

# Key Features of the Lifetime Annuity

from the Select Portfolio

This is an important document which you should keep along with your personalised Illustration.

Alico is a leading international life insurer with a unique heritage of serving customers across the globe for over 85 years. The company provides consumers and businesses with products and services for life insurance, accident and health insurance, retirement planning, and wealth management solutions. Through an extensive network of over 40,000 agents, brokers and financial institutions and 11,000 employees across 54 countries, Alico services 19 million customers worldwide.

Alico has branch offices, subsidiaries and affiliates in emerging, developing and developed markets in Europe, Asia, the Middle East, Africa and Latin America. Alico is domiciled in Wilmington, Delaware and has regional headquarters in Tokyo, Paris, Athens, Dubai, and Santiago, Chile.

# Key Features of the Lifetime Annuity

**The Financial Services Authority is the independent financial services regulator. It requires us, Alico Wealth Management, to give you this important information to help you decide whether or not the Lifetime Annuity is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.**

This Key Features Document and your personalised Illustration give you the important information you need to consider before investing in our Lifetime Annuity.

You need to be comfortable with the information contained in this document, and we recommend that you discuss it with your financial adviser. Alternatively, please feel free to contact us. You can find our contact details on page 8.

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# Key Features of the Lifetime Annuity

## What is the Lifetime Annuity?

The Lifetime Annuity is part of the Select Portfolio from Alico Wealth Management. The Select Portfolio is a collection of retirement and investment products available only through recommendation from a financial adviser.

Our Lifetime Annuity is a contract that you can make with us that guarantees to pay you a regular income for the rest of your life in return for some or all of the retirement savings that you have invested in a **pension plan**.

The income that we pay you each year can be the same throughout your life, or can go up each year by a fixed percentage or can be linked to changes in the **Retail Prices Index (RPI)**, dependent upon what you choose.

A **pension plan** is a type of long-term savings plan that allows for the tax-free build-up of a 'pot of money' for later use as an income in retirement (tax deducted from dividends paid by investments held within a pension plan cannot be reclaimed).

The **Retail Prices Index (RPI)** is a measure of the level of price increases in the UK. RPI is calculated by measuring the average increase in the prices of a 'broad basket' of goods and services bought by an average family on a month by month basis.

## Its aims

- To provide you with a guaranteed taxable regular income for the rest of your life.
- To offer you the choice of a taxable income that is either fixed at outset and always stays the same or a smaller income at outset that increases each year by a fixed percentage or in line with the RPI.
- To give you the opportunity of providing a taxable income for your spouse, registered civil partner or other dependant after your death (known as 'death benefits'), in exchange for a smaller taxable income for yourself. You can make this provision at the time you apply for the Lifetime Annuity.

## Is the Lifetime Annuity for you?

You may wish to consider the Lifetime Annuity if you are:

- Eligible to retire, i.e. with a minimum age of 55 (or earlier if on the grounds of ill health) and have an existing Alico Wealth Management pension plan.
- Able to transfer at least £5,000 from an existing Retirement Plan under the Select Portfolio; or, if you have another Alico Wealth Management pension plan.
- Wanting a guaranteed income for life from part or the whole of your pension plan.

# Key Features of the Lifetime Annuity

## Your commitment

- The minimum transfer from an existing Retirement Plan under the Select Portfolio is £5,000.
- If you wish to remain invested in your Select Portfolio Retirement Plan or existing Alico Wealth Management personal pension, it must have a remaining value of at least £5,000.
- The money you transfer to buy our Lifetime Annuity must be used to provide an income for your retirement.
- You will need to take any tax-free lump sum that you are entitled to from the retirement savings that you transfer to buy your Lifetime Annuity from us at the same time as you buy your Lifetime Annuity or lose your entitlement. Current legislation does not allow you to take it later.
- You must provide us with any information we require when paying your income to you, for example your **tax code** under the **Pay As You Earn (PAYE)** system as issued by HM Revenue & Customs (HMRC).

Your **tax code** will be in the form of a number followed by a letter or letters, or a letter followed by numbers. This code tells us how much tax to deduct from the income provided by your Lifetime Annuity. The code is normally based on information provided to HMRC by you. HMRC usually notify us of changes to your tax code once a year.

The **PAYE system** is a method of paying income tax. HMRC uses a tax code to tell us how much tax to deduct from your income. Your tax code will be in the form of a number followed by a letter or letters, or a letter followed by numbers. The code is normally based on information provided to HMRC by you. HMRC usually notify us of changes to your tax code once a year.

If you would like information on our Retirement Plan, please refer to the Retirement Plan - Client Guide which you can get from your financial adviser or from our website at [www.alicowm.co.uk](http://www.alicowm.co.uk).

## Risks

### Changes to the terms of your Lifetime Annuity

- When you apply for our Lifetime Annuity your financial adviser will provide you with a personalised Illustration that will detail the basis of the income that you have chosen and the amount of income that you will receive. The income available from lifetime annuities can fluctuate daily - we will therefore guarantee the terms of your Illustration for fourteen days from the date of its issue. If we receive your transfer payment beyond the fourteenth day, the cost of buying our Lifetime Annuity may increase and the annuity income that you will receive with the value of your transfer may therefore be lower than originally illustrated.
- Once your Lifetime Annuity is set up, you will not be able to change the income option that you have chosen, even if your circumstances change.

### Income

- The income that will be paid to you throughout your life from your Lifetime Annuity will be defined at outset when you buy your Lifetime Annuity. Over time the income available to purchase from lifetime annuities can fluctuate due to market conditions. There is, therefore, no guarantee that if you buy a lifetime annuity now that the annuity income that you will buy will be more favourable than what you could buy in the future.
- If you choose an income that is linked to changes in the RPI and the change in the RPI is zero or falls below zero, your income will remain the same.
- The future **buying power** of the income you receive will be reduced by rising prices, especially if you choose a fixed income that remains level.

**Buying power** is the number of goods/services that can be purchased with your income. For example, if you had taken £10 to a store in the 1990s, you would have been able to buy a greater number of items than you would today, indicating that you would have had greater buying power in the 1990s.

### Death Benefits

- Upon your death - unless you have chosen to purchase death benefits - your income will stop and the total amount paid as an income to you may be less than the amount that you originally used to purchase the Lifetime Annuity.

### General

- Tax rules may change and this may mean that you will have to pay more tax than you expected.
- Government pension policy could change in the future.

# Key Features of the Lifetime Annuity

## How the Lifetime Annuity works

### Your Investment

The amount of income that your transfer will buy will depend on several factors at the time that you apply for our Lifetime Annuity, including:

- The amount of money you transfer to buy our Lifetime Annuity
- Your age and gender
- The options you choose - for example whether you decide to provide an income to be paid to a beneficiary following your death
- The age and gender of your beneficiary (if you decide to provide an income to a beneficiary following your death)
- Market conditions
- Our charges
- The rate of income tax you pay on any income you receive from your Lifetime Annuity.

### Charges

When you purchase our Lifetime Annuity, the charges we levy for the administration and the running costs of your Lifetime Annuity are allowed for in the amount of income that we offer you, which is detailed in your Illustration.

You can agree for your financial adviser to receive **Adviser Remuneration** from your Lifetime Annuity. Your adviser can receive a percentage of the amount you transfer to your Lifetime Annuity less the amount paid to you as a tax-free lump sum - this is known as **Initial Adviser Remuneration**. Initial Adviser Remuneration will be deducted from your transfer and reflected in the amount used to provide your income. For example, if you have a transfer of £100,000 with a £25,000 tax-free lump sum entitlement and have agreed Initial Adviser Remuneration of 1%, we will use 99% of £75,000 (£100,000 less £25,000) to provide your income.

**Adviser Remuneration** is the amount you agree for your financial adviser to receive in return for the advice and service they have given you. **Initial Adviser Remuneration** is the amount you agree your adviser may receive from your transfer.

## Questions and answers

### Am I eligible?

Most people **ordinarily resident** in the UK from age 55 and before their 75th birthday who have an existing Alico Wealth Management pension plan are eligible for our Lifetime Annuity. In certain circumstances, you may be eligible for our Lifetime Annuity earlier, for example if you are in ill health.

**Ordinarily resident** is where a person is normally resident year after year.

### Can I put more money into my Lifetime Annuity later?

No - current legislation does not allow this. You can however, purchase a separate Lifetime Annuity from Alico Wealth Management at any time from age 55 and before your 75th birthday.

### What about tax?

The income paid under a lifetime annuity contract is deemed earned income by HMRC and is therefore subject to income tax at the highest rate you pay through the PAYE system.

- We will deduct income tax (where relevant) from each income payment that we make to you before it's paid via **Bankers' Automated Clearing Services (BACS)**.
- When we first set your Lifetime Annuity up for you we will need you to provide us with evidence of your current tax code so that we can ensure we deduct and pay on your behalf to HMRC the correct amount of income tax.
  - This can be in the form of a recent 'Notice of Coding' from HMRC or a P45 from your most recent employment.
  - HMRC will subsequently notify us directly of any changes to your personal tax allowances and, once received, we'll take these into account in working out how much tax to deduct.

Tax treatment depends on individual circumstances and may be subject to change in the future. For more information on your personal tax position, please speak to your financial adviser.

**Bankers' Automated Clearing Services (BACS)** is a UK banking scheme for the electronic processing of financial transactions. BACS payments will take three working days to clear in your bank or building society account from when we first enter the income payment into the BACS system.

# Key Features of the Lifetime Annuity

## What are my income options?

When you apply for the Lifetime Annuity you can choose a type of income that best suits you from a number of different income options.

- The income that you can take from our Lifetime Annuity can be for a fixed amount until you die - known as a 'level' income, or you can choose for this to increase each year - known as an 'escalating' income.
- If you choose a level income the buying power of your income will go down if the prices of the goods and services that you buy and your personal cost of living increase.
- If you select an escalating income you can choose the rate of increase either to be the same fixed percentage each year of between 1% and 8% (whole percentages only) or to vary in line with the RPI.
  - Selecting an escalating income with a fixed percentage increase will help protect the buying power of your income against price increases through the increases to your income in future years.

Choosing this option, however, will mean that your starting income will be lower than with the level income and the higher the percentage increase you choose, the lower your starting income will be compared to our level income.

- Selecting an escalating income that varies in line with the RPI will protect your income from the **effects of UK inflation** as measured by the RPI.
- Your income will increase by the change in RPI over the 12 month period ending three months before the anniversary of your income start date. We guarantee that if the change in the RPI over this period falls below zero your income will not reduce, i.e. it will remain the same. If you choose this option your starting income will also be less than with the level income option.

The **effect of inflation** reduces the value of money over time, as the following example illustrates:

The future value of £1,000, assuming inflation is 3% each year

Today	£1,000
After 10 years	£744
After 20 years	£553.

**UK Inflation** is a rise in the general level of prices of goods and services in the UK over a period of time. When the price level rises, each £ buys fewer goods and services; consequently, inflation is also erosion in the buying power of money.

## How often can I receive my income?

- You can choose how often to have your income paid by us at an interval best suited to you from one of the following:
  - Monthly
  - Quarterly
  - Half-yearly or
  - Yearly.
- Once your Lifetime Annuity has been set up we will begin paying your regular income under the options you have chosen to your bank or building society account. Your account must be a personal account in your name or a joint account. We cannot pay your income into a business account and we do not make income payments by cheque.
- Monthly, quarterly, and half-yearly income payments are subject to a minimum of £500 per year. If less than £500, income must be paid annually.
- Income payments will be made into your nominated bank or building society account by the 1st of the month at the beginning of your payment interval. For example, a quarterly payment that falls due in June will be in your account by the 1st of June.

## How soon can I receive my income?

- You can select that the first payment be made as soon as possible after your Lifetime Annuity is set up - this is known as 'payment in advance'.
  - Each subsequent payment is made at the beginning of the payment interval that you have chosen, for example quarterly.
- Alternatively, you can select the 'payment in arrears' option whereby, whatever payment interval you choose, your first payment will be deferred to the end of that period.
  - For example, if you choose a monthly payment interval the first payment will be one month after your Lifetime Annuity has been set up.
- How often you choose to receive your income and whether it is paid in advance or arrears will have an impact on the amount of income that you will receive.
  - For example, receiving your income payment annually in arrears offers a higher income than receiving your income payment annually in advance.
- Please note that we will not be able to make any payment to you until we have all the necessary information to set your Lifetime Annuity up for you.
  - The information we require is detailed in the Illustration pack (containing your personalised Illustration(s) and Lifetime Annuity Application Form) provided by your financial adviser.

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- If you are unable to provide everything we need from you until after the date that your first income payment is due, we will normally make a backdated income payment to you to ensure that you are not disadvantaged.

## Can I make changes to my income choices?

Once your Lifetime Annuity is set up and you have chosen the type of income you want to receive and whether or not you want to provide an income for any dependants after your death, you cannot change the terms of that income - even if your circumstances change - so you should think hard at outset about what type of income to take.

## How is my income paid?

We will pay your income to you from your Lifetime Annuity via the BACS to your bank or building society account.

## What happens on death?

Benefits would be payable after your death only if you have selected at least one of the death benefit options available under the Lifetime Annuity.

When selecting death benefits, you should consider carefully if they make adequate provision for your spouse/civil partner or other dependants in the event of your death.

At the time you apply for the Lifetime Annuity you can elect to provide an income for your dependants after your death in exchange for a smaller income for yourself during your lifetime<sup>1</sup>. With our Lifetime Annuity you can do this by using one or both of the following options:

- You can choose at outset to guarantee to have your income paid by us for a fixed period of time - known as the 'payment guarantee period' - of between 1 and 10 years.
  - If you were to die during the payment guarantee period we would continue to pay your income to your beneficiaries (or your estate where no beneficiaries have been nominated) until the end of the payment guarantee period. Income paid from your Lifetime Annuity to your estate under the payment guarantee period may be subject to inheritance tax; however, this will depend on your individual circumstances.
  - Buying a payment guarantee period will be of benefit to your dependants only if you were to die during the guarantee period.

If you were to die outside of the guarantee period, no further income would be payable under the 'payment guarantee period' option.

- You can also choose to provide an income of up to 100% of your income to a dependant for the rest of their life if you die before them. This is known as the 'joint-life option'.

- You can decide at outset whether your dependant should have the same or a lower income than you upon your death. You can choose to provide 100%, 66.67%, 50% or 33.33% of your income as a dependant's income.
- Your dependant can be your spouse, civil partner, or another adult who is financially dependent (or interdependent) on you, such as an unmarried partner.
- You can't take the joint-life option for one of your children, unless they're an adult and depend on you because they have a physical or mental impairment.
- Buying a joint life option will be of benefit only if your dependant is alive when you die, i.e. no dependant's income would be payable if your dependant were to predecease you.

- If you select a payment guarantee period or the joint life option, your income will be lower than if you do not.

- With the payment guarantee period, the amount that we will reduce your income by will depend on your age, gender and the payment guarantee period you choose. However, if you do not choose either of these options, we will cease to pay your income when you die.
- The more income you provide for your dependant after your death under the joint life option, the lower your own income will be.

- If you choose our joint-life option, the payment guarantee period may become less important to you as we will pay an income to your dependant after your death. However, you can choose both options if you wish.
- Any income payable to a dependant will be liable to income tax on the part of the dependant at the highest rate they pay through the PAYE system.

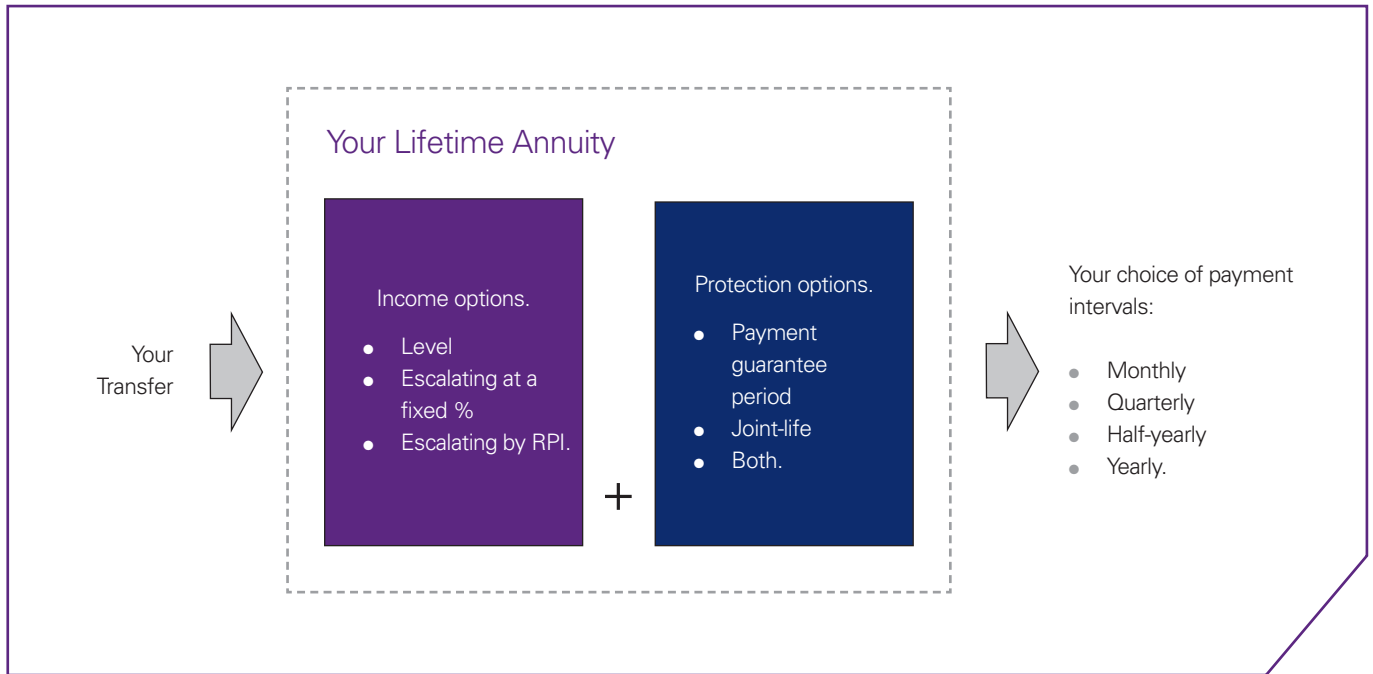
The diagram opposite provides an overview of the options available under the Lifetime Annuity

You should seek specific advice from your financial adviser on the suitability of the death benefit options available under our Lifetime Annuity.

Further information on the additional State Pension is available from your financial adviser or at [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk).

<sup>1</sup> Government rules require that the value of any **protected rights** funds that you transfer to a lifetime annuity must be used to buy a compulsory income for your spouse or registered civil partner and that a payment guarantee period of up to five years only can be bought. This may restrict the options that we can offer you.

# Key Features of the Lifetime Annuity



## Can I change my mind?

When you apply to transfer funds from your existing Alico Wealth Management pension plan to the Lifetime Annuity you have the right to cancel the transfer.

- Once we have accepted your application for the Lifetime Annuity we will issue an Illustration to you confirming the basis on which you have applied together with a notice telling you about your right to change your mind and how to cancel. You will have 30 days from the date we receive your application in which to cancel your transfer into the Lifetime Annuity.
- We will pay to you your one off tax-free lump sum entitlement - if you have selected to receive it - at the same time as we transfer your chosen amount from your Alico Wealth Management pension plan to set up your Lifetime Annuity.
- If you decide to cancel, we will return the transfer monies (including any Adviser Remuneration) to your Alico Wealth Management pension plan at the date we receive your cancellation instruction.
  - Please note, however, you will be required to repay your tax-free lump sum and/or any income that we have paid to you before we can return your transfer.
  - You should also note that if market conditions have changed adversely, you may not get back the full amount you invested in the Lifetime Annuity.

- After the 30 days are up, you will have no further right to cancel your Lifetime Annuity.
- If you do not exercise your right to change your mind, the money that you transfer to the Lifetime Annuity will be used by us to provide you with a regular income for the rest of your life.

## How can I keep track of what I have received from my Lifetime Annuity?

Each year you will receive a statement detailing the income payments that we have made to you under your Lifetime Annuity for the preceding twelve months. You may also request payment information from us at any time. Our contact details are below.

## What pension arrangements can I transfer to the Lifetime Annuity?

- You can transfer an existing Alico Wealth Management pension arrangement into the Lifetime Annuity at any time from age 55 and before your 75th birthday.
  - When considering a transfer of an existing pension arrangement, you should ensure that you have fully considered the differences between your existing arrangement and your Lifetime Annuity.
  - You should seek specific advice from your financial adviser on the suitability of a transfer.

You cannot transfer pension arrangements from other pension companies to the Lifetime Annuity.

# Key Features of the Lifetime Annuity

## Where can I find further details?

You can find further details about the Lifetime Annuity in the Lifetime Annuity Policy Conditions which you can get from your financial adviser or from our website at [www.alicowm.co.uk](http://www.alicowm.co.uk).

## How to contact us?

Your financial adviser should normally be your first point of contact and will be able to answer most questions that you have. However, if you want to contact us, you can do so as follows:

Post: Alico Wealth Management  
22 Addiscombe Road, Croydon CR9 5AZ  
Telephone: 0800 013 2292  
Fax: 0845 234 2342  
E-mail: [retirement@alico.com](mailto:retirement@alico.com)  
Website: [www.alicowm.co.uk](http://www.alicowm.co.uk)

## Other information

### How to complain

Most problems and misunderstandings can be dealt with immediately by a member of our Client Services Department. They will be pleased to help you. You can contact them using the details opposite.

If you need confirmation of our complaints procedure, a copy of our Customer Care leaflet is available from our Compliance Officer.

If you have a complaint, please contact the Compliance Officer by phoning 0208 680 6000 or writing to:

The Compliance Officer  
Alico Wealth Management  
22 Addiscombe Road  
Croydon CR9 5AZ.

### Law

English law will apply to the Lifetime Annuity.

### Protection

Alico (UK Branch) is authorised and regulated by the Financial Services Authority, with all associated safeguards and protections.

We classify you as a 'retail client' under Financial Services Authority rules. This means you'll receive the highest level of regulatory protection available for complaints and compensation and receive information in a straightforward way.

We are covered by the Financial Services Compensation Scheme (FSCS). If we cannot meet our obligations, the owner of the product may be entitled to compensation under the scheme. For the products available through the Select Portfolio, the scheme covers 90% of any claim.

For further details on the FSCS, please visit [www.fscs.org.uk](http://www.fscs.org.uk) or phone 0207 892 7300. Alternatively, you can contact the Financial Services Authority by visiting their website at [www.fsa.gov.uk](http://www.fsa.gov.uk) or phoning 0207 066 1000.

## Wealth Management

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