Our Guaranteed Pension Annuity

Key Features

HODGE LIFETIME

keyfacts®

The Financial Conduct Authority is a financial services regulator.

It requires us, Hodge Lifetime, to give you this important information to help you 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.

This leaflet belongs to a set of materials explaining your annuity purchase, so please read it along with our:

- Annuity quote
- Application form
- Cancellation form
- Policy Terms and Conditions

You should make sure that your Intermediary has provided you with a copy of our Terms and Conditions before you sign an application.

If there is anything you don't understand or you want more information about, please speak to your Intermediary.

Guaranteed Pension Annuity

You can only buy this annuity with money from certain types of pension fund, using the open market option. In exchange for your fund, we promise to pay you an income for the rest of your life.

Its aims

To pay you a guaranteed income for the rest of your life.

If you choose a minimum Guaranteed Payment Period and die during that time, we promise to keep paying your annuity income for the remainder of the guarantee period.

If you choose a dependant's annuity and you die first, we will pay your named dependant all or some of your income for the rest of their life. You choose how much they will get. (Their income starts once any Guaranteed Payment Period expires, see above).

To let you choose how often you want us to pay your income.

Your commitment

When you buy this annuity you will be entrusting all or part of your pension fund to us, for life.

You can't change providers later on (see 'Risks' overleaf). If you want to take any tax free cash from your pension, you will need to complete the relevant part of section 4 of the application form. Based on your instructions we will ask your existing pension provider to pay this to you before they transfer your pension fund to us. Otherwise you will lose the chance, forever.

Your application form must be completed accurately. If false or missing information leads us to pay you a higher income than you are actually eligible for, we will recover the overpayments and reduce future payments. In extreme cases, your annuity could even be cancelled.

Risks

This policy has no cash in value at any time. If you die in the early years of the policy, unless you have chosen a dependant's annuity and/or a Guaranteed Payment Period you will get back much less than you paid for the annuity.

Your income from this annuity will not go up, so inflation or any increases in income tax in future years will reduce what you can buy with this money.

We don't take your (or your dependant's) health into account in setting our annuity rates. If you (or your dependant) smoke or have any medical or health problems you may be eligible for more income from another provider.

Your pension funds could go up or down in value before we receive them. If they go up you may get a higher income. If they go down you may get less.

Once you have bought this annuity, and the cancellation period has ended, even if your circumstances change, you will no longer have access to the funds you have paid to us.

This means you won't be able to:

- Cash it in or get a refund
- Pay it back into your original pension plan or scheme
- Switch to a different annuity provider
- Alter or remove any of your chosen annuity options (e.g. the dependant's annuity if there is no longer a dependant).

Questions and Answers

These questions and answers will help you to understand this annuity, and to decide if you want to go ahead and buy. If there's anything you don't understand please speak to your Intermediary.

Your investment

What is a Guaranteed Pension Annuity?
It is an insurance policy purchased with money from a pension fund. It promises to pay you an income for life. So even if you live to be 100 or more, your income will never stop.

Am I eligible?
You must be aged between 55 and 85, and you must reside in the UK (excluding the Channel Islands and the Isle of Man) at the time of making an application.

Is there a minimum or maximum purchase price?
Normally the minimum is £10,000 and the maximum £250,000. But if your pension fund changes in value between the date of our quote and the date we receive the money, we can usually accept slightly under or over these amounts.

Can I use more than one pension fund to buy my annuity?
Yes, you can normally combine up to three funds (provided all the funds are eligible to purchase this type of annuity and are acceptable to us). The annuity purchase will not be completed until all funds are received by us.

What happens when my pension funds move to Hodge Lifetime?
If you're combining more than one fund to buy your annuity we hold the money in a deposit account in our name until all the funds are received (no interest is payable). Once all the money has arrived we confirm this in writing to both you and your Intermediary.

However, the transfer of funds to us can take some time. Depending on your existing pension fund provider it could be anything from a week to a month, or maybe more. We progress this regularly with your provider, so you don't need to do anything.

However, if you are transferring more than one fund to us, there is a risk that the quote guarantee could expire on the whole amount if one fund transfer is delayed.

How do I take tax free cash?
Any pension commencement lump sum (tax free cash) you are taking must be paid to you by your existing pension fund provider, before they transfer your annuity purchase funds to us. Our application form includes a section for you to request tax free cash from your existing pension provider, if required.

Annuity rates and the open market option
The open market option is your right to choose your annuity and find the best deal for you and your pension funds.

This is important because annuity rates can vary considerably between companies. Even the same company can offer you different rates based on the combination of annuity options you choose. A company that offers the highest income for one quote might not do so for another.

How long do you guarantee your quotes for?
Our quotes are valid for 14 days.

If we receive your application before the quote expiry date, we automatically extend your quote guarantee for a further 30 days from the date we receive your application.

If we receive all the application paperwork and purchase money within the 30 day application period, we will prepare a final quote, updated to reflect the actual value of the funds transferred to us. If the pricing basis at the time we prepare your final quote is higher, you'll automatically get the higher rate.

If the guarantee expires before we receive all of the application paperwork and purchase money, we will issue a final quote to your Intermediary which is prepared on our pricing basis in force on the date we receive the monies. Your income may be lower if the guarantee expires.

Can I rely on the quotes you give me?
Yes, the only times we don't stand by the figures in a quote are:
- if the quote has expired, or
- if it was based on inaccurate or incomplete information, in which case the quote will be invalid. If your annuity is purchased on the basis of an invalid quote we may adjust your annuity income or even cancel your annuity and unwind the whole transaction.

Your annuity income

How much income will I get from my annuity?
Your quote shows how much we can pay you, based on our current annuity rates, provided we receive all your application details and purchase money before the expiry date shown on the quote.

The amount of income depends on several things:
- Your age (and your dependant's age if you buy a dependant's annuity)
- The purchase price
- The annuity options you choose
- Our underlying annuity rates which in turn reflect current medium and long term interest rates.

We may change our annuity rates for new quotes at any time.

Will my annuity be affected by a previous divorce or bankruptcy?
If any of the pension funds being used for this purchase are subject to a pension sharing or earmarking order from a divorce, or a bankruptcy order, this could reduce what you will be entitled to receive from your annuity. If so, we will tell you once you have applied.

Will my income change in the future?
No. The amount of income you get stays the same for life (it doesn't go up or down), but, because it doesn't increase, bear in mind that you could be worse off in the future due to inflation or if income tax rates go up.

If you feel it is important to have a rising income, please tell your Intermediary.

Is my annuity income taxed?
Yes, the income is taxed like earned income using the 'Pay As You Earn' (PAYE) system, and it must be declared on your yearly tax return.

We normally deduct tax before we pay you, based on your tax code at the time, and pass the tax on to HM Revenue and Customs. When your annuity starts it may be taxed using an emergency tax code until we receive all your tax details.

If income taxes or your personal tax rate changes, so could the amount of income you receive.

How do you pay my income?
We pay the money directly into your nominated UK bank account. We can't make payments to non-UK banks and the account must be in your name (or joint names).

Does the Lifetime Allowance affect me?
Whether or not you are affected will depend on the total value of all your pension funds added together.

The Lifetime Allowance is the Government's way of limiting the tax-efficient benefits from private and company pensions. It is designed to affect only those with extremely large pension funds, and should not affect the majority of people. Your Intermediary will explain the details and say whether or not you will be affected.

Do you take my health into account when I apply?
No we don't. Some annuity providers do take health and lifestyle factors into account.

What happens to my annuity income when I die?
That depends on your annuity options. If your annuity includes a Guaranteed Payment Period and/or a dependant's annuity there could be further payments after you die. (See 'Your annuity options' below).

If these features are not included or have expired, your income will stop when you die.

Your annuity options

You choose the options you need when you apply for your annuity. Once your annuity has been set up you can't change them.

Your choice affects how much income your annuity pays. Your Intermediary will help you compare different options and choose the one that is most suitable for your needs.

What are Protected Rights?
Protected Rights was the name given to funds arising from contracting out of the State Earnings Related Pension Scheme (SERPS) or State Second Pension (S2P) under a money purchase pension scheme.

For annuities purchased before 6 April 2012, there were restrictions on the way that benefits can be paid from these funds.

How often can I be paid?
You can choose from four options:
• Monthly
• Quarterly
• Half yearly
• Yearly

You also choose whether you want your income to start straight away (known as 'in advance') or be paid at the end of each period ('in arrears').

If you choose to have your annuity paid in arrears and have also chosen a final proportionate payment on death, provided there is no surviving Dependant, we will pay a final annuity instalment reduced proportionately to the number of days from the previous instalment up to the date of death.

If you choose a Guaranteed Payment Period then a proportionate payment will only be made once your selected Guaranteed Payment Period has expired. This is because we will continue to pay your annuity income in full for the remainder of any Guaranteed Payment Period, as set out in the following section.

What if I die early on?
With our Guaranteed Payment Period, you can protect your income if you die within either the first 5 or 10 years of buying your annuity.

For example, if you chose a 10 year Guaranteed Payment Period and died after 6 years and 4 months, we would continue to pay your annuity income in full for the remainder of the Guaranteed Payment Period, which in this example would be a further 3 years and 8 months.

After your death, the monies under the Guaranteed Payment Period would be payable to your dependant. If there is no dependant they become part of your estate.

If you don't choose this guarantee your income will stop when you die, even if this happens in the early years.

Can my partner have an income after I die?
Yes, you can have an annuity that names a specific financial dependant.

This can be your husband, wife, civil partner or life partner (i.e. living together as if married or civil partners and financially dependent on you or in a mutually dependent financial relationship with you). We cannot accept other dependants such as friends, carers, relatives or children.

If you die first, we'll pay your named dependant an income for the rest of their life. You choose how much – either half, two-thirds or all of your income.

If you have also chosen a minimum Guaranteed Payment Period and die during that time, your dependant's income will start when payments under the guarantee stop.

What if my dependant dies first?
Your income will continue as normal, but no dependant's income will be payable. Also, you won't be able to revert to a single life annuity and benefit from a higher income yourself.

What if I get divorced or my civil partnership or life partnership ends?
Your former partner will not be entitled to receive a dependant's income from this annuity after your death. Similarly, you cannot transfer the dependant's income to a new partner or receive a refund.

Costs and charges

What are they?
All our charges and the remuneration paid to your Intermediary are built into the annuity income shown on our quote.

How much does my Intermediary receive?
The amount and method of payment to your Intermediary for the help they have given you to purchase your annuity is shown on your quote. The way in which your Intermediary will be paid depends on whether you received financial advice.

We will either pay your Intermediary a commission or facilitate an adviser charge on your behalf. You can, alternatively, choose to pay your Intermediary separately.

What is an adviser charge?
This is a fee you pay to the Intermediary for the financial advice they have given you and which will have been agreed between you and your Intermediary.

If your Intermediary did not provide financial advice, they can continue to be paid commission.

How can the adviser charge be paid?
You can choose how to pay the adviser charge. This may be undertaken separately from the annuity transaction, for example by paying your Intermediary directly. Alternatively, the adviser charge can be paid from the purchase monies Hodge Lifetime receives from your pension scheme.

We will only pay the adviser charge on receipt of your written Instruction, which will be included as part of your application form.

Where Hodge Lifetime pays the adviser charge on your behalf this will have the effect of reducing the annual income you would receive from the annuity.

Changing your mind

Can I cancel my annuity?
If you apply and then change your mind about going ahead, you will have 30 days to cancel from the date on which you sign your application.

If you wish to cancel after the cancellation period has expired and we have already set up your annuity it will be too late. You must keep the policy for life. You can't unwind the transaction, transfer to another provider, cash in your policy or alter it in any way.

To cancel your application you must tell us in writing at the address in the 'How to contact us' section. Either use the cancellation form provided with your quote or send us a letter or email.

Are there any risks if I decide to cancel?
That depends on whether or not we have received your pension fund at the time you cancel.

Refund of your purchase money – within 30 days of cancelling your annuity we will pay back to your original pension provider your pension money, including any adviser charges we facilitate. You may also be liable for any outstanding adviser charges.

If your original pension provider refuses to accept your returning pension fund you can either:
- choose a different annuity with us, or
- transfer to a different annuity provider.

Refund of pension commencement lump sum – you may be required to repay any tax free cash to your original pension provider.

Refund of income – if we have already paid you some income, you must repay it in full, immediately. We will not pay any money back to your original pension provider until you have repaid us.

Complaints

We hope you will be delighted with our service. However, if we fall short and you wish to complain, please write to our Complaints Officer at the address in the 'How to contact us' section. We will send you an acknowledgement together with a copy of our internal complaint handling procedure.

If you are not happy with the outcome of our investigation, you can then take the matter up with:

The Financial Ombudsman Service, Exchange Tower,
London E14 9SR

Tel: 0800 023 4567

www.financial-ombudsman.org.uk

Making a complaint does not affect your right to take legal proceedings.

Compensation

This annuity is covered by the Financial Services Compensation Scheme (FSCS).

For further information please contact:

The Financial Services Compensation Scheme,
10th Floor, Beaufort House, 15 St Botolph Street,
London, EC3A 7QU.

Tel: 0800 678 1100

www.fscs.org.uk

Get in touch

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