

# Heritage With Profits Fund

## Unitised With Profits pension payouts

The information in this leaflet does not apply to Stakeholder Pension Plans

This leaflet gives information on our current practice for unitised with profits pension payouts. More information regarding your options at retirement is available from our website [www.standardlife.co.uk](http://www.standardlife.co.uk)

### With Profits Payout

From 21 November 2015 the amount we will pay when you chose to move out of with profits can depend on whether you have reached the retirement age selected when your plan started and whether you chose to:

- start taking your retirement benefits by:
  - buying an annuity
  - taking a lump sum
  - taking flexible income
- transfer to a new plan but not take any retirement benefits at that time
- switch into other investment funds under your existing plan.

At present we calculate the value of your with profits investment in two different ways. For simplicity we call these values the Transfer Value and the Retirement Value.

We explain Transfer Values and Retirement Values in more detail on page 2.

We always pay Retirement Value when plan guarantees apply to your payout and we may pay Retirement Value at other times. Our current approach is shown below. Our aim is to pay Retirement Value when you take your retirement benefits – whether you're taking an annuity, transferring to another plan so you can start taking a flexible income, or cashing in your plan and taking your payout as a lump sum.

There's usually a tax charge if you cash in your plan.

Note: This is our current approach. We could change it but would only do so if we were confident the new approach maintained fairness.

	Age	
	Less than the retirement age selected when your plan started	Retirement age selected when your plan started or older
Your payout being used to:	We currently pay	
Buy an annuity (after you have taken any tax-free cash)	Retirement Value	Retirement Value
Provide you with a lump sum (cashing-in your plan)	Retirement Value	Retirement Value
Transfer to another plan (with Standard Life or another provider) to start taking your retirement benefits immediately (lump sum and/or flexible income)	Retirement Value	Retirement Value
Transfer to another plan (with Standard Life or another provider) but are not taking any retirement benefits at that time	Transfer Value	Retirement Value
Switch into other funds under your existing Standard Life plan	Transfer Value	Retirement Value

The 'Current Value' shown on your yearly statement is:

- the Transfer Value if at the date of the statement you had not reached the retirement age selected when your plan started
- the Retirement Value if at the date of the statement you had reached or passed the retirement age selected when your plan started

### **With Profits Guarantees**

Guarantees are an important feature of your with profits investment. Whenever a guarantee applies the payout will be at least the guaranteed amount, irrespective of how the with profits fund has performed. The guaranteed amount is the number of with profits units multiplied by the unreduced unit price less any outstanding initial unit charges.

### **When does the guarantee apply?**

The guarantee applies at the retirement age selected when your plan started as long as you are buying an annuity or, subject to certain limits, cashing in your plan. For some plans the guarantee also applies at other ages. We pay Retirement Value whenever guarantees apply.

Our practice is currently more generous than this. For example we pay Retirement Value at any time if you buy an annuity or take your payout as a lump sum by cashing in your plan.

### **What is the Transfer Value?**

The Transfer value is the fair value of your with profits investment, taking account of the performance of the with profits fund and any discretionary adjustments that we make.

Your with profits investment is made up of units allocated to your plan in one or more bonus years. We currently calculate the value of the units allocated to your plan separately for each bonus year and add these up to get the Transfer Value\* for each with profits fund that you are invested in.

The value of each year's units takes account of;

- the payments you make less any amounts withdrawn
- the returns on the assets we invest in
- the deductions we make
- any discretionary adjustments (up or down) that we apply including any smoothing.

When your with profits plan ends, we will pay a final bonus if your Transfer Value is higher than the unit value (number of units multiplied by the unit price). However, if your Transfer Value is lower than unit value we will not pay any final bonus and we will reduce the unit price. See examples on Pages 3 & 4).

### **What is the Retirement Value?**

The Retirement Value is at least the total unit value\*. Currently we use the same method to calculate the Retirement Value and the Transfer Value, except if the value of any year's units is less than the unit value (number of units multiplied by the unit price) we increase it to the unit value. The unit price is not directly linked to the performance of the underlying assets and this is usually why the Retirement Value can be higher than the Transfer Value.

### **Further Information**

There is more information on how we set payouts in our guide "Understanding With Profits", which is available from our website [www.standardlife.co.uk/withprofits](http://www.standardlife.co.uk/withprofits) or on request on 0345 60 60 100 (call charges will vary and your call may be recorded and/or monitored).

We recommend you speak to a financial adviser if you are considering ending your with profits investment as you may be giving up valuable guarantees.

In general plans that started after 1994 don't have initial unit charges.

Any money you pay into with profits in the five years before you buy your annuity might not have a guarantee.

A bonus year is from 16 November in one year to 15 November in the next.

\*The final value will be less than this if there are any outstanding initial unit charges.

We use the same method but there may be times when discretionary adjustments, for example for smoothing, are different.

## Examples of Transfer Value and Retirement Value Calculations

The following simplified examples illustrate the Transfer Values and Retirement Values for four investors who made with profits payments in two or more bonus years.

These examples are based on the following information:

These values are for illustrative purposes only and don't represent any particular Standard Life with profits fund.

Bonus Year	Current value of payments made to the plan in the year	Current unit price x total number of units
1	£5,800	£6,700
2	£6,000	£6,400
3	£7,400	£6,200
4	£6,500	£6,000

### For these payments:

The current value is lower than the current unit price x total number of units for bonus years 1 and 2.

The current value is higher than the current unit price x total number of units for bonus years 3 and 4.

This could happen where there are negative returns on the assets in years 1 and 2, followed by positive returns in years 3 and 4 and regular bonuses continue to be added each year.

The Transfer Value is the total of **the current value of the payments** for each year.

The Retirement Value is the total of the **higher of the current value of the payments and the current unit price x total number of units** for each year.

### Investor 1 made with profits payments in years 1, 2, 3 and 4.

These examples are simply to illustrate how the process works. We do not provide a breakdown of the separate bonus year calculations for individual plans.

Bonus Year	Current value of payments made in the year	Current unit price x total number of units	Higher of A and B
	A	B	
1	£5,800	£6,700	£6,700
2	£6,000	£6,400	£6,400
3	£7,400	£6,200	£7,400
4	£6,500	£6,000	£6,500
<b>Total</b>	<b>£25,700</b>	<b>£25,300</b>	<b>£27,000</b>

The current unit price x total number of units for Investor 1's plan is £25,300.

The Transfer Value is £25,700 and includes a final bonus of £400.

The Retirement Value is £27,000 and includes a final bonus of £1,700.

### Investor 2 only made with profits payments in years 1 and 2.

Bonus Year	Current value of payments made in the year	Current unit price x total number of units	Higher of A and B
	A	B	
1	£5,800	£6,700	£6,700
2	£6,000	£6,400	£6,400
<b>Total</b>	<b>£11,800</b>	<b>£13,100</b>	<b>£13,100</b>

The current unit price x total number of units for Investor 2's plan is £13,100.

The Transfer Value is £11,800. If we paid the Transfer Value there would be no final bonus and we would reduce the unit price.

The Retirement Value is £13,100. There is no final bonus in the Retirement Value.

### Investor 3 only made with profits payments in years 3 and 4.

Bonus Year	Current value of payments made in the year	Current unit price x total number of units	Higher of A and B
	A	B	
3	£7,400	£6,200	£7,400
4	£6,500	£6,000	£6,500
<b>Total</b>	<b>£13,900</b>	<b>£12,200</b>	<b>£13,900</b>

The current unit price x total number of units for Investor 3's plan is £12,200.

The Transfer Value is £13,900 and includes a final bonus of £1,700.

The Retirement Value is £13,900 and includes a final bonus of £1,700.

### Investor 4 only made with profits payments in years 1 and 4.

Bonus Year	Current value of payments made in the year	Current unit price x total number of units	Higher of A and B
	A	B	
1	£5,800	£6,700	£6,700
4	£6,500	£6,000	£6,500
<b>Total</b>	<b>£12,300</b>	<b>£12,700</b>	<b>£13,200</b>

The current unit price x total number of units for Investor 4's plan is £12,700.

The Transfer Value is £12,300. If we paid the Transfer Value there would be no final bonus and we would reduce the unit price.

The Retirement Value is £13,200 and includes a final bonus of £500.