's flexi-access income drawdown) will be taxed at each individual recipient's marginal rate of income tax.

## What are the charges?

- The costs for setting-up your plan are allowed for in the calculation of your income.
- Any charges relating to advice or service agreed with your professional adviser can be paid from your purchase amount before it is applied to the plan.
- Where an adviser charge is being paid from your plan, these deductions 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 purchase amount to your professional adviser, the amount we pay to them will be based on how much we receive from your pension scheme. It could therefore be different to the amount 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.
- We make charges at the start of the plan to cover the set-up costs and administration. We take these charges into account before we calculate the starting income (if you choose one) and the Guaranteed Maturity Value.

## How much will any advice from my professional adviser cost?

- Your professional adviser will give you details about the cost of providing advice which you can agree. Adviser charges may be paid before any funds are allocated to your Fixed Term Income Plan. You may also agree to pay your adviser a fee directly or ask Canada Life to facilitate payment.

## Can I change my mind?

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

- At any point before your plan starts; or
- Within 30 days from the date that you receive confirmation of your plan being issued.

If you decide to cancel your plan, you must inform us within 30 days in writing quoting your plan number.

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

Any adviser charges we have taken from your plan and paid to your professional adviser, up to the point we receive your request to cancel the plan, 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 it all.

If your original provider 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 of your plan being issued, your plan 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

You should contact your professional adviser in the first instance.

### How to contact us

If you have any questions you can contact us in the following ways:

Phone: **0345 6060708**

**(lines are open Monday to Friday 9am – 5pm)**

Email: **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**

**Exchange Tower**

**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.

Further information regarding the FSCS is available on their website or contacting them at the below:

**The Financial Services**

**Compensation Scheme**

**10th Floor, Beaufort House**

**15 St Botolph Street**

**London EC3A 7QU**

Phone: **020 7741 4100**

Email: **enquiries@fscs.org.uk**

Website: **www.fscs.org.uk**

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

### Law

The Fixed Term Income Plan policy will be subject to and governed by the laws of England and Wales. Any dispute or claim arising out of or in connection with the policy must be brought in the exclusive jurisdiction of the courts of England and Wales. Your policy documents, including 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 Fixed Term Investment Plan. You can read the full terms and conditions in the Fixed Term Income Plan Policy Provisions. The Policy Provisions and Policy Schedule, together with the application form and Personal Example shall constitute the legally binding contract between you and us. The terms are based on our understanding of relevant legislation as at April 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](http://www.canadalife.co.uk) or call us on **0345 606 0708**.



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