

Solutions available to UK individuals looking for regular income payments.

	Flexible Pension Annuity	Conventional Pension (Lifetime) Annuity	Flexi Access Pension Drawdown
Overview	A unit-linked lifetime pension annuity	A guaranteed pension annuity	A unit-linked retirement policy
Underwriting	No underwriting required	Typically, underwriting required	No underwriting required
Investment	Investment linked. A wide range of investments are available including links to a range of Discretionary Fund/Investment Managers ¹	Not linked to investments	Investment linked. A wide range of investments are available
Investment Risk	Investments could fall in value as well as grow. Can choose investments to match their individual risk profile. Individuals can benefit from market growth	No investment risk but individuals could miss out on a future market upswing	Investments could fall in value as well as grow. Can choose investments to match their individual risk profile. Individuals can benefit from market growth.
Income payments	Initial income payments calculated at outset but can be varied.	Fixed at outset	Can be varied
Income Flexibility	Flexibility between 0% and 90% of fund value	If selected can increase yearly to protect against inflation or at a fixed rate ²	Flexibility to choose regular income or as and when income is required
Control	During lifetime, the individual has control to increase/decrease/stop or restart income payments. The frequency of income payments can also change.	During lifetime, no control to vary the income payments	During lifetime, the individual can control the level of income and when they take it.
Additional investments	Allowed	Not allowed	Can choose to “phase” into drawdown
Taxation of Income	Taxed as pension income	Taxed as pension income	Taxed as pension income

¹ Oversea jurisdictions can benefit from gross roll up due to no/low tax environment except for non-reclaimable withholding taxes.

² Pension Annuities offer a variety of optional features. The more optional features that are built into the annuity, the lower the initial income will be.

	Flexible Pension Annuity	Conventional Pension (Lifetime) Annuity	Flexi Access Pension Drawdown
Taxation at time of death	There is no death benefit payable under the Flexible Pension Annuity. However, if a preference share has also been bought in London & Colonial Assurance PCC Plc (LCA) irrespective of whether death occurs before or after the age of 75 there is no inheritance tax ('IHT') on the proceeds from the preference share as long as the preference share was held on death and purchased at least two years previously.	If death occurs before age 75 and a lump sum death benefit was selected, at outset, tested against the deceased's lump sum and death benefit allowance. Any excess taxed at beneficiary's marginal rate of income tax. ³ If death occurs after age 75 the lump sum death benefit is taxed at beneficiary's marginal rate of income tax.	If death occurs before age 75 any lump sum death benefit is tested against the deceased's lump sum and death benefit allowance. Any excess taxed at beneficiary's marginal rate of income tax. ³ If death occurs after age 75 the lump sum death benefit is taxed at beneficiary's marginal rate of income tax.
Inheritance Tax	The proceeds from the preference share are tax-free after two years of owning the LCA preference share.	If a guaranteed period has been chosen there may be an IHT liability.	Tax-free provided scheme is established under a discretionary trust and benefit paid within two years of the date of death or the date the scheme administrator became aware of the death
Investor Protection	Covered by Financial Services Compensation Scheme and LCA's Protected Cell structure	Covered by Financial Services Compensation Scheme	Covered by Financial Services Compensation Scheme

³. If the death benefit is paid out more than two years after death (or the date the scheme administrator became aware of the death) income tax would be payable.

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