

Sanlam Essential Income Plan

Key features



Please read this document carefully

The Financial Conduct Authority is a financial services regulator. It requires us, Sanlam, to give you this important information to help you decide whether the Sanlam Essential 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.

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Helping you decide

- Sanlam and Sanlam Investments and Pensions are trading names of Sanlam Life & Pensions UK Ltd (SLP) and Sanlam Financial Services UK Ltd (SFS).
- SLP is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. Firm reference No. 110397.
- SFS is authorised and regulated by the Financial Conduct Authority. Firm Reference No. 472783.

Both the FCA and the PRA are referred to as the Regulator throughout this document.

The Regulator requires Sanlam Life & Pensions to prepare a solvency and financial condition report in line with the Solvency II Regulations. This report outlines the nature of our business, how it is managed and its solvency position. A copy of the report can be found on our website.

We or your financial adviser will produce a key features illustration for you which is intended to show what purchasing a lifetime annuity through the Sanlam Essential Income Plan could mean for you. That document and the terms and conditions are important and you should read them with this document and keep them safe for future reference. Please contact us or your financial adviser, if you haven't received the key features illustration and terms and conditions.

If there is anything you don't understand or aren't sure about, please get in touch with your financial adviser, call our Client Contact team on 0117 975 2355 or email them at clientservices@sanlam.co.uk.

You should be comfortable that you understand the features of the Sanlam Essential Income Plan before deciding whether to continue with the contract.

Important

Before you take any benefits we recommend that you seek free and impartial guidance from the independent organisations appointed by the government for this purpose.

Pension Wise is a government service that offers you: tailored guidance (online, over the telephone or face to face) to explain what options you have and help you think about how to make the best use of your pension savings; information about the tax implications of different options and other important things you should think about; and tips on getting the best deal, including how to shop around. To receive free, impartial guidance, go to www.pensionwise.gov.uk or call direct on 0800 138 3944.

Important information about buying a Sanlam Essential Income Plan

Buying this type of pension income is a once and for all decision.

You can buy an income with us or another provider and by shopping around you may be able to improve the income you receive.

Once we set up your policy and your cancellation period has expired, you can't change your mind. Your decision could affect your financial circumstances for the rest of your life and possibly your beneficiary's if they outlive you.

Aims of the Sanlam Essential Income Plan

The main aims of the Sanlam Essential Income Plan are to:

- enable you to use some or all of your pension fund to buy an income for life (known as an annuity) that will suit your personal circumstances, and to allow you to provide benefits for a chosen beneficiary after your death if that is what you want;

- pay an income to your spouse, registered civil partner, dependant, life partner or nominee after you die, if required, depending on which payment options you choose.

It is suitable for clients who have received financial advice confirming that purchasing a lifetime annuity is appropriate for them.

Your commitment

- to use your pension pot to buy a pension income to be paid throughout your lifetime. The minimum purchase price for the Sanlam Essential Income Plan is £10,000;
- to make a once and for all decision about the income you want. Once the Sanlam Essential Income Plan has been set up, it cannot be cancelled, surrendered, sold or assigned to a third party. There is no 'cash in value'. If you want to be able to take your pension flexibly, there will be other more suitable products for you;
- to be certain the payment options you have selected are the right ones for you. You'll have 30 days to change your mind starting from the date we receive your signed application form. After the 30 days have passed, you won't be able to change any of the options;
- to make sure any medical and lifestyle information you give us is both accurate and complete so we can pay you the maximum level of income you're entitled to.

Risks

There are certain risks you need to consider. You should discuss these with your financial adviser before you make any decisions.

Things to consider:

- your personal circumstances might change after you start your pension;
- if you start your pension later, the amount of pension you get may be greater because you will be older and your fund will have had more time to grow. However, the amount will depend in part upon the investment performance of your fund, annuity rates and interest rates at that time. Any or all of these may be more favourable at a future date than now;
- depending on the payment options selected, inflation can reduce the future value of your income;
- annuity rates can go up and down depending on investment conditions at the time you buy. You could find the income we quote you may be higher or lower if you wait for a change in investment market conditions;
- anyone financially dependent or mutually financially dependent will not have any income from this annuity unless you arrange for it to continue in the event of your death;
- if you die in the early years of setting up this annuity, the total income you received may be less than the pension pot used to buy the annuity. Choosing a guaranteed payment period can protect against this;
- annuity rates may change after you have submitted your application. This means the income quoted could change between us providing you with an illustration and you taking out your annuity. If this happens and the income you would receive has reduced by more than 10%, we will contact you;
- the value of your pension pot can fluctuate so the amount you can use to buy your annuity can change as well;

and

- you may be able to secure a higher income with another insurance company.

Questions and answers

What is the Sanlam Essential Income Plan?

It is a lifetime annuity which means you have the option to convert part or all of your pension pot into a regular income. You use the money from your pension pot to buy an annuity and after any cash lump sum has been paid, the annuity provider of your choice commits to paying you a regular income for as long as you live.

When can I buy an annuity?

Usually, the earliest you can buy an annuity is age 55. If you are in ill health, you may be able to purchase an annuity earlier. If you buy it earlier than expected, your income might be smaller as the money in your pension pot will have had less time to grow and will need to pay your income for longer.

Can I take a tax-free lump sum?

Yes, as long as you haven't already taken one from your pension pot. Usually, you can take up to 25% of your pot as a tax-free lump sum before you buy an annuity. You will not be able to take a lump sum from your annuity after it has started so you must ensure you take any tax-free lump sums before your annuity starts.

What will my income be?

The amount of income you get can depend on a number of things when you set up your policy, including your age, weight and height, whether you smoke, the size of your pension pot, interest rates at the time and the options selected. However, we will not take medical conditions into account and so it is possible you could get a higher enhanced rate from another provider.

Your level of income payable cannot go down but inflation can reduce the amount you can buy with the money you receive.

Income will be paid directly into your bank or building society account. We will not pay pension income payments into someone else's bank account.

What are my options?

Once you've bought your lifetime annuity from us you can't transfer the value to another annuity provider or cash it in. You can't change your options at a later date. You should therefore ensure that you select the right annuity at the outset.

You should give specific consideration to the following:

- if you want your annuity to increase during your lifetime;
- if you want to provide for an annuity to be paid to a chosen beneficiary should you die before them;
- if you want an annuity that is guaranteed to be paid for at least five or ten years from its commencement.

You should also consider whether it might be in your interests not to purchase an annuity with your pension fund now but to take income from your pension pot in the form of flexi-access drawdown.

What happens when I die?

This will depend on if you have chosen an annuity with a guarantee to be paid for five or ten years from the date it starts or if you have provided for an annuity to be paid to a chosen beneficiary. If you haven't chosen any of these options then your annuity will cease to be paid on your death. If you have chosen either or both of these options, then pension payments will continue in accordance with the terms of the option you selected.

How much time do I have to decide?

There is no set time by which you must make a decision. Your illustration will be guaranteed for 30 days. We can send you a new quote on request after this time and annuity rates available at that time will apply.

What happens if my pension fund value changes in the meantime?

We will inform you if there is a change of more than 10% in the value of your annuity from the time you receive the quotation to the time the annuity is purchased.

Can I change my mind?

You will receive a notice allowing you a period of reflection, during which period you will have the right to withdraw your request for an annuity. We will not set up your annuity until 30 days from the time you receive the notice. Your decision becomes final at the end of the period of reflection. If you make a decision after the period of reflection has expired, you will not have the opportunity to change your mind.

If you decide to cancel, we will make every effort to return the full amount of purchase monies to your original pension provider. However, they may not accept the monies and if they won't, you can either arrange to buy your annuity with another provider or your annuity will continue with us. If you have used part of your pension pot to pay an adviser fee, we will reclaim the charge from your financial adviser. Your adviser may then ask you to pay for the services provided using another method.

What is the open market option?

This allows you to buy your pension income from a pension provider of your choice. If you have health problems or are a smoker, some providers offer more favourable annuity rates. In all cases by exploring what other providers offer, you may obtain a higher pension income and find yourself better off.

What is an annuity rate?

It is the rate used to convert your pension pot into a regular income. When calculating the rate a number of factors into account such as age, smoker status and market investment conditions at the time. Your lifestyle and medical conditions will be taken into consideration when offering you the option to purchase an annuity with another annuity provider and to provide you with a comparative illustration.

Do Sanlam offer different types of annuity rates which takes into account any lifestyle or medical conditions?

No. We only offer a standard annuity rate and do not offer an enhanced annuity rate. If you smoke, are overweight, have high blood pressure or cholesterol or other medical conditions, you may be able to get a better rate from another annuity provider.

Can I see other illustrations?

We use the Money Advice Service annuity calculator to provide you with the market leading illustration so you can see how this compares to the income that Sanlam is offering. We can also provide you with other illustrations so you can compare the effect of the different options available. Your financial adviser can arrange this for you.

Will I have to attend a medical examination?

You will not be required to attend a medical examination but we will need to ask you to complete a health questionnaire. We will use this data to produce an illustration using the Money Advice Service annuity calculator so you can compare our income rate with the market leading rate.

When will my pension income be paid?

Your pension income will be paid monthly, quarterly, half-yearly or annually as you select and on one of four payment dates, the 6th, 14th, 21st or 28th of the month. If a payment date is not a working day, payment will be made on the working day before the payment date.

What about tax?

Your annuity payments will be taxed as income under Pay As You Earn (PAYE). The amount of tax you pay can change from time to time due to changes in tax rates, circumstances and other factors. We will send you a P60 each year confirming the total amount of tax we've deducted.

In the event of your death, any annuity payments that continue following your death will, so long as your death arose before your 75th birthday, be paid tax free. In the event of your death on or after your 75th birthday, any annuity payments that continue will be subject to income tax at the marginal rate of the beneficiary who receives payment.

Your options

There are a number of options to choose from when considering purchasing an annuity. The options you choose will affect the income we can pay you.

What are the income options?

Fixed or increasing income

You can choose to have a fixed income where the payment level will remain the same throughout your lifetime or an income that increases. A level income will mean you know how much you will be paid and when, but over time, inflation may erode the value and you may not be able to buy as much with this income in the future.

If you are concerned about the possible effects of inflation, we can pay you an income that increases each year at a fixed percentage.

If you choose to increase your income over time, the income we will pay you to begin with will be lower than the starting level of fixed income.

Payment frequency

We can pay your annuity on a monthly, quarterly, half-yearly or annual basis. You can choose whether it is paid in advance at the start of the pension payment period or in arrears at the end of the pension payment period.

An income payable annually in arrears will start at a higher level than one payable annually in advance but you will have to wait a year before we make your first payment.

For payments in arrears, we do not offer a proportionate payment between the last pension payment date and the day you die.

What death benefit options do I have?

Guaranteed payment period

We will pay you an income throughout your lifetime. You can choose to guarantee that your income is paid for a minimum period from the date your annuity starts and we offer 5 or 10 year guarantee periods. This means if you die within the chosen period, we will continue to pay income to a nominated beneficiary or your estate until the end of the period.

If you choose this option, the cost of the guaranteed payment period will reduce the starting level of income you receive. We will not pay any beneficiary income to your surviving spouse, civil partner, dependant or nominee, if elected when the annuity commences until the end of the guaranteed period. If the nominated beneficiary for the guaranteed payment period is different to the person who will receive an income in the event of your death, this may mean that there could be a long gap between your death and the date the beneficiary income payments will start.

Beneficiary income

You can choose to have a joint life policy with someone else. We can pay an income to your surviving spouse, registered civil partner, nominee or other person who is financially dependent or mutually financially dependent on you in the event of your death. We would pay this income to them for the rest of their life. The amount of income can be at the same level as you are receiving or a percentage of your pension income at 50% or 66%. As with the guaranteed payment period option, this will reduce the starting level of income. If you select for your pension income to increase by a fixed percentage each year, the beneficiary income will also continue to increase on this basis.

We will only pay the income to the named person on the policy. For example, if you were to name your spouse at the outset to receive a beneficiary income, and subsequently divorce and remarry, the ex-spouse named would still be entitled to that income and not your current spouse as a result of your remarriage.

Further information

What are our charges?

We take account of the charges when we set the annuity rate. There are no further charges for you to pay.

How will an adviser fee affect my Sanlam Essential Income Plan?

You may ask us to pay a fee to your adviser for arranging this annuity from your pension pot monies (or you can pay it directly from your own funds). This can be a percentage of the initial purchase price or a set amount. We will send you illustrations showing the income level we would pay without an adviser fee deducted from your pension pot monies and with the adviser fee deducted.

If you choose to pay your adviser fee from your pension pot there will be less money available to purchase an annuity so your income level will be lower. Once we have set up the annuity you will not be able to cancel the adviser fee or pay another one from your pension pot.

You should discuss your adviser fee with your financial adviser. This is an agreement between you and your adviser who will be able to explain your choices and the implications of these choices.

Can I change my mind once I've applied?

Yes! With the key features illustration and application, we will send a cancellation notice. The 30 day period of reflection starts from the date we receive your signed application form. If you do not wish to proceed, you must return the cancellation notice or confirm in writing this is the case, within the 30 day period.

Can I waive the right to cancel?

If you are certain that you have made the right options and decision, you can provide us with written confirmation that you wish to waive your cancellation rights and we will set up your annuity as soon as we receive the purchase monies. We would not recommend waiving the period of reflection as this is a time to think about the options chosen and that these are absolutely right for you.

How to complain

We have complaint procedures in place and details of these are available on request. Any complaints should be directed to our head office by phone, fax, letter or email.

If you are not satisfied with our response, you can complain to:

Financial Ombudsman Service
Exchange Tower
London E14 9SR

T 0300 123 9 123
www.financial-ombudsman.org.uk

The Money and Pensions Service (MAPS) is also available to assist with any difficulty that has not been resolved. Making a complaint will not affect your legal rights.

Will I be entitled to compensation?

If your financial adviser recommended this product, you have a statutory right to compensation from your financial adviser if the Financial Ombudsman Service decides that it wasn't suitable for your needs at the time.

Your adviser should only recommend a product which is suitable for your needs and in order to assess suitability, your adviser will need to have a clear understanding of your investment objectives and your attitude to risk.

Your adviser will also require additional information including medical details to decide whether this lifetime annuity is an appropriate way of providing you with an income. If you have any questions about this type of investment or any concerns about the suitability of this lifetime annuity, please discuss them with your adviser before proceeding. A failure to raise any relevant concerns with your adviser at the outset may affect the outcome of any subsequent claim for compensation.

You may be entitled to compensation at a later date, if it can be demonstrated that your adviser recommended the Sanlam Essential Income Plan and this was unsuitable for your needs. Any complaint about the advice which you have received should be made, in the first instance, to the firm which gave the advice. Please note that Sanlam Investments and Pensions is unable to provide specific advice about the suitability of any of its products for individual customers.

The Financial Services Compensation Scheme (FSCS) covers your lifetime annuity. If Sanlam Investments and Pensions becomes insolvent and is unable to meet its obligations under your lifetime annuity, you should be able to claim under the scheme. The current compensation limits are set out in our FSCS compensation limits factsheet available from our website or on request.

What happens if a bank holding client money on behalf of SFS goes into liquidation?

Before your annuity is purchased, any money will be held in the SFS Designated Client Money Account and as client money in accordance with the FCA's rules. Money held in the SFS Designated Client Money Accounts is segregated from SFS' own funds, but will be pooled with money held on behalf of other SFS clients. This means that your money held by SFS will be held as part of a common pool of money, so you will not have a claim against a specific sum in a separate account; rather your rights will vest in the client money pool.

In the unlikely event that a default by a bank occurs and a shortfall arises, your claim in relation to money held will be limited to a share of the money held in the designated client money account with the bank.

Further information about compensation arrangements is available from us on request, or direct from the FSCS website www.fscs.org.uk. The FSCS correspondence address is 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU.

Client categorisation

Sanlam Investments and Pensions will treat all clients as a retail client. You will therefore benefit from the maximum consumer protection available under the Regulator's rules.

Not all retail clients are eligible complainants under the Financial Ombudsman Service and you should refer to your financial adviser for clarification, where necessary. Please note a private individual is classified as an eligible complainant.

Minor non-monetary benefits

We may give or receive minor non-monetary benefits to/from some of the firms with whom we work with in order to offer you a better service. Such benefits may include information relating to financial instruments or investment services; participation in conferences, seminars and training events; and minor hospitality (such as food and drink during a business meeting, conference, seminar or training event). Any costs we incur in provision of such benefits will not affect the charges you pay for our service. Further information regarding these arrangements is available on request.

Law

The law and courts of England and Wales will apply in legal disputes. The English language will be used in all documents and correspondence.

How to contact us

It's always best if you contact your financial adviser in the first instance with any queries. However, if you have any questions, at any time, you can contact us on the following:

T 0117 975 2355 (Monday-Friday 9am-5pm)
E clientservices@sanlam.co.uk

Office address

Sanlam Investments and Pensions
One Temple Quay,
1 Temple Back East,
Bristol, BS1 6DZ

Sanlam and Sanlam Investments and Pensions are trading names of Sanlam Life & Pensions UK Limited (SLP (Reg. in England 980142)) and Sanlam Financial Services UK Limited (SFS (Reg. in England 2354894)). SLP is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. SFS is authorised and regulated by the Financial Conduct Authority. Registered Office: Monument Place, 24 Monument Street, London, EC3R 8AJ.

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2078/05.2020