keyfacts®

Key Features of the Pension Annuity

Helping you make the right decisions for your future

Legal & General

Contents

Using this document

This document is designed to help you understand the main points about our Pension Annuity. These are known as the Key Features.

The Financial Conduct Authority is a financial services regulator. It requires us, Legal & General, to give you this important information to help you to decide whether our Pension Annuity is right for you.

You should read this document carefully so you understand what you are buying, and then keep it safe for future reference.

Other documents

We want you to be confident you have all the information you need to decide about your Pension Annuity.

You should also read the following documents:

- your Pension Annuity quote
- our Terms and Conditions.

Use the contact details on the back page to get in touch if you haven't received these.

Important information about your decision

Deciding to buy a pension annuity is an important decision. You can buy one with us or with another provider, and you may be able to improve your income by shopping around.

Your decision and the options you choose could affect your income and financial circumstances for the rest of your life.

Once we've set up your annuity and your cancellation period has ended, you won't be able to change your mind.

Guidance and advice

Pension Wise from MoneyHelper
Pension Wise is a free and impartial government service from MoneyHelper that offers:

- tailored guidance (online, by phone or face to face) to explain your options and help you think about how to make the best of your pension savings
- information about the tax implications of different options
- tips on getting the best deal, including how to shop around.

Visit **moneyhelper.org.uk/pensionwise** for more details. If you'd prefer to speak to someone over the phone or book a face-to-face appointment you can call **0800 138 3944**.

Financial advice
A financial adviser can help you understand your options and decide what's best for you. If you don't have a financial adviser, you can find one in your area by visiting **unbiased.co.uk** and entering your details. An adviser may charge for their services.

We're not giving you financial advice by sending you this document. It's up to you to decide if this policy is suitable for you.

Key Features of the Pension Annuity

Its aims

Our Pension Annuity will pay you an income for the rest of your life.

Depending on which payment options you choose, it can:

- pay a fixed level of income
- pay an income that increases each year
- pay an income to your spouse, registered civil partner or a financially dependent partner after you die.

Your commitment

- If you decide you want to buy our Pension Annuity, you'll need to decide how much of your pension pot you want to use.
- You need to be sure the payment options you choose are right for you. You'll have 30 days to change your mind from the date we confirm your policy has started. You won't be able to make any changes after 30 days.
- You'll also need to make sure any medical and lifestyle information you give us is accurate and complete so we can pay you the maximum income you're entitled to.
- Unlike some other financial products, a pension annuity has no cash-in value. You can't sell it, transfer it to someone else or take lump sums from it. If you want to be able to take your pension flexibly, there'll be other more suitable products for you.

Risks

- Annuity rates can go up and down and the amount of income you can get will depend on the annuity rate at the time you buy. If you wait for annuity rates to change your income could be higher or lower.
- The effect of inflation over time could leave you less well off than you'd expected, depending on which payment option you choose.
- We may check the medical or lifestyle information you've given us with your doctor, after your income starts. If the information doesn't match what you've told us and we're paying you too much, we may need to reduce your payments (your income won't be any lower than our standard annuity rate) and reclaim any overpayments from you.
- Depending on how long you live you could receive less in payments than the total amount of pension pot you used to buy your annuity.
- You should check with your current pension provider that you won't lose any valuable guarantees or incur any penalties if you don't buy your annuity with them.

Your questions answered

What is a pension annuity?

A pension annuity, also referred to as simply an annuity, is a product that converts your pension pot into guaranteed regular income for the rest of your life.

You can use the money from your pension pot to buy an annuity with us, after you've taken your tax-free lump sum.

When can I buy a pension annuity?

In most cases, the earliest you can buy a pension annuity is age 55.

If you buy one earlier than planned, your income might be lower than you expected. This is because your pension pot has had less time to grow, and we may need to pay you your income for longer.

How much regular income will you pay me?

The amount of income we pay you depends on the size of your pension pot, the annuity rate we offer you and the options you choose.

We'll pay your regular income directly into your bank or building society account. We won't pay your income by cheque.

What is an annuity rate?

It's the rate we use to convert your pension pot into a regular income. When calculating your annuity rate, we take into account a number of things, including:

- your age
- your postcode
- current market conditions
- your health/lifestyle.

Can I get a higher income?

Enhanced rates are available for common lifestyle health risks, like smoking or high blood pressure, as well as more serious medical conditions which may shorten your life expectancy.

It's important to give us accurate medical and lifestyle information as this could mean you get a higher income.

Will I have to pay tax on my income?

Because your payments are treated as earned income, they'll be taxed. The amount of tax you pay will depend on your individual circumstances and may be subject to change in the future.

Each year we'll send you a P60 confirming the total amount of income we've paid you and the tax we've deducted.

Is an annuity suitable for me?

An annuity may be suitable for you if you'd like:

- a regular income for the rest of your life
- the option for your income to increase every year to protect it from inflation, either by a fixed percentage or in line with the Retail Prices Index (RPI)
- the option for your dependant to receive a regular income if you die first
- to avoid your pension pot going up and down in value due to changes in investment conditions
- a product that could pay more income if you have certain lifestyle risks or medical conditions.

An annuity may not be suitable for you if you'd like:

- to withdraw cash from your pension pot whenever you like
- the flexibility to change any of the options you've chosen
- your income to vary depending on investment conditions.

An independent financial adviser can help you understand the best option for you. Find one at unbiased.co.uk

Can I take a tax-free lump sum?

You can normally take up to 25% of your pension pot as a tax-free lump sum before you buy an annuity, if you haven't already taken one.

The lump sum allowance is the maximum amount you can take in tax-free lump sums across all the pension schemes you belong to. For most people the lump sum allowance will be £268,275 but you may have a protected higher amount.

Any lump sums taken that are in excess of the allowance will be taxed at your marginal rate of income tax.

If you want to take a tax-free lump sum, you must do so before your annuity starts. You can't take a tax-free lump sum from your annuity after it's started.

Are there any charges?

We take account of the charges when we set the annuity rate, so there's no other charges to pay.

Can I manage my policy online?

Once you've received your policy number you'll be able to register for My Account at **legalandgeneral.com/myaccount**

My Account lets you manage your policy quickly and easily online.

- View your policy.
- Update your address and personal details.
- Find answers to frequently asked questions.

What happens to my annuity when I die?

Your income payments will stop when you die, unless you choose any death benefit options.

See 'Your death benefit options' on page 9.

Can I change my mind?

You can cancel your application:

- at any point before your annuity starts
- up to 30 days from the date you receive our confirmation that your annuity has started.

If you cancel before any tax-free cash is paid and before your annuity has started:
If we've already received your pension pot, we'll contact your previous pension scheme to see if they're willing to accept it back. If they won't, we'll ask you to choose another provider who will accept the transfer, or choose another pension or retirement income product with us.

If you cancel after any tax-free cash is paid or after your annuity has started:
We can't return your pension pot to your previous pension scheme, and you can't change your decision to buy an annuity. Once you've applied to buy an annuity and any tax-free cash has been paid, you must buy an annuity with this pot. You can choose to buy an annuity with another provider or continue with us, and you may be able to select new annuity options.

How do I cancel?

If you want to cancel, please contact us and your previous pension scheme provider if they're paying you any tax-free cash. Our contact details are on the back cover. If we've paid you any income, you must return this money to us within 30 days of letting us know.

If you decide to cancel and have used part of your pension pot to pay an adviser charge, we'll reclaim the charge from your financial adviser. Your financial adviser may ask you to pay for their services another way. If you've already paid your adviser directly, we won't need to reclaim the adviser charge.

Your income options

You may have more options available if you apply through an adviser or intermediary.

There could be restrictions on how we pay your income if your pension plan includes any money from you being contracted out of the earnings related part of the State Pension. We'll show any restrictions on your quote.

Option 1: A fixed income

A fixed income means your income will always stay the same.

You'll know how much you'll be paid and when. But it comes with the risk that your income won't be worth as much over time because of inflation.

For example, if inflation averaged 2% a year, after 10 years the value of £100 in today's money would only be £82. After 25 years it would be just £61.

Option 2: An income that increases

If you're worried about inflation affecting your income, we can pay you an income that increases each year, either:

- by a fixed percentage – anything up to and including 10%
- in line with the Retail Prices Index (RPI)
- in line with RPI capped at 5%, referred to as 'Limited Price Indexation'.

RPI is the index of the average change in the prices of goods and services in the UK.

With this option, your income will be lower to begin with than with a fixed income.

Payment frequency

You'll also need tell us how often you want us to pay your income.

We can make payments either:

- monthly
- quarterly
- half yearly
- yearly.

We can pay your income either:

- in advance – paid at the start of the payment period
- in arrears – paid at the end of the payment period.

An income paid in arrears will be higher than one paid in advance, but you'll have to wait until the end of the payment period before we make your first payment.

If you choose to have your payments made in arrears, you may decide that you would like a final payment to be made to cover the period between your last payment and your death. This is called a 'proportionate' payment. If you choose a 'proportionate' payment, your starting level of income will be lower.

Your death benefit options

Choosing to add a death benefit to your annuity allows us to continue to make payments after you die. We offer three different death benefit options.

Option 1
An income for your dependant
Provides an income for your spouse, civil partner or financial dependant partner after you die.

Option 2
A guaranteed minimum payment period
Ensures that your income continues to pay out for a minimum term, even if you die within that term.

Option 3
Value protection
Provide a lump sum to your beneficiary if you die before you've had back, as income, all or part of the amount used to buy your annuity.

- If you don't add a death benefit to your annuity, we'll stop your income payments when you die.
- Death benefits aren't automatically included with your annuity.
- Selecting a death benefit will reduce the amount of income you can receive from your annuity.

Option 1: An income for your dependant

You can choose to pay any percentage up to the full amount of your annuity income to a named dependant for the rest of their life if you die first.

Providing an income for your dependant is not automatically included in your annuity, so you need to choose this option if that's what you'd like to happen.

You can take this option on its own, or combine it with option two, a guaranteed minimum payment period, or option three, value protection.

If you combine a guaranteed minimum payment period with an income for your dependant on your death, you need to choose if your dependant's income starts:

- as soon as you die, this known as 'with overlap'
- when the guaranteed minimum payment period ends, this is known as 'without overlap'.

If you choose 'with overlap', your starting level of income will be lower.

Choose your dependant

A named spouse
The person you're currently married to or in a registered civil partnership with when you start your pension annuity.

An unnamed spouse
The person you're married to or in a registered civil partnership with when you die, if you do not know who this will be. Choosing 'unnamed' will give you a lower income than 'named'.

A named financial dependant
A partner who, in our opinion, is financially dependent on you at the time of your death. They'll need to prove they were financially dependent on you at the time of your death.

Option 2: A guaranteed minimum payment period

Choosing a guaranteed minimum payment period ensures that your income is paid for a minimum period, even if you die within that period.

- Any payments due will be paid to your beneficiary or estate.
- The minimum period starts from the date your annuity starts.
- The longest guaranteed minimum payment period you can choose is 30 years. The shortest is a single year.
- You can't be more than 100 years old at the end of your minimum payment period. So for example, if you're over 70, the minimum payment period needs to be less than 30 years.
- We'll take your nomination into account when deciding who to pay.
- You can take this option on its own, or combine it with option one, an income for your dependant.

Case study

Paul selects a guaranteed minimum payment period of **10 years** and no other death benefits.

Scenario 1
Paul dies after 4 years. Income payments will continue to be paid to his beneficiary or estate for another 6 years.

Scenario 2
Paul dies after 11 years. As the guaranteed minimum payment period has ended the income payments will stop.

The person we pay in the event of your death is known as your beneficiary.

You can nominate a beneficiary to let us know who you would like to receive any money due. You can change your nominated beneficiary at any time.

Option 3: Value protection

Value protection lets you protect all or part of the amount you used to buy your annuity. When you die, we'll pay a lump sum for the amount you protected, minus any payments we've already made. This will be paid to your beneficiary or your estate.

You can choose to protect any percentage of the original amount used to buy your annuity.

- We won't pay a lump sum when you die if the income you've already received is more than the amount you protected. This is based on the gross income payment (the amount before tax).
- We'll take your nomination into account when deciding who to pay.
- You can take this option on its own or you can combine it with an income for your dependant (option one).

If you've also chosen an income for your dependant, we can pay the lump sum either:

- after you have both died (death of the last survivor)
- on your death (death of the annuitant).

If you choose for us to pay on your death, your starting level of income will be lower.

Case study

Paul, aged 65, uses **£100,000** to buy a Pension Annuity that pays him an income of **£5,751** every year for the rest of his life. He chooses value protection at **50%** (**£50,000**).

Scenario 1

- Paul dies after **four** years. He's received total income payments of **£23,004** before tax.
- His beneficiaries or estate get a lump sum of **£26,996 (£50,000 – £23,004)**. The lump sum isn't taxed because Paul was under 75 when he died.

Scenario 2

- Paul dies after **nine** years. He's received total income payments of **£51,759** before tax.
- No lump sum is paid to his beneficiaries or estate because he's already received more than the **£50,000** he protected.

This case study is for illustrative purposes only and is based on a 65-year-old male with a £100,000 pot. Source: Legal & General, Jan '24.

Value protection reduces the amount of income you receive, so the higher the amount you choose to protect, the lower your income will be.

Tax on death benefit payments

If you die before age 75 any death benefit payment will normally be free of income tax provided the benefits paid under this annuity and any other pension you have do not exceed the Lump Sum and Death Benefit Allowance. This is the combined allowance for the total amount that can be paid as tax-free lump sums, both during your lifetime and when you die.

The allowance is normally £1,073,100 but you may have a protected higher amount.

Any benefits paid which exceed this allowance will normally be taxed at your dependent or beneficiary's highest rate of income tax.

If you die age 75 or over, this payment will normally be taxed at your dependant or beneficiary's highest rate of income tax. If you die age 75 or over and we pay your estate, any lump sum payment will be subject to the special lump sum death benefit charge of 45%.

Your quote

How long is my quote guaranteed for?

The rate used to produce your quote is guaranteed for a limited period. This is shown on your quote.

To secure the rate shown on your quote, we must receive your completed application and the money from your pension pot(s) before this date. If we receive the application or the money after this date, the rates available at the time will apply. This may change the amount of income you will receive.

See 'What is an annuity rate?' on page 5 for more information.

What should I do if I want to accept my quote?

You should complete the application form and any other accompanying documentation and return it to us.

You can change your mind up to 30 days from the date you receive our confirmation that your policy has started.

See 'Can I change my mind?' on page 7 for more information.

How many quotes can I request?

We're happy to provide you with as many quotes as you want so you can compare the effect of different options.

How will I know if my quote is the best in the market?

If you've given us consent to share your information with other annuity providers, we'll tell you if the annual income we've quoted is the highest or if you could achieve more by shopping around.

Will you pay anything to my financial adviser?

If your financial adviser recommends buying this annuity, you can only pay them for their service by paying an adviser charge. You'll agree how much this is with your financial adviser. You can pay your adviser directly, or we can deduct the adviser charge from the pension pot used to buy this annuity and pay your adviser on your behalf.

We won't be able to pay an adviser charge if your pension pot includes a Guaranteed Annuity Rate or a Guaranteed Minimum Pension. Your pension plan policy documents will confirm if you have these.

If we're paying you a tax-free lump sum, you can choose to have your adviser charge deducted from that part of your pot. Your quote will show how much your adviser charge is and where we've deducted it from.

You should discuss your adviser charge with your financial adviser. They can explain all your choices and their implications.

Once we've set up your annuity, you can't cancel the adviser charge or pay another one from your pension pot. If you cancel your annuity, you may have to find another way of paying the adviser charge.

How to make a complaint

If you want to complain about any aspect of our service, or if you'd like us to send you a copy of our internal complaint handling procedure, please contact us on **0370 050 2616**. Call charges will vary. We may record and monitor calls.

Making a complaint will not affect your legal rights.

You can refer any complaint about our administration that we can't settle to:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

Phone: 0800 917 4487

Email: **enquiries@pensions-ombudsman.org.uk**

Website: **pensions-ombudsman.org.uk**

You can refer any sales related complaint that we can't settle to:

The Financial Ombudsman Service
Exchange Tower
Harbour Exchange Square
London
E14 9SR

Phone: 0800 023 4567 or 0300 123 9123

Email: **complaint.info@financial-ombudsman.org.uk**

Website: **financial-ombudsman.org.uk**

Further information

Which law and language do you work in?

All the information in this document is based on our understanding of current law relating to pensions.

This contract is governed by English Law. All our customer communications will only be available in English. All communications from us will normally be by letter, phone or email.

What if there's a conflict of interest?

We provide a wide range of services to many different customers. Sometimes circumstances may arise where our duties to customers differ from what is best for us or for another customer. This is a conflict of interest.

We take our responsibility to identify and manage conflicts of interest fairly between us and our customers, or between two or more different customers very seriously. To make sure we treat customers consistently and fairly, we have a policy on how to identify and manage these conflicts.

Further details of our conflict of interest policy are available on request.

Who regulates Legal & General?

We're authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. We're entered on the Financial Services Register under number 117659.

You can check this at **register.fca.org.uk**, or you can call 0800 111 6768.

Or you can write to The Financial Conduct Authority, 12 Endeavour Square, London E20 1JN.

What is client categorisation?

There are various categories of client set out in the financial regulations. If you buy this Legal & General product, we'll treat you as a 'retail client'. Being a retail client gives you the greatest level of protection under the regulations and makes sure you get full information about any products you buy.

If, under the regulations, you're a professional client or eligible counterparty, we'll still treat you as a retail client, although this wouldn't necessarily mean that you would be eligible to refer any complaints to the Financial Ombudsman Service or to make a claim under the Financial Services Compensation Scheme.

Solvency and Financial Condition Report (SFCR)

We're required to publish an annual Solvency and Financial Condition Report (SFCR) describing our business and its performance, our system of governance, risk profile, valuation for solvency purposes and capital management. Our latest SFCR, which is titled 'SFCR for Legal & General Group PLC', can be found on our website at: **group.legalandgeneral.com/en/investors/results-reports-and-presentations**

What if Legal & General runs into financial difficulties?

We're covered by the Financial Services Compensation Scheme (FSCS). If you're a UK resident, you may be entitled to compensation from the FSCS if we can't meet our obligations. This depends on the type of business and the circumstances of the claim.

Currently 100% of the value of the valid claim is covered. There's no upper financial limit on the claim.

You can find out more about the FSCS (including amounts and eligibility to claim) by visiting **fscs.org.uk** or calling 0800 678 1100.

Investor protection legislation and regulation may change in future. If you live outside of the UK, you should speak to a financial adviser to clarify your eligibility.

About us

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, the Middle East and Asia.

Get in touch

You can call us on

0345 070 2459

Open Monday to Friday, 9am to 5pm.

We may record and monitor calls. All of our call centres are based in the UK.

You can email us at:
annuities.quotes@landg.com

If you're contacting us by email, please remember not to send any personal, financial or banking information because it isn't secure.

You can write to us at:
Legal & General Retirement,
PO Box 809, Cardiff, CF24 0YL

You can visit our website at
legalandgeneral.com/retirement

Additional support and alternative formats

Please contact us if you have any special circumstances you'd like to tell us about. We may be able to provide some extra support.

You can also request this document in Braille, large print or audio.

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