

# Heritage With-Profits Fund Inherited Estate

**This leaflet provides information on the  
Heritage With-Profits Fund Inherited Estate.**

## **What is the Inherited Estate?**

When Standard Life demutualised on 10 July 2006, the Heritage With-Profits Fund was set up with an Inherited Estate which consists of assets over and above those needed to meet the expected liabilities of the Fund.

## **What is the Inherited Estate used for?**

The main purpose of the Inherited Estate is to meet any unforeseen costs. We will seek to maintain the Inherited Estate at a prudent level, and distribute any excess over time to eligible with-profits planholders.

If we don't need it for this purpose, we will use it to increase the payouts for eligible with-profits policyholders.

By with-profits payouts we mean:

- with-profits maturity and retirement payouts
- with-profits surrender and transfer payouts
- amounts switched out of with-profits unitised pensions
- withdrawal payments from With Profits Bonds
- With Profits Pension Annuity payments
- with-profits death payouts

At least once a year we review whether it's appropriate to make distributions.

Following a review we could:

- start making distributions
- or, if we are already making distributions
- increase payout enhancements
  - reduce payout enhancements
  - stop making distributions

## **Who is eligible?**

You could benefit from a payout enhancement if, on 9 July 2006,

- you had a with-profits plan and it's still in force – even if you've stopped paying premiums; or
- you had a plan that was fully invested in with-profits units, and you still have with-profits units for that plan; or
- you had a plan that was partly invested in with-profits units, and you still have with-profits units for that plan

and we are making Inherited Estate distributions when with-profits payouts are made from that plan.

This leaflet is intended for individuals who are familiar with investment terminology. If you need an explanation of the terms used e-mail us at [wpreport@standardlife.com](mailto:wpreport@standardlife.com). Please note that there is no guarantee that any e-mail sent will be received, or that the contents will remain private during internet transmission.

## How do enhancements affect with-profits payouts?

Enhancements don't increase guaranteed minimum benefits. Any enhancements are added to underlying plan values, after any smoothing. If the result is more than any guaranteed minimum amount you will benefit from the enhancement. If it's less you will instead benefit from the valuable guarantee. Your plan documents set out the terms and conditions that apply to any guaranteed minimum benefits. (Guaranteed minimum benefits don't apply to Stakeholder pensions.)

## How do we calculate enhancements?

It's the same as if a small additional rate of investment return had been earned on the assets backing with-profits plan values from 10 July 2006 until your with-profits payout is made.

If your plan is eligible then the part of your with-profits investment which qualifies for any enhancement is the part that has remained continuously in with-profits since before 10 July 2006, and any contractual increments in respect of that continuing part.

We will only make enhancements to payouts to the extent that we are satisfied that the size of the Inherited Estate is more than is needed for its main purpose.

## How big will my enhancement be?

The size of any enhancement is affected by a number of factors, including:

- when you take your benefits,
- the size of the additional rate of investment return that we use
- the size of the plan and any payments into and out of it after 9 July 2006; and
- the size of any guaranteed minimum benefits

If we are not making Inherited Estate distributions when your with-profits payout is made, there will be no enhancement.

## How will distributions be made, will they be in cash?

Any enhancement for an eligible with-profits plan will be included in the payout value.



**Please see the Appendix for more detail about guaranteed minimum benefits and Inherited Estate enhancements.**

## Appendix

The following three examples show how the minimum benefit guarantee on a plan can affect the size of any Inherited Estate enhancement included in the plan payout.

The plan payout is equal to the fair payout plus the allowance for any Inherited Estate distribution unless any guaranteed minimum payout applied is higher.

### Example 1

	No inherited estate distribution	Inherited estate distribution being made
<b>Guaranteed minimum payout</b>	<b>£9,000</b>	<b>£9,000</b>
Fair payout	£10,000	£10,000
Allowance for inherited estate distribution	nil	£400
<b>Plan payout</b>	<b>£10,000</b>	<b>£10,400</b>

In this example the fair payout is more than the guaranteed minimum payout. The plan payout will increase by the allowance for Inherited Estate distribution. The guaranteed minimum payout has no impact.

### Example 2

	No inherited estate distribution	Inherited estate distribution being made
<b>Guaranteed minimum payout</b>	<b>£10,200</b>	<b>£10,200</b>
Fair payout	£10,000	£10,000
Allowance for inherited estate distribution	nil	£400
<b>Plan payout</b>	<b>£10,200</b>	<b>£10,400</b>

The fair payout is less than the guaranteed minimum payout. However, the fair payout plus the allowance for Inherited Estate distribution is more than the guaranteed minimum payout. In this example the enhancement included in the plan payout (£200) is less than the allowance for Inherited Estate distribution (£400) because of the size of the guaranteed minimum payout.

### Example 3

	No inherited estate distribution	Inherited estate distribution being made
<b>Guaranteed minimum payout</b>	<b>£10,500</b>	<b>£10,500</b>
Fair payout	£10,000	£10,000
Allowance for inherited estate distribution	nil	£400
<b>Plan payout</b>	<b>£10,500</b>	<b>£10,500</b>

The fair payout is less than the guaranteed minimum payout. The fair payout plus the allowance for Inherited Estate distribution is also less than the guaranteed minimum payout. So there is no enhancement included in the plan payout. However, this is because the plan is benefiting from the valuable payout guarantee.

The amounts shown in these examples are not representative of the size of any potential Inherited Estate distribution or payout enhancement. Their purpose is purely to illustrate how a payout guarantee can affect the amount of any enhancement that may be included in the plan payout.

Find out more about guaranteed minimum benefits and how we set fair payouts by reading our with-profits guide.

You can find this at

[standardlife.co.uk/investments/funds/with-profits-information](https://www.standardlife.co.uk/investments/funds/with-profits-information)

**[www.standardlife.co.uk](https://www.standardlife.co.uk)**

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