

# Annual statement and income review explained

Flexible Income Annuity



## Annual statement and income review

### Flexible Income Annuity

Annuitant Name: Mr A Example  
 Policy Number: AP-0000000  
 Policy Commencement Date: 01/01/2015  
 Statement Date: 01/01/2018

#### Policy Summary

Fund Value at 01/01/2017	£88,219.40
Annuity income taken	-£3,000.00
Lifetime Bonus*	£189.80
Our Charges	-£1,072.68
Charges consist of:	
Annual Policy Charge	-£1,072.68
Annual Management Charge Refund	£0.00
<b>Total</b>	£84,336.52
Investment return on your policy**	£11,138.52
Adviser Charges	-£230.28
Fund Value at 01/01/2018	£95,244.76

\*Lifetime bonus may be added to the value of your investments. The level of lifetime bonus rates added could alter if we change our assumptions about Flexible Income Annuity policyholders' life expectancy (how long policyholders are expected to live). We review our assumptions at the end of each year, with any change applying in the following year (as per the policy terms and conditions). The amount shown above therefore reflects the review that took place at the end of last year.

\*\*The investment return on your fund holding takes into account any additional monies received since your last income review, the encashment of units to pay for income withdrawals, any bonuses paid and charges or fees taken, and what the unit price was at the time of those events. If this amount is negative, it's because the value of the units you hold has gone down.

The investment performance and the addition of bonuses is not guaranteed and in future may be higher or lower than the figures shown.

### Your income

As explained when the policy was taken out, and as described in your policy conditions, we review your income every three years to take into account investment performance and our current view of future life expectancy. We have now carried out the review taking into account your current fund of £95,244.76 as shown above.

Your current income is £3,000.00. As a result of the review your new income is £3,658.08 from the next payment date. This will stay the same until the next scheduled review, unless you decide to change your income in the meantime (or you die, you reach age 90, or if your income is converted to a fixed income basis).

If this new income level is not suitable for you, you can choose to change it to any amount between the minimum and maximum amounts available. Please see the relevant section later in this statement.

The fund value at the last time you had a statement from us, usually a year ago. If you've changed your income in the last 12 months, it will be the fund value at the date of change. In this example, it's the fund value one year ago.

The income you have taken out since the last statement. In this example it's a full year's worth of income. If you've had an income change within the last year it would show less than a year of income.

Lifetime bonus which has been added to the policy since your last annual statement. If you have chosen any death benefits (such as a guarantee period, value protection) the bonus will have been reduced to reflect that.

When you bought the policy, the Key Features Illustration explained how these were calculated as a percentage of your fund. The charges cover our administration costs, and the cost of providing the minimum income guarantee.

There are different annual management charges depending on the fund(s) you choose for investment, If you have invested in a fund where we have negotiated a reduction on the standard fund management charge, we make an extra allocation of units each month. The monetary impact of this is shown here.

The investment return on the policy is how much your policy has changed in value because of any change in the price of units you hold. If this amount is negative then the value of your policy has gone down.

If you agreed an ongoing adviser charge this will be shown here.

Your new yearly income level (payable from the next instalment due) will be shown here. The next page of your statement will explain how this is calculated.

## Minimum income guarantee

As explained when you took out your policy, the income you take must not be less than your Minimum Income Guarantee. The amount of your Minimum Income Guarantee was set when you took out the policy and is shown below.

Minimum income guarantee: £2,371.64 per annum

## How did you calculate my new income?

The level of income available to you is based on the performance of your chosen funds and any bonuses that have been allocated since your last income review. Putting it another way, in order to maintain your current level of income for the rest of your life, your fund needs to achieve a certain level of investment performance, known as the Required Fund Performance (RFP), assuming our current view of future life expectancy does not change. If your fund doesn't achieve this performance your income goes down at some point, if it does better than this then your income goes up.

We said that the RFP for the chosen level of income was 2.02% per annum when the policy was taken out (or at the last income review if there has been one). Your RFP takes into account the charges applicable for the investment funds you have chosen and fees for advice facilitated from your policy. Therefore, if you have switched investment funds or you have more than one fund and the percentage held in each fund has changed since your last review, or if your policy facilitates fees for advice which have changed as a proportion of your fund size, the RFP would have changed. In your case, the RFP is now 2.02% per annum.

Using this assumption, your fund value would need to be £78,110.84 in order to support your current level of income for the rest of your life, based on our current view of life expectancy which we reviewed at the end of last year. However, your actual fund value, which is based on actual investment performance to date, is £95,244.76. This is 21.93% higher which means your income has altered accordingly, as shown on the previous page.

Looking ahead, in order to maintain this new income level for the rest of your life your fund needs to achieve your RFP of 2.02% per annum. This is not guaranteed, as future fund performance could be higher or lower. In addition our view of life expectancies may change, resulting in either an increase or decrease to income.

## Can I choose another income level?

You can change your income level at any time within the minimum and maximum values then available, so please contact us if you want to change. If you do change your income, we will tell you the new RFP needed to support your income at your chosen level. You can change your income back to the level it was previously if this is between the minimum and maximum limit at the time. For information, the limits and corresponding RFP to achieve them at the date of this statement are shown below:

		RFP
Current maximum income:	£5,183.52	4.55%
Current minimum income:	£2,371.64	-0.65%
New Income:	£3,657.90	2.02%

**Please note minimum and maximum income levels depend on the fund value and annuity rates at the time of the income change, and therefore change daily.** Higher income levels require higher RFP, making it more likely that income might subsequently need to reduce in future. Conversely, lower income levels have lower RFP, making it more likely that income could subsequently increase in future. If you would like to change your income please contact us, and if you need advice as to the best course of action please contact your financial adviser.

This was the required fund performance needed to maintain your chosen level of income. It may have changed as described in this paragraph if fund proportions have changed, or the amount of any adviser fees paid change as a proportion of the total fund.

This is the fund value needed to maintain your chosen level of income (in this example the income is £3,000 per year). Please note that a reduction in fund value since your last review is not necessarily a cause for concern. You should expect the fund to gradually run down over your lifetime as you get older. In this example the fund at the start of this policy was £89,368 whilst the fund required at the first 3 year income review is lower at £78,110.

This is your fund value at the date of the review. In this example the fund value is 21.93% higher than the level required to maintain the income of £3,000. The income level is automatically increased by 21.93%. So £3,000 becomes £3,657.90.

## What happens if the performance is below target?

If the actual fund is lower than required then your income will reduce. So using this example, income taken was £3,000 per year. The fund value required to maintain that income was £78,110 but if the actual fund value was only £76,547 there would be a 2% drop in income. So £3,000 per year income would become £2,940. However the policyholder could choose to change income to any amount between the minimum and maximum available at the time (see 'Can I choose another income level?')

For some customers the income payable based on their actual fund value at review would be below the minimum income guarantee. In these circumstances their income will be set at the level of the minimum income guarantee.

The income calculated at your review has been automatically changed to the new level. If you decide you want a different amount, you can select an income level anywhere between the minimum and maximum levels available at the time.

The figures shown provide a guide to those available at the date of this statement.

So in this example current income was £3,000. At the three year review this would automatically change to £3,657. However the policyholder could select income between the minimum and maximum (ie. around £2,371 to £5,183 if soon after the review). If income of less than £3,657 was taken then the RFP required would be lower than 2.02%. If income above £3,657 was taken the RFP would be higher than 2.02%.

## Unclear about anything?

Whilst we have taken every care in producing this statement, if any errors are subsequently found we will correct them as soon as possible. If you are unclear about any of the terms we have used in this statement, please refer to your Policy terms & conditions document or your Key Features document.

We recommend that you speak to your financial adviser to discuss any potential changes.

You can also contact our Customer Centre on 0800 032 7690 or email [customers@retirementadvantage.com](mailto:customers@retirementadvantage.com)

## Get in touch

If you have any questions or would like more information, please get in touch with our Customer Services team.

Call us on **0800 032 7690**

Email us at  
**[customers@retirementadvantage.com](mailto:customers@retirementadvantage.com)**

Visit our website  
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