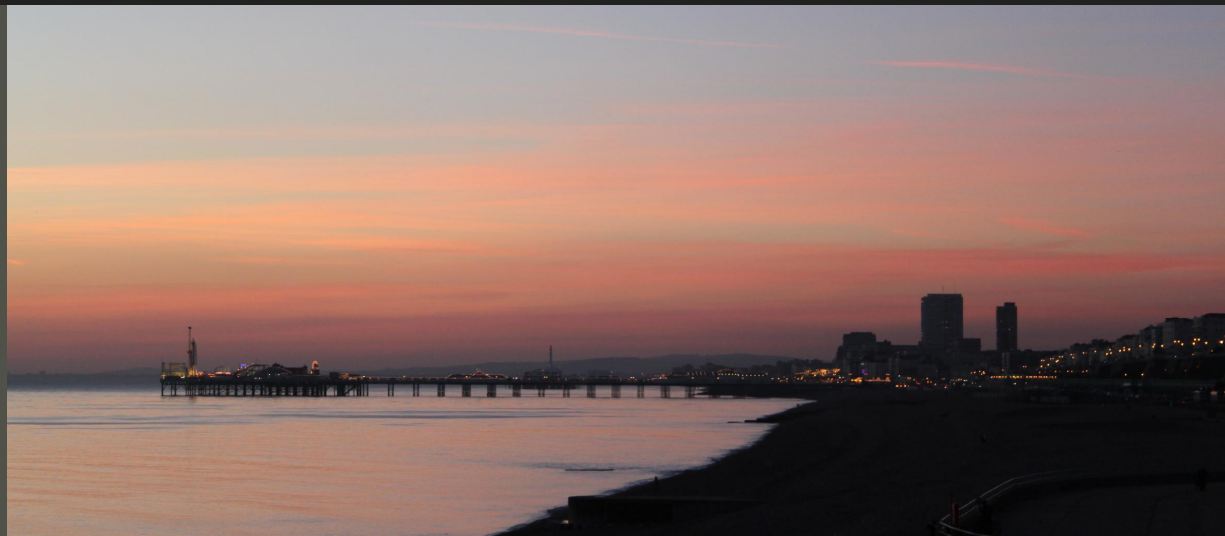


NEW OPEN  
ANNUITY

# ADVISER GUIDE


This guide is intended for the use of professional advisers only



LONDON &  
COLONIAL

INNOVATION YOU CAN TRUST

[www.londoncolonial.com](http://www.londoncolonial.com)



## New Open Annuity

Take control of your pension

Please note that the New Open Annuity is not appropriate for everybody and it is essential for prospective annuitants to receive independent financial advice before entering into one.

It is a condition of the New Open Annuity that throughout the duration of the contract the annuitant has access to an adviser who is appropriately authorised to give advice in relation to the contract.

UK: 0870 7566696

Gibraltar: +350 46600

or visit our website:

[www.londoncolonial.com](http://www.londoncolonial.com)

page 1

### Do you have clients with these objectives?

- They would like to draw a higher level of income than available in Capped Drawdown
- They wish to have control over the investment of funds
- They wish the value of the fund on their death to be used to provide an income to a spouse, civil partner, financial or other dependant
- They do not require a guaranteed level of income but may wish to change to a conventional annuity basis if their circumstances change

If they have a fund in excess of £100,000 or other sources of income then the New Open Annuity from London & Colonial Assurance PLC could be the ideal solution.

page 2 Specifically designed to alleviate the problems of conventional annuities, the New Open Annuity is investment-linked and provides opportunities for:

- Better returns:

The annuitant avoids locking into conventional annuity returns by choosing the underlying investments of their own annuity fund.

- Flexibility and choice:

Each annuitant retains control, flexibility and choice of individual investments for their own fund.

- Income flexibility:

The annuitant chooses an income within specified limits, and can opt for monthly, quarterly, half yearly, annual and also receive ad hoc payments up to the maximum limit.

- Annuity protection:

When the annuitant dies the fund value will be paid to a nominated person(s) up to a maximum limit. The cash payment is subject to a tax deduction of 55%.

Any balance will be used to provide an income for a surviving spouse, civil partner, financial or other dependent as chosen by the annuitant.

- Security:

The annuitant may change to a conventional basis at any time with another insurer of their choice.

It works like this:

## Income limits

As with any other annuity, the annuitant will receive payments each year until their death. However, unlike most other annuities, the annuitant may choose both the amount and frequency of their income from the New Open Annuity. The total income payments in each year must be within the prescribed minimum and maximum amounts for that year based upon the annuitant's age and fund value at that time.

These limits are laid down in Condition 3 of section 2(4) of The Registered Pension Schemes (*Prescribed Manner of Determining Amount of Annuities*) UK Regulations 2006 – Statutory Instrument 568.

The maximum will be 120% of the amount of income that could be provided based on an average of 3 annuity rates available in the market at the time. The minimum will be 50% of that income. The limits are reviewed from time to time. The limits may go up or down.

Reviews will take place at intervals not exceeding three years. On each policy anniversary we will send the annuitant details of the revised income levels that would apply if a review were to take place based upon the annuitant's age and fund value at that time. An annuitant may request a review at any time but it will be subject to an extra charge if not carried out on the policy anniversary (*see separate policy charges leaflet*).



## Permitted investments

The annuitant may choose:

- the investments that relate to their contract
- to change those investments from time to time
- to realise the investments and change to a guaranteed income basis at any time

The choice for investments is extensive - see our permitted investments leaflet for further details.

The permitted investments will accommodate the risk/return profile of the majority of your clients.

Initially the purchase money is credited to an account with our bank. From there investments are made as described below.

## Investment arrangements

There are normally two roles which need to be undertaken in the investment process.

### Investment Adviser

In all cases London & Colonial Assurance Plc will appoint an appropriately authorised investment adviser. This person may be you or another specialist fund manager as you or your client decide.

### Investment Manager

Where it is decided that it is appropriate, a separate investment manager may also be appointed to manage all or part of the funds on a discretionary, advisory or execution only basis.

Separate investment notes are available explaining in detail the procedures and requirements for making investments.



### Changing to a conventional annuity

The annuitant may change to a conventional annuity at any time. The future guaranteed income will then be based on both the value of the fund and prevailing annuity rates at that time.

Once made, the change is final and irreversible. The New Open Annuity ensures that the annuitant's Open Market Option (OMO) is effectively preserved by allowing them to select London & Colonial Assurance Plc or another conventional annuity provider.

### Application of fund value on death

Traditionally, annuity funds are pooled so that annuitants who die early effectively subsidise those who survive longer.

New Open Annuity funds are not pooled - a separate fund is maintained for each annuity. This means that when the annuitant dies the fund value is made available to either be paid as a lump sum and/or used to provide an income for the surviving spouse, civil partner, financial or other dependant.

On the annuitant's death it is possible to take advantage of the annuity protection provisions as set out in regulations. This means that, instead of applying the fund value to provide income for a survivor (see preceding paragraph), some or all of it may instead be paid as a cash sum to a nominated beneficiary(ies). This payment would be subject to a tax charge of 55%.

The cash sum is subject to a maximum which is the difference between the amount that was originally received into the New Open Annuity and the total of all the (gross) income payments that have been paid.

If the fund value exceeds the maximum amount then the balance will be applied to provide income for the surviving second life – assuming a second life has been chosen.

### Guarantee period

A guarantee period of up to a maximum of 10 years maybe selected at outset at no additional cost. This means that the annuitant were to die within 10 years of the commencement of the contract the income will continue to be paid for the remainder of the 10 year period.

The “Guarantee period” represents a guarantee to pay income for a set length of time but does NOT guarantee to pay income at a set level during that period. The income during the period will fluctuate in line with prevailing annuity rates and the fund value at the time.

### Taxation

- Under current law the investments made with the New Open Annuity are exempt from Gibraltar taxes on income and capital gains
- New Open Annuity income payments will be subject to income tax under normal UK PAYE arrangements.
- Cash payments on death are subject to tax at 55%

## Frequently asked questions

### What are the risks?

The New Open Annuity is not appropriate for those who require certainty of income. In particular, the New Open Annuity is subject to:

- The risk of the underlying value of the fund falling
- None of the benefits of cross-subsidy afforded by conventional annuities that pool annuitants’ funds
- The risk of the desired income level being unsustainable from the investments

### Which funds can be used to buy a New Open Annuity?

Any funds from a UK Registered Pension Scheme can be accepted into the New Open Annuity.

### What is the minimum purchase price?

We do not impose a minimum but you may consider the contract inappropriate for clients with relatively small funds unless they have other assets and/or income. Also, because the charging structure includes a flat fee element (similar to most SIPP), you may consider that relatively small funds would not be viable.

page 6 Is there any age limit?

We do not impose any age limits for applicants. The only eligibility requirement is that the money comes from a UK Registered Pension Scheme – the Registered Pension Scheme itself will govern when an annuity may be purchased.

Can my client vary the amount of income drawn from one payment to the next?

As long as the set minimum and maximum income limits for the year are observed, your client may alter the amount they receive from one payment to the next. Each income payment made more frequently than annually may incur a charge (see separate policy charges leaflet).

Can my client choose which investments to encash to provide the income?

Yes, if insufficient cash is currently held, any investments may be sold to provide the required liquidity. This would enable your client to optimise their investment strategy for the other investments held within their fund. Please note that at least enough money will be kept in cash each year to pay income and any expenses, costs or charges for that year.

What about spouse's benefits?

On the annuitant's death, the New Open Annuity can pay a cash lump sum and/or provide an income to the annuitant's spouse, civil partner, financial or other dependant as chosen by the annuitant.

What happens when the annuitant dies if there is no second life (or the second life has already died)?

Any annuity protection payment available will be paid at our discretion, taking into account any nomination made. If there is no second life at the time then any residual fund can be paid to the client's nominated charity.

Can a second life be added or changed after the policy has started?

Yes, at any time. On receipt of an instruction from the annuitant we will issue a policy endorsement reflecting the change requested.

## FSA requirements

The sale of annuities is subject to FSA requirements. Factors to be considered are the:

- Income needs of the annuitant
- Investment performance needed to maintain an adequate fund size
- Size of the underlying fund, relative to the management and advice costs needed to sustain the arrangement
- Independent financial advice provided to the annuitant throughout the lifetime of the contract

## Compliance with regulations relating to Lifetime Annuities

The New Open Annuity complies with the provisions of the UK Finance Act 2004. It is a Lifetime Annuity as defined in Schedule 28 of that Act.





## Remuneration

The level of IFA fees payable from the contract is a matter for you to agree with your client. Once agreed the appropriate levels and amounts should be entered in section 3 of the application form.

The Initial IFA fee will be paid on receipt of funds or on issue of the policy contract whichever is later. If for any reason the policy should "cool off" then any fee received by you must be returned to London & Colonial.

The annual IFA fee will be paid following each anniversary of the commencement date of the contract.

IFA fees are paid not less frequently than monthly. At the time of print payments are made twice each month.

All payments will be made by electronic transfer to your nominated bank account subject to cleared funds being available

## ADVISER GUIDE

This guide is intended for the use of professional advisers only



For more information about any  
London & Colonial product please contact:

London & Colonial  
38-42 Perrymount Road  
Haywards Heath  
West Sussex  
RH16 3DN

t: 0870 7566696  
f: 0870 7566697  
e: [info@londoncolonial.com](mailto:info@londoncolonial.com)  
w: [www.londoncolonial.com](http://www.londoncolonial.com)

London & Colonial Holdings Limited, London & Colonial Services Limited, London & Colonial Central Services Limited and London & Colonial Trustees Limited are registered in England and Wales. Registered numbers 4093489, 2966313, 7966194, 2275364 respectively. Registered office at 38-42 Perrymount Road, Haywards Heath, West Sussex RH16 3DN. London & Colonial Services Limited is authorised and regulated by the Financial Services Authority. London & Colonial Assurance Plc is registered in Gibraltar No: 80650, registered office PO Box 199, 57-63 Line Wall Road, Gibraltar. Authorised by the Financial Services Commission.