

# ADVISER GUIDE

This guide is intended for the use of professional advisers only



Incorporating the  
MULTI-PLATFORM  
OPEN ANNUITY



Access to a wide  
range of asset  
classes and  
services

As the *New Open Annuity* is not appropriate for everybody it is essential that prospective annuitants receive independent financial advice before entering into the contract.

Please also note that a condition of the *New Open Annuity* is 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.

#### Do you have clients with these objectives?

- They would like to be able to vary the level of income they receive depending upon their circumstances
- They wish to have input into the investment strategy and how their funds are invested
- They wish the value of their annuity fund to be used to provide death benefits for their dependents and other beneficiaries.

The *New Open Annuity* comes in two forms:-

Firstly, the full *New Open Annuity* which provides you and your client with access to whole of market investment providers for the underlying investment in the annuity fund. This may be suitable for clients who have a pension fund in excess of £100,000 or other sources of income.

Secondly, the low cost version is the *Multi-Platform Open Annuity* which provides you and your client with access to our panel of investment providers and may be suitable for clients who have a pension fund in excess of £30,000.

Both versions offer you and your clients access to a mix of investments, service features and costs that best serves your needs.

Specifically designed to alleviate the problems of conventional annuities, both are investment-linked and provide opportunities for:

- Individual client funds  
Unlike conventional annuities, our client funds are not pooled and a separate fund is maintained for each annuity.
- Better returns  
The annuitant avoids being locked into conventional annuity returns by choosing the underlying investments held within 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 or annual payments, as well as ad hoc payments as and when required

- Death benefits  
On death the fund value can be paid to a nominated person(s) up to a maximum limit.

Under current UK tax legislation the cash lump sum is paid tax free on death before age 75 and taxed at 45% on death aged 75 or older.

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.

## Investments

The annuitant together with their investment adviser 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 Investment Lists for further details.

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

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

All clients are required to appoint an appropriately authorised investment adviser who will carry out investment trades within the fund. This may be yourself or another specialist investment adviser as you and your client decide.

Alternatively, your client will, through you, have the option to appoint an investment manager to run the funds on a discretionary or advisory basis.

## Income limits

Within the annuity your clients have the flexibility to choose the level of income payments that suit their needs, albeit within specified limits.

They can opt to receive payments on a monthly, quarterly, half yearly or annual basis, as well as any additional payments they may require during any year (as long as they are not already in receipt of the maximum limit allowed for that year).

Your client will also have the option to vary the frequency of their income payments, and request additional payments, as and when required.

Please note the total of all payments received in any one year will be subject to maximum and minimum limits, which are calculated in accordance with the relevant UK regulations currently in force at the time.

The amount of income will be based upon the average of 3 annuity rates available in the market place. The annuity rates used can include Standard or Enhanced/Impaired Life rates depending on your clients circumstances.

The maximum income will be 120% and the minimum income will be 50% of the amount calculated above.

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 limits are reviewed from time to time and may go up or down. Reviews will take place at regular intervals, but not exceeding three years.

Your client may request a review of the limits at any time but it will be subject to an additional charge if not carried out on a policy anniversary.

### Changing to a conventional annuity

Your client has the option to use the value of their annuity fund to buy a conventional annuity at any time. Their future income will then be based upon the value of the fund and prevailing annuity rates at the time of the purchase.

Once made, the change is final and irreversible.

Our annuity includes an Open Market Option (OMO) allowing them to select another annuity provider.

### Application of fund value on death

As our client funds are not pooled, this means that in the event of their death any remaining fund value will be made available to be either paid as a lump sum, and/or used to provide an income for dependents and other beneficiaries.

It is also possible to take advantage of the annuity protection provisions as set out in pension regulations. This means that, instead of applying the fund value to provide income for a dependent, some or all of it may be paid as a cash lump sum to a nominated beneficiary(ies).

Under current UK tax legislation such lump sum and income payments will be paid tax free where death occurs before age 75.

Upon death aged 75 or older the lump sum payment will be subject to tax at 45% and any income payments taxed at the recipients marginal rate of income tax.

The lump sum which is called an Annuity Protection Lump Sum Death Benefit is subject to a maximum of the difference between the amount that was originally received into the annuity and the total of all the (gross) income payments that have been paid out up until the date of death.

If the fund value exceeds the maximum amount allowed then any balance will be applied to provide an income for the nominated second life.



Providing all the  
tools you need to  
effectively manage  
your annuity

## Guaranteed Payment Period

A guaranteed payment period of up to a maximum of 10 years may be selected at outset at no additional cost. This means that if your client were to die within 10 years of the commencement date of the policy, the income will continue to be paid for the remainder of the guaranteed payment period.

The Guaranteed Payment Period represents a guarantee to pay income for a set length of time but does NOT guarantee a level of income payable during that period.

The income may fluctuate during this period in line with prevailing annuity rates and the fund value at the time of each income review. Income limits will be based upon the deceased annuitants details.

## Nominated Second Life Annuity

Your client can nominate their spouse, civil partner, financial dependent or another dependent as a second life annuitant.

They can make the nomination at anytime during their lifetime and will also be able to change the nomination at any time.

On their death, and after other benefits have been paid, where there are still monies available within the annuity fund the second life annuitant can receive an income from the policy in their own right.

The income limits will be based upon the second life annuitant's details and will continue for the rest of their life.

On death of the second life annuitant any residual annuity fund can be paid to your client's nominated charity.

## Taxation

Under current laws the investments made with the *New Open Annuity* are exempt from Gibraltar taxes on investment income and capital gains.

Annuity income payments will be subject to income tax under normal UK PAYE arrangements but not subject to any Gibraltar income tax.

Lump sum and income death benefits are paid tax free where death occurs before age 75. Upon death aged 75 or older lump sum benefits are taxed at 45%, and income payments are taxed at the recipients marginal rate of income tax.

Gibraltar has one of the best regulated and expanding financial centres in the world



## Frequently asked questions

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

Any funds from a UK Registered Pension Scheme can be accepted.

### What are the risks?

Our annuity is not appropriate for those who require certainty of income. In particular, our annuity is subject to:

- Fluctuating fund values, annuity rates and currency exchange rates
- Unsustainable income levels being taken
- No cross-subsidy benefits from other annuitants' funds

### 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 in the full *New Open Annuity* in which case the *Multi-Platform Open Annuity* may be more suitable.

### 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 will govern when an annuity may be purchased.

### Can my client vary the income amount they receive from payment to payment?

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.

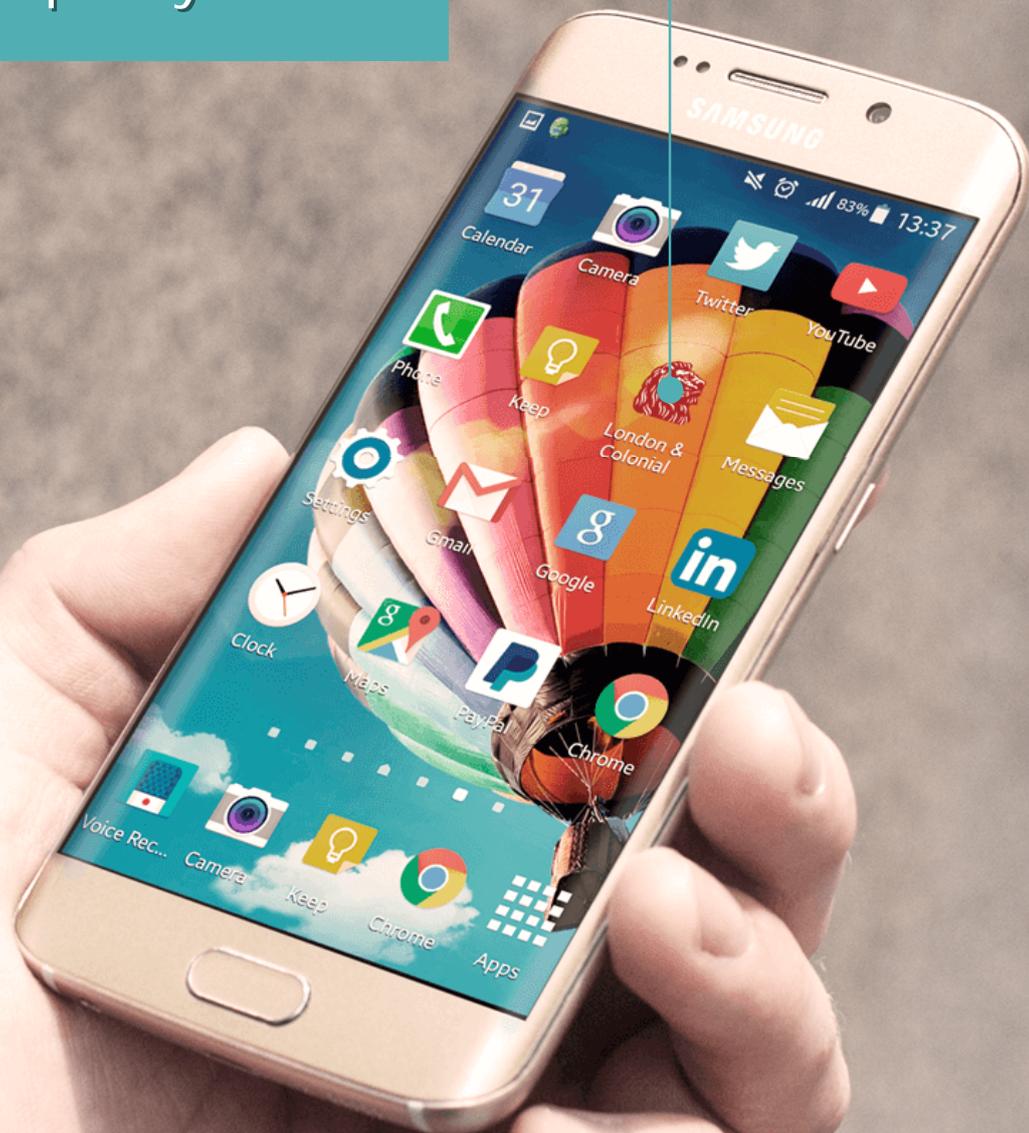
Each income payment made more frequently than annually may incur a charge (see separate policy charges leaflet).

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

Yes, via their investment adviser or manager 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.

Easy online  
access to  
policy details



## What happens on death if there is no nominated second life or beneficiaries?

In this case the residual fund can be paid tax free to the client's nominated UK registered charity. Where there is no nominated charity we will pay the fund to one or more charities of our choice.

## FCA requirements

The sale of annuities is subject to FCA 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 Adviser 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 the relevant section of the application form.

The initial Adviser 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 Adviser fee will be paid following each anniversary of the commencement date of the contract.

Adviser fees are paid no 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.

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For more information about any of our products please scan the QR code below or contact:

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