**Purchase Life Annuity Recommendation**

INSTRUCTION TO USER – The following section has been designed for inclusion within a report generated by the PPOL suitability report writing solution. You will need to use the PPOL software to create a report containing an Introduction section and any other required recommendation sections in the usual way. Once you have downloaded the report created via PPOL to Word, simply copy and paste the section below into the report as appropriate and then edit the text to reflect your individual requirements. It is also recommended that you include the accompany Notes on Financial Products and Risk Warnings within the Appendix of the resultant report.

The text has been colour coded to aid with your understanding. Where the text is highlighted in blue this suggests that the text may not be appropriate in all instances, and you may need to delete some or all of it. Where the text is highlighted in red, this will require your input.

You have approximately £<INSERT> available to purchase an annuity. In return for a lump sum, you would receive a fixed income stream throughout your life. The level of income is dependent upon your age, annuity rate, size of fund and the options selected. Different providers offer different annuity rates depending on the type of annuity you require. To this end, it is always recommended that a full comparison of annuity rates available on the open market is undertaken at the point of purchasing an annuity.

*Advantages*

* You receive a guaranteed amount of income.
* Your annuity can be payable for a guaranteed period or for life.
* You can build in automatic increases (but initial annuity will be lower if you do so).

*Disadvantages*

* The level of income is typically fixed at outset and cannot respond to changing personal financial circumstances
* The level of income will depend upon the level of annuity rates available at that time
* The capital is lost on the purchase of the annuity
* No allowances are made for changes in life expectancy
* The income you receive may not keep pace with inflation or average earnings. This can mean that what you can buy with your income could reduce in time

**Income Requirements**

You have stated that you would like to receive a fixed regular income for the rest of your life and are prepared to give up the capital required to do this.

**Annuity recommendation**

Having considered your requirements, I have recommended that you proceed with a **Purchase Life Annuity** for the following reasons:

* It provides a guaranteed income stream throughout your lifetime
* There is no investment risk, thereby reflecting your stated attitude to risk
* <INSERT ADDITIONAL REASONING HERE>

We agreed to establish the annuity on the following basis:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Payment Frequency** | **Timing of Payment** | **Spouse’s Income** | **Guarantee Period** | **Escalation** |
|  |  |  |  |  |

Please be aware, the contract (and therefore payments) will cease upon your death unless you have selected the joint life option and / or the guarantee option, and death occurs within this period.

Where no escalation has been selected, you should be aware the effects of inflation may erode the value of the pension over time.

Having researched the most competitive annuity rates available on the open market, I have recommended that you proceed as follows, for the reasons highlighted below:

|  |  |
| --- | --- |
| **Company** | **Annuity per annum** |
|  |  |

* They are financially strong
* The research tool I have used to research the marketplace has identified them as offering the most competitive and appropriate product to meet your objectives
* Their annuity rate is very competitive
* <INSERT ADDITIONAL REASONING HERE>

The payments from a purchased life annuity are treated as part return of the purchaser's capital and part interest. The capital content is not taxable***.*** Based on the information supplied by the recommended company, the breakdown is as follows:

|  |  |  |
| --- | --- | --- |
|  | **Per Annum** | **Per Month** |
| **Gross Annuity** |  |  |
| **Capital Content** |  |  |
| **Taxable Element** |  |  |
| **Net Annuity** |  |  |

**Please note that these figures are based on a purchase price of £<INSERT>. Clearly if the eventual proceeds are less than this, the actual amount payable will reduce accordingly**.

**Further Information and Risk Warnings**

Further information regarding the recommended product can be found in the Key Features Document provided and the appendix of this report.

A summary of the risk warnings associated with my recommendations can also be found in the appendix of this report.

**Alternative solutions considered but discounted**

Insert details of any alternative products considered but discounted

INSTRUCTION TO USER – The following section concerning charges of the recommended plan or provider will need to be merged with the Important Information (Cost of Services) section produced by the PPOL Suitability Report Builder. Where the text is highlighted in blue this tends to suggest that the text may not be appropriate in all instances. Please delete the charges which are not applicable to the recommended plan or provider. Where the text is highlighted in red, this will require your input.

**Important Information**

**Further Information and Risk Warnings**

A summary of the risk warnings associated with my advice can be found in the Appendix of this report and should be read with particular care. Additional information regarding the recommendations can be found in the Key Features Document(s) provided.

**Cost of Services**

A summary of how my company can be remunerated for the advice received and the provision of my services is detailed in the disclosure documentation provided.

Purchased Life Annuity Plan Charges <INSERT PROVIDER>

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Entry** | | | **Ongoing** | | | **Event** | **Exit** |
|  |  |  |  |  |  |  |  |

**Entry Charges**: One off charges taken before or on investment.

• Advisor Charge: A fee paid to the advisor for advice and services received.

• AC Paid By Provider: The Advisor Charge will be paid by the product provider.

* AC Paid By Client: The Advisor Charge will be paid by directly by you.
* AC Paid By Fund: The Advisor Charge will be paid from the fund.
* Consultancy Charge: Charge agreed with employer for advice or services provided on a group pension scheme

* AC Paid By Cash Account: The Advisor Charge will be paid from the cash account within your investment.

• Commission: A payment made to the advisor directly by the recommended product provider.

• Provider Charge: A charge taken from the premium prior to investment.

• Fund Charge: The difference between the buying and selling prices of units or shares in a dual priced fund - often termed a Bid/Offer spread.

• Regular Premium Charge: A charge taken from each new premium for the term.

• Wrap Fee: Charge taken by the Wrap service provider for administering a specific tax wrapper

• Platform Fee: Charge taken by the Platform service provider for administering a specific tax wrapper.

• Product Reservation Fee: Fee charged on some mortgages to take advantage of the product.

• Arrangement Fee: Fee payable to lender of a mortgage loan or provider of an annuity for its arrangement.

• Disbursements: Fees paid by your solicitor when you buy or sell a property.

• Legal Fees: Solicitors conveyance charge following successful sale or purchase of a property.

• Land Registry Fee: Registration charge whenever land is sold, transferred or mortgaged.

• Telegraphic Transfer Fee: Expenses incurred when electronic payment is made from one account to another via (CHAPS).

**Ongoing Charges**: Regular charges, typically taken over a year.

• Advisor Charge: A fee paid to the advisor for ongoing advice and services received.

• AC Paid By Provider: The Advisor Charge will be paid by the product provider.

• AC Paid By Client: The Advisor Charge will be paid by directly by you.

* AC Paid By Fund: The Advisor Charge will be paid from the fund.
* AC Paid By Cash Account: The Advisor Charge will be paid from the cash account within your investment.

• Discretionary Fund Management Charge: An additional charge for day-to-day investment management decisions of client assets held in a nominee name by a professional investment firm.

• Investment Management Fee: Or Annual Management Charge (AMC). A fee levied by the investment firm paid out of the fund for the costs of investment management and fund administration.

• Total Expense Ratio (TER): Annual cost of a fund which includes the AMC and other services paid for by the fund i.e. trustee, depositary and custodian fees.

• Trading / Broker Fee: Necessary costs when investing in shares or active funds if the manager or broker buys and sells.

• Plan Fee: A set charge typically applied on the plan anniversary to cover provider administration.

• Wrap Fee: Charge taken by the Wrap service provider for administering a specific tax wrapper

• Platform Fee: Charge taken by the Platform service provider for administering a specific tax wrapper.

• Trust Fee: Charges taken from the trust property for on-going trustee duties and expenditure

* Other Fees: Attributable on-going charges to the plan or investment strategy not already mentioned.

**Event Based Charges**: Ad hoc charges related to specific events.

• Advisor Charge: A fee paid to the advisor for specific advice or services.

• AC Paid By Provider: The Advisor Charge will be paid by the product provider.

* AC Paid By Client: The Advisor Charge will be paid by directly by you
* AC Paid By Cash Account: The Advisor Charge will be paid from the cash account within your investment.
* AC Paid By Fund: The Advisor Charge will be paid from the fund.
* Income Review Fee: A charge levied by the plan provider to review the maximum GAD income drawdown level ahead of the statutory triennial review or transfer in.

• Fund Switch Fee: A charge to sell one fund to buy another.

• Income Withdrawal Charge: A charge levied by the plan provider to commence or maintain income payments from capital.

* Other Fees: Attributable specific charges to the plan or investment strategy not already mentioned.

**Exit Charges**: One off fees taken on termination.

• Exit Charge: Applicable under the plan or investment rules following early sale, surrender, encashment or transfer.

• Market Value Adjustment (MVA) Charge: A penalty which may be applied to a with-profit fund on early surrender.

**•** Disbursements

Solicitor fees passed onto you, when you buy or sell a property i.e. HM Land Registry, stamp duty and search fees.

• Discharge Fee

The fee charged by a lender on repayment of the mortgage debt, as shown in the offer letter.

• Early Repayment Charge: Charge payable if part or all of a mortgage or loan is repaid before the end of the mortgage term.

**Risk Warnings – Purchase Life Annuity**

**General**

* The recommendations are based on current taxation, law and practice all of which may be subject to change.
* Any quotations provided are for illustration purposes only and are not guaranteed.
* For a full explanation of the charges and how they affect the plan, please refer to the personalised illustration and Key Features document(s).

**Purchase Life Annuity**

* Changes in annuity rates between the quotation expiry date and the annuity company receiving the funds could alter the amount of income received as would any change in fund value.
* Although the circumstances may change after the benefits start, once accepted, the terms and conditions of the annuity cannot be altered.
* Payments will cease upon death unless you have selected a joint life option, a guarantee option or a form of value protection are selected
* The total return from the annuity will depend on how long and (if applicable) the nominated beneficiaries for death benefits live.
* Where no escalation has been selected, it should be aware the effects of inflation may erode the real value of the pension income over time.
* Any delay in purchasing an annuity will mean the future income level secured is dependent on interest rates at that time and the investment performance of the plan. No guarantee can be made that future annuity rates or the plan value will be greater at that time.

**Notes on Financial Products**

**Purchase Life Annuities**

An annuity can be purchased from several providers, and as such, a review should be undertaken at the time of the purchase to ensure that the best annuity rate is secured. It is also possible to receive enhanced annuity rates for certain lifestyle and medical conditions.

The annuity payments are guaranteed until the annuitant’s death. The highest level of payments can be secured with the purchase of an annuity that is not guaranteed and based on the annuitant’s life only. This means that on the annuitant’s death, the payments will cease immediately. Alternatively, the annuity payments can be guaranteed for a fixed period or for life. In the event of the annuitant’s death during that period, a lump sum equal in value to the remaining gross annuity payments for the balance of the period will be paid to the annuitant’s estate.

It is possible for the annuity payments to increase in payment e.g. in line with inflation or at a fixed rate. A joint life annuity can also be provided where payment would continue to death of the last survivor. In addition, a capital guarantee can be purchased, where if the annuitant (or surviving annuitant) dies at any time during the agreed term, the estate would receive the shortfall between the gross payments already made and the purchase price.

**Taxation**

The payments from a purchased life annuity (PLA) are treated as part return of the purchaser's capital and part interest. The capital content is not taxable***.*** The capital content factors, which reflect improvements in mortality, are prescribed by HM Revenue & Customs (HMRC) and will vary depending on the individual's age. This will have the effect of reducing capital contents. Any payments more than the capital content are referred to as the **interest element** and are taxable.

The interest element of a PLA is treated as savings income but is no longer taxed at source at 20%. Instead, under the Personal Savings Allowance legislation introduced in April 2016, the interest is paid gross. Where such gross distributions exceed the individuals available Personal Savings Allowance (PSA) the excess will be subject to their marginal rate of income tax via PAYE or must be declared within a tax return.

Any annuity lump sum death benefit is a Relevant Benefit Crystallisation Event (RBCE) and will be assessed against the Lump Sum & Death Benefit Allowance (LSDBA) introduced on 6 April 2024. If this allowance of £1.073m is not breached the lump sum death benefits will not be taxed.

Not all life annuities are treated as PLAs. To qualify as a PLA with a capital content, the annuity must not be purchased:

* To fulfill the terms of a will or settlement
* In recognition of your or another person's service in an office or employment
* To satisfy the terms of a registered pension scheme

If a life annuity is not entitled to capital content, then the whole annuity will be subject to income tax.