keyfacts®

Key Features of the Retirement Plan - Income

from the Select Portfolio

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

SELECT

Alico
Wealth Management

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
Retirement Plan - Income

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 Retirement Plan 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 the Income element of our Retirement Plan. For information on the investments available within the Retirement Plan, please refer to the Select Investment Range guide and Select Investment List. The full terms & conditions can be found in the Retirement Plan Policy Conditions and Asset Rules documents. You can get these documents from your financial adviser or from our website at www.alicowm.co.uk.

You need to be comfortable with the information contained in these documents, and we recommend that you discuss them with your financial adviser. Alternatively, please feel free to contact us. You can find our contact details on page 13.

What's in this document?

Key Features of the Retirement Plan - Income

What is the Retirement Plan?

The Retirement Plan 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.

The Retirement Plan is a new type of **pension plan** for investors between the ages of 17 and 75. It has two elements:

- **Savings** - enabling you to save towards your retirement in a tax efficient manner through investing a lump sum into a wide range of investments that offer different levels and types of risk and return, and
- **Income** - for when you want to take income and/or an optional tax-free lump sum from your retirement savings from the age of 55.

We designed the Retirement Plan for people who want to build up tax-efficient savings in a very flexible way. In particular, in terms of how and when they can access their retirement savings.

This Key Features Document details only the Income element of the Retirement Plan. If you would like information on the Savings element, please refer to the Key Features of the Retirement Plan - Savings document which you can get from your financial adviser or from our website at www.alicowm.co.uk.

> 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 you hold within a pension plan cannot be reclaimed).

Its aims

- To enable you to continue to invest your retirement savings with the aim of increasing the value of your investment, that will be used to provide you with an income throughout your retirement.
- To give you the flexibility and choice of when to take an income from your retirement savings, between ages 55 and 75.
- To give you the option of withdrawing part of your Retirement Plan as a tax-free lump sum, in exchange for a lower income.
- To give you control over how much income you take from your Plan throughout your retirement, and when you take it whilst your Plan remains invested up to age 75. This is subject to HM Revenue & Customs (HMRC) limits.
- To allow you to access all or part of your retirement savings from age 55 and combine tax-free lump sum and taxable income withdrawals from your Retirement Plan to manage your personal tax position without having to buy a **lifetime annuity**. This can be beneficial if you plan to retire gradually or ease into retirement.
- To provide you with access to a wide range of investments offering different levels and types of risk and return with the flexibility to switch between these investments, typically with the help of your financial adviser.
- To enable you to continue to hold a sum of money to provide benefits to your spouse, civil partner or dependants when you die.
- To give you the flexibility to purchase lifetime annuities as and when you want to between ages 55 and 75.

> A **lifetime annuity** is a contract that you make with a pension company. In return for some or all of the value of your pension plan, the company pays you an income for the rest of your life.

Is the Income element of the Retirement Plan for you?

You may wish to consider the Income element of the Retirement Plan if you are:

- **Ordinarily resident** in the UK and aged under 74.
- Eligible to retire, i.e. with a minimum age of 55 (or earlier if on the grounds of ill health).
- Able to transfer in a pension arrangement built up elsewhere of at least £25,000; or, if you have an existing Savings element under the Retirement Plan, are able to activate the Income element under the same Plan by moving at least £5,000 from your Savings element (subject to at least £5,000 remaining in your Savings element if you are to remain invested in the Savings element).
- Prepared to invest over a medium to long term period (five years or more), and do not require a fixed income for life from the whole of your retirement savings.
- Wanting to make your investment choices with the assistance of a financial adviser.
- Seeking potentially higher returns than those available through bank and building society accounts and who accept that this may involve taking a greater risk with your money such that the value of your investment may fluctuate, and that your capital may be at risk.

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

Key Features of the Retirement Plan - Income

Your commitment

- The minimum transfer of an existing pension arrangement held with another pension company is £25,000.
- If you have an existing Savings element under the Retirement Plan, the minimum transfer from Savings to Income is £5,000.
- The money you invest in the Income element of the Retirement Plan must be used to provide income throughout your retirement until age 75 (or earlier if you choose to buy a lifetime annuity).
- You will need to regularly review your Plan with your financial adviser to ensure that it is on target to meet your income requirements.
- Together with your financial adviser, you will need to regularly review your investment strategy, to ensure the income you withdraw from your Plan is sustainable.
- If you have an existing Savings element, you will need to allocate enough of your Plan to the Income element to pay the tax-free lump sum(s) and income you require.
- Any money you use to buy a **Short Term Annuity** under the Income element will be used to provide an income to you for your chosen term. At the end of the term, the Short Term Annuity will have no value.
- If you're still withdrawing an income at age 75, you must decide whether to buy one or more lifetime annuities with either us or another pension company using the value of your Retirement Plan; or transfer to an '**alternatively secured pension**' with another pension company and continue taking an income directly from that alternatively secured pension arrangement. We do not currently offer an alternatively secured pension arrangement.
- You must tell us about changes that may affect your Plan and provide us with any information we require when paying income and cash benefits to you. If you are unsure about whether changes to your circumstances may affect your Plan, please contact your financial adviser or indeed us. Our contact details can be found in the 'Questions and answers' section on page 8.

Our **Short Term Annuity** is a contract that you can make with us. In return for part of the value of the investments held under your Income element, we will pay you a fixed income for any period that you choose (in years and months) of between 12 months and 5 years.

Alternatively secured pension is the name given to a pension arrangement that allows an individual to continue to keep their retirement savings invested and draw an income from their fund within certain limits set by the Government instead of buying an annuity at age 75.

Risks

- Once we receive your application to transfer to the Retirement Plan, you will have 30 days to change your mind. However, if you choose to cancel and the value of your chosen investment(s) has fallen, you will get back less than you paid in. You should also note that the company you are transferring from may not be willing to accept the transfer back.
- If you transfer a pension arrangement built up elsewhere, the benefits may not be comparable.
- The part of your Plan not used to provide your tax-free lump sum and income withdrawals will remain invested. Most of the investment choices do not guarantee what you will get back and you may get back less than you invest into these investments.
- Withdrawing an income directly from the Income element of your Plan will reduce the potential for future growth. If you withdraw more in income than the continuing growth achieved by your chosen investment(s), the Plan's value will fall and the investment growth of your remaining retirement savings may be insufficient for you to maintain your income withdrawals at the level you wish. It could also reduce the money you have available in your Retirement Plan in the future to purchase a lifetime annuity.
- If you buy a Short Term Annuity, once it is set up you will not be able to change its terms, even if your circumstances change.
- If you subsequently choose to transfer your Retirement Plan to another pension scheme and you are invested in the Short Term Annuity, you may not be able to transfer until the end of the term that you chose for your investment in the Short Term Annuity. See "Can I transfer my Plan?" on page 13 for further information.
- The income available to purchase from lifetime annuities can fluctuate over time due to market conditions. Therefore there is no guarantee that if you buy a lifetime annuity in the future with the value of your Retirement Plan that the annuity income that you will be able to buy will be more favourable than now. This may mean that you will receive a lower income in the future than you expected.
- Under current HMRC rules, if you do not take your tax-free lump sum entitlement when available you may lose your entitlement.
- The future **buying power** of the money you invest will be reduced by rising prices.
- 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.

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.

Key Features of the Retirement Plan - Income

What are your investment choices?

When you invest in a Retirement Plan, you have the opportunity to choose from a wide range of investments offering different levels and types of risk and return.

What's more we've chosen to work with Morningstar Associates Europe Ltd ('Morningstar') as our investment research partner. Morningstar draws upon the research and data resources of Morningstar, Inc., which employs more than 2,300 people across 24 offices worldwide, providing local market expertise with a real global reach. Morningstar, Inc. has over 20 years' experience across global markets and has an enviable reputation for helping investors achieve their financial goals. When added to our in-house expertise, this enables us to provide you with a comprehensive choice of investments.

The Select Investment Range

There are two types of investments in the Select Investment Range - Market Funds and Defined Return Investments. Through your Plan you can choose up to 15 investments from both categories regardless of whether you are invested in Savings or Income or, indeed, both. The diagram below provides details of the characteristics of each of these investment types.

Select Investment Range

Market Funds

- The Market Funds are designed to give you access to global stock markets.
- We use the expertise of our in-house team and that of our investment research partner - Morningstar - to select the very best funds from around the world.
- Market Funds are generally linked to stocks and shares, so they have the risks normally associated with stock markets. Returns are unpredictable and volatile, and investing in these funds could result in a financial loss.
- However, the potential returns are higher than those available through safer investments and therefore can be attractive for those who are able and willing to take these risks.
- The Market Funds are normally open-ended with no specific end date, and are usually only appropriate for investors who are able to take a long term view (more than five years) with their investment.
- Each Market Fund is divided into units of equal value, and investments into the funds will purchase these units. With the exception of the Deposit Funds, the units are priced using a market value method, so the unit prices directly reflect the market values of the underlying assets. Unit prices in the Deposit Funds will usually grow steadily at rates set by Alico Wealth Management.
- The unit prices of the Market Funds will usually be calculated on each working day and you may enter or exit the Market Funds on any day when prices are available, subject to any minimum transaction sizes.

Defined Return Investments

- The Defined Return Investments are designed to provide a defined return over a pre-set time period (referred to as the 'investment period').
- The return over this period may be fixed or linked in some way to the performance of an index such as the FTSE 100.
- Defined Return Investments will usually provide some level of protection against market falls that is not available within the Market Funds. They may therefore appeal to those looking for a lower risk profile than that of stocks and shares. However, protection will usually not cover all investment scenarios and in some circumstances you can lose money inside Defined Return Investments.
- Many of the investment periods of Defined Return Investments will be six years or less, so these may appeal to those unwilling or unable to take the long term investment view required for a Market Fund investment. However, as each Defined Return Investment is different, it is important to consult the individual fact sheets before investing.
- The Defined Return Investments are not funds - they are commitments by Alico Wealth Management to pay defined amounts on specified dates.
- Should you wish to exit from a Defined Return Investment before the end of its investment period, we will take into account the market value of the assets we hold to provide the returns. Therefore the amount you get back may be lower than the amount you invested.

Key Features of the Retirement Plan - Income

Investment categories - overview

Each of the investment types in the Select Investment Range in turn contains different categories of investment, as outlined in the table below.

- Select Investment Range
  - Market Funds
    - Alico Choice Funds
    - Adviser Choice Funds
    - Managed Portfolio Funds
    - Select Deposit Fund
  - Defined Return Investments
    - Guaranteed Investments
    - Structured Investments
    - Short Term Annuity

These investment categories are briefly explained below.

Market Funds - Alico Choice Funds

These are a panel of around 100 funds managed by some of the leading investment companies in the market, such as Invesco, Fidelity, Jupiter and Schroders. These are carefully selected by our in-house investment research team with support from Morningstar. Our rigorous research process gives you the reassurance that the funds you are investing in have been identified by our team of experts as having strong potential to outperform other similar funds.

Market Funds - Adviser Choice Funds

The Adviser Choice Funds are designed to complement the Alico Choice Fund panel by making available a selection of other leading funds that are popular in the marketplace.

Market Funds - Managed Portfolio Funds

The Managed Portfolio Funds invest in a selection of Alico Choice Funds. These are ideal for clients and advisers who want expert guidance on which Alico Choice Funds to select and how much of each to hold. There is a choice of ten Managed Portfolio Funds: five where the investment strategy is driven by our in-house team and five that are constructed by Morningstar.

Market Funds - Select Deposit Fund

This is a fund that invests in short term bank deposits and other secure **money market investments**. It is designed to be a very low risk fund for the cash element of your investment portfolio. The Select Deposit Fund can fall in value and therefore investing in this fund could result in a financial loss.

> A **money market investment** is a short-term (typically less than one year), highly liquid investment - provided by the Government or a very strong company - that is traded on money markets.

Defined Return Investments - Guaranteed Investments

The Guaranteed Investments offer different levels of return over a choice of fixed investment terms - as well as full capital protection - providing you hold them until the end of their term. Both the returns and the capital protection are guaranteed by Alico Wealth Management.

Defined Return Investments - Structured Investments

The Structured Investments offer a variety of different returns that depend on the performance of a financial index (usually the FTSE 100) over fixed investment periods.

To generate the defined returns offered by the Structured Investments, we invest in high quality assets, usually with an investment bank. Alico Wealth Management guarantees that it will pay the promised returns even if those assets default. This removes the **counterparty risk** that is normally associated with structured investments, where the investor bears the risk of the underlying assets defaulting.

> A **counterparty** is a third party company that provides the assets behind structured investments. **Counterparty risk**, otherwise known as default risk, is the risk that a company does not pay out on an investment when it is supposed to.

Defined Return Investments - Short Term Annuity

Our Short Term Annuity is designed for investors in the Income element of the Retirement Plan who want to secure a fixed income over a fixed period while leaving the remainder of their Plan untouched. At any time we offer a range of terms under our Short Term Annuity that covers periods from 1 to 5 years. The rates we pay will depend on market rates of interest and sometimes how much is invested, as well as Adviser Remuneration.

Your financial adviser can provide you with more details on each of the investments available in the Select Investment Range and whether they are suitable for you.

Key Features of the Retirement Plan - Income

How the Income element works

Although you take out one plan - the Retirement Plan - each plan can have two separate elements: Savings and Income.

The Income element allows you to withdraw tax-free lump sums and an income directly from your Plan. It is an alternative to buying a lifetime annuity with the value of your retirement savings. This process of withdrawing tax-free lump sums and an income directly from your retirement savings is often referred to as '**Drawdown**'.

'Drawdown' is the name given to a pension arrangement that allows you to continue to keep your retirement savings invested and take an income each year rather than buy an annuity. 'Drawdown' must cease before your 75th birthday.

You can invest lump sums (known as 'contributions') into the Savings element under the Retirement Plan at any time up to age 75 but you can't withdraw income directly from it. However, you can use it to buy a lifetime annuity.

You cannot move money from the Income element to the Savings element but you can move money from the Savings element to the Income element at any time between the ages of 55 and 75.

The Income element itself can have two separate parts:

- **Non-protected rights**
- **Protected rights**

Non-protected rights funds are funds that have been built up by your personal contributions, the tax relief on your personal contributions, any contributions made on your behalf by your employer, and transfer contributions (excluding, of course, protected rights transfers).

Part of the State pension which people who have employed during their working life can receive is related to their earnings and is known as the additional State Pension. An individual's entitlement to the additional State Pension may come from the State Earnings Related Pension Scheme (SERPS) and/or the State Second Pension (S2P) which superseded SERPS from 6 April 2002. It is possible to 'contract out' of these schemes via some pension plans. If you have previously 'contracted out' you will have continued to pay the higher 'contracted in' National Insurance contribution but your pension plan would have received an age related rebate of National Insurance contributions from the Department for Work and Pensions (DWP). The part of your plan that is provided by the rebate is called **protected rights**. Protected rights are a substitute for the S2P and/or SERPS that you would have received had you not 'contracted out' and are subject to specific rules set by the Government.

You must be at least 55 years old before you are eligible for the Income element of the Retirement Plan.

Your investments

If any of your **Amount Allocated** is to be placed in Market Funds, we will place 99% of the relevant amount in those funds and 1% in the **Select Account**.

The **Amount Allocated** is your Amount Invested less any Initial Adviser Remuneration (see page 7 for details).

Your **Select Account** will only be used to pay charges due on the Market Funds, as well as any ongoing remuneration you have agreed with your financial adviser (please see the 'Charges' section on page 7). There is no risk to the money you have in the Select Account. When the balance of your Select Account holding falls below 0.25% of the value of your Market Funds, we will automatically replenish your account to 1% by transferring from a Market Fund you have nominated in your Application Form.

Key Features of the Retirement Plan - Income

Charges

1. **Asset Charge**

   When you invest in the Retirement Plan, there is an annual Asset Charge on each of your investments. For Market Funds, the Asset Charge is typically 0.75% per annum. The charge is taken from your Select Account holding by deduction of units on a daily basis.

   As part of our commitment to ensuring the quality of the Alico Choice Funds, we offer performance-related rebates. At the end of each quarter (March, June, September and December), we measure the performance of each third party fund on the Alico Choice Fund panel against the most appropriate benchmark for its sector over time periods of 1, 3 and 5 years:

   - If a fund with a track record of 5 or more years has bottom half performance over 2 of the 3 time periods, we'll reduce the effect of the Asset Charge by 0.25% for the following quarter by rebating a proportion of our charge back into the fund (see funds A and B in the table below).
   - If a fund with a track record of less than 5 years has bottom half performance over both 1 and 3 years, we'll reduce the effect of the Asset Charge by 0.25% for the following quarter by rebating a proportion of our charge back into the fund (see funds C and D in the table below).

   You can find the specific benchmark for each Alico Choice Fund by referring to the individual fund fact sheet.

   Example

Fund	1 year Performance	3 Year Performance	5 Year Performance	Qualify for 0.25% rebate?
A	Top half	Bottom half	Top half	No
B	Bottom half	Top half	Bottom half	Yes
C	Bottom half	Bottom half	N/A	Yes
D	Top half	Bottom half	N/A	No

   If, at the end of the following quarter, the fund has achieved its top half performance requirements, the rebate will cease. If not, we will continue with the rebate.

   Funds that are eligible for a rebate are not necessarily bad funds, and they may remain on the Alico Choice panel if we consider them to continue to have strong potential to outperform other similar funds.

   If a fund is relegated from the Alico Choice panel, an alternative will be provided and any rebate that may have been applicable to the relegated fund will cease.

   Any Managed Portfolio Fund containing one or more rebated Alico Choice Fund(s) will receive a proportional rebate.

   The Asset Charge that applies to each Defined Return Investment will be reflected in the rate of return offered, so will not require a Select Account holding or a deduction of units.

2. **Fund Manager Charges**

   Most Market Funds will be managed by a fund manager, usually outside Alico, who will charge an Annual Management Charge (AMC) which is reflected in the values of the assets within the fund. The effect of these AMCs inside the Market Funds will usually be lower than the AMC you would pay if you invested in the fund directly, as we can use our purchasing power to negotiate discounts from the fund managers, and we always reflect these discounts in the charges that are passed on to you.

   The fund manager may also make a charge when an investment is made into the fund. This is known as an initial charge and we will also reflect this in the unit prices that we calculate.

   The Select Investment List will give details of each Fund Manager Charge.

3. **Adviser Remuneration**

   The Retirement Plan is designed to give you and your financial adviser a number of options when it comes to **Adviser Remuneration**.

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 each of your initial and additional investments. This is deducted from your Amount Invested before it is allocated to your chosen investments. This is taken from the Select Account holding on a daily basis by deduction of units. **Ongoing Adviser Remuneration** may be paid to your adviser for the ongoing advice and service they give you. **Adviser Review Remuneration** may be paid to your adviser if - following a review of your Retirement Plan - they make any switches between your underlying investments. This is deducted from the amount reinvested.

For full details of the charges outlined in this section, please refer to your personalised Illustration or the Select Investment Range and Select Investment List documents, which you can get from your financial adviser or from our website at www.alicowm.co.uk.

Key Features of the Retirement Plan - Income

Questions and answers

Am I eligible for the Income element?

Most people ordinarily resident in the UK, aged between 55 and 74 and who have an existing pension arrangement are eligible for the Income element of the Retirement Plan. In certain circumstances, you may be eligible for the Income element earlier, for example if you are in ill health.

Can I put more money into my Retirement Plan later?

- Yes. Once you have activated the Income element of your Retirement Plan, you can choose to transfer further one-off lump sums of at least £5,000 into the Income element whenever you like before your 75th birthday. Personal contributions and those made by anyone else on your behalf, for example your employer, cannot be made to the Income element.
- If you wish to continue saving towards your retirement, you can also pay and/or transfer lump sums (known as 'contributions') into the Savings element of your Retirement Plan at any time up to age 75, subject to a minimum of £25,000 for an initial contribution and £5,000 for all further contributions. If you are employed, your employer can also contribute.

Can I make changes to my investment choices?

- You can switch between Market Funds free of charge. The minimum switch amount is £500, and you must leave at least £500 in each Market Fund if you are to remain invested in those funds.
- You can switch into a Defined Return Investment free of charge. The minimum switch amount is £5,000.
- The Defined Return Investments are designed to be held until the end of their investment period, but it is possible to switch out of these if you need to. Should you wish to exit from a Defined Return Investment before the end of its investment period, you will need to switch out your entire holding. In this instance, we will take into account the market value of the assets we hold to provide the returns and this may be lower than the amount you invested in the Defined Return Investment.

What about tax?

- Transfers to the Income element (known as 'transfer contributions') will grow free of any UK capital gains tax and income tax (although tax deducted from dividends paid by investments you hold within your Plan cannot be reclaimed). Transfer contributions do not attract tax relief.
- Withdrawals in the form of income from the Income element and any payments from lifetime annuities will be subject to income tax at the highest rate you pay through the **Pay As You Earn (PAYE) system**.
- Any lump sum death benefits paid from the Income element will be taxed at 35%. See 'What happens on death?' on page 11 for further information.
- If you have an existing Savings element under the Retirement Plan and do not transfer its full value to the Income element, you can continue to make contributions to the Savings element of your Plan. Contributions that you make from personal funds to your Savings element are tax-efficient due to the tax relief that they attract. For further information please refer to your financial adviser and the Key Features of the Retirement Plan - Savings document which you can get from your financial adviser or from our website at www.alicowm.co.uk.

This section describes the tax position as Alico Wealth Management currently understands it but we assume no responsibility for its accuracy and the tax position may change in the future. We recommend that you discuss your own tax position with your financial adviser.

The Pay As You Earn (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.

What benefits can I take from my Plan?

- You can currently transfer to the Income element of the Retirement Plan at any time after you've reached 55 years of age. Once we are in receipt of an initial transfer to the Income element we will set up this part of the Retirement Plan for you. This is what we at Alico Wealth Management call 'activation'.

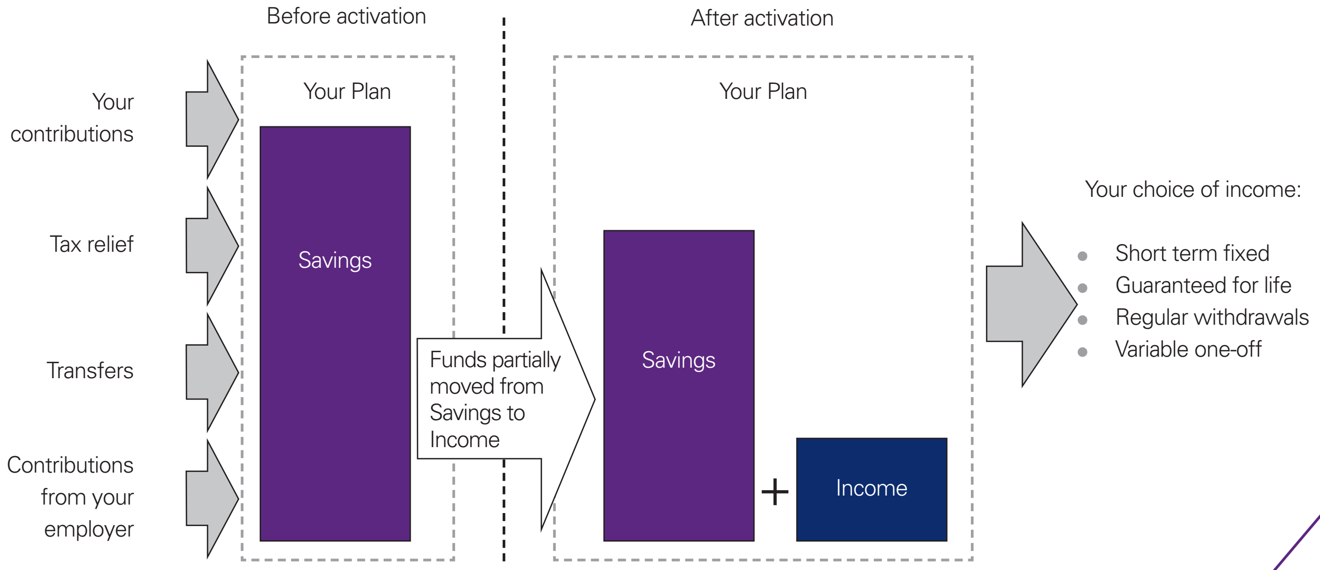
  - Once you have activated the Income element you can choose to withdraw money directly from the Plan at any point up until age 75. Your withdrawals can be in the form of a tax-free lump sum, taxable income or both (collectively known as your 'retirement benefits').
  - Withdrawals can be at a level that suits you; however they must be within certain limits allowed by the Government. You simply choose how and when in line with your needs.
  - Each time you transfer to the Income element, you can normally take up to 25% of the value transferred as a tax-free lump sum, with the remainder then being used to provide you with a taxable income when and how you need it.

- If you have an existing Savings element, you can choose to activate the Income element of your Plan by moving funds from Savings to Income either all at once, or in instalments over a period of time. This provides the flexibility for you to time your withdrawals from the Plan to when it is best suited to you.

The diagram opposite provides an overview of how 'activation' works under the Retirement Plan where you have an existing Savings element.

Key Features of the Retirement Plan - Income

Moving from Savings to Income



- If you hold both non-protected rights and protected rights parts under the Income element and intend to take retirement benefits from your protected rights part using our 'Drawdown' facility or Short Term Annuity, DWP require that the protected rights part is not depleted at a greater rate than the non-protected rights part, i.e. the benefits taken from each part must be proportional. This is known as the 'proportionality' rule.
- As an alternative to withdrawing benefits from your Retirement Plan, at any point up to age 75, you can buy a lifetime annuity with the value of your Plan from another pension company or indeed us. This is part of the **Open Market Option**. Your financial adviser can provide details of how you can do this.
- There is a limit on the value of pension savings that you can accumulate in your lifetime, before you may have to pay a tax charge. This limit is known as the Lifetime Allowance and is set at £1.8m for the tax year 2010/2011.

  - Each time you transfer to the Income element the total value of your pension savings will be tested against the Lifetime Allowance.
  - If you subsequently purchase a lifetime annuity with the value of your Income element or if you transfer to an alternatively secured pension arrangement at age 75, the value of your pension savings will again be tested against the Lifetime Allowance.
  - In practice the Lifetime Allowance is high enough to not affect most people but please speak to your financial adviser for further details.

The **Open Market Option**, introduced in 1975 by the Government, allows a person approaching retirement to 'shop around' for a number of options to use the 'pot of money' that they have built up in their pension plan to purchase an income for their retirement, rather than taking one of the the options offered by their existing pension company.

Key Features of the Retirement Plan - Income

What are my income options?

Thinking about how to withdraw this income from your hard-earned retirement savings can be a difficult decision. With the Income element we've made the breadth of choices more comprehensive by offering a number of different income options all in one place. These include fixed income for the short term through our unique Short Term Annuity, income that you can adjust as your needs change through our 'Drawdown' facility and guaranteed income for your lifetime through purchasing our Lifetime Annuity. The table below provides further information on the 'Drawdown' and Short Term Annuity options.

Income Option	'Drawdown'	Short Term Annuity
Characteristics	Variable one-off amounts or regular withdrawals from the value of the Income element. Provides potential for underlying investments to benefit from investment growth.	Fixed, level income for a fixed period.
Duration	Can continue up to maximum age of 75 depending on rate of withdrawal and performance of underlying investments.	Choice of fixed term (in years and months) of between 12 months and 5 years.
Maturity	By age 75 you must have either bought a lifetime annuity with the remaining value of your Retirement Plan or transferred the full value of your Retirement Plan to an alternatively secured pension.	No value at the end of the chosen term.
Death benefits	See 'What happens on death?' section on page 11.	No lump sum death benefits. Income payments will continue to be paid until the end of your chosen term to either your nominated beneficiaries or your estate.

- **'Drawdown'**
  - Under the 'Drawdown' facility, income payments are not guaranteed for the rest of your life but you do have the flexibility to increase or reduce your income, within the limits allowed by the Government (see opposite). You may also change the frequency of payments at any time.
  - You can choose to withdraw your income from an individual Market Fund holding or to have your income withdrawal spread proportionately across all of your Market Fund holdings.
  - If there is not enough in your Market Fund holding(s) to cover your desired income you will have to either move money from the Savings element if you have one under your Retirement Plan or reduce your income.

- **Short Term Annuity**
  - You can invest in a Short Term Annuity to provide you with a fixed income for any period of between 12 months and 5 years. You will need to choose a term over which to have your income paid when you buy a Short Term Annuity.
  - The amount of income that your investment in the Short Term Annuity will buy will depend on several factors at the time that you invest, including the amount of money you invest to buy the Short Term Annuity, the term you choose, and market conditions such as interest rates.
  - Once you have invested, your income is guaranteed to be paid to you for the duration of your chosen term. You will not be able to increase or reduce the income paid from the Short Term Annuity or change the frequency of the income payment.
  - At the end of your chosen term when you have received all your income payments from the Short Term Annuity, your investment in the Short Term Annuity will have no value.

- You can also choose to defer taking income from your Income element to a time that suits you, for example if your personal tax rate reduces from the higher rate to the basic rate.
- HMRC sets out minimum and maximum income amounts that can be withdrawn from pension plans such as the Retirement Plan based on rates published by the Government Actuary's Department (GAD). We will calculate the maximum income that you can withdraw from the Income element of your Retirement Plan (including both Drawdown and Short Term Annuity) at least every five years to ensure that your income withdrawals remain within the limits allowed by HMRC. Please speak to your financial adviser for further details.

How often can I receive my regular income?

- You can choose how often to have your regular income paid by us at an interval best suited to you from one of the following:
  - Monthly
  - Quarterly
  - Half-yearly or
  - Yearly.
- We will pay your regular income under the option you have chosen to your bank or building society account. Your account must be a personal account in your name or a personal joint account. We cannot pay your income into a business account and we no longer offer payments by cheque. Regular income payments are subject to a minimum of £500 per year.

Can I make changes to my income choices?

Throughout your retirement, you can make changes to the way you receive your income from your Income element at any time subject to the limits set by the Government, but please note that income payments from our Short Term Annuity cannot be changed and must be paid until the end of your chosen term. You can make changes to your income choices by contacting us using the contact details on page 13.

Key Features of the Retirement Plan - Income

How is my income paid?

We will pay your income to you from your Income element via the **Bankers' Automated Clearing Services (BACS)** to your bank or building society account.

> **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.

What happens when I reach age 75?

Current legislation does not permit you to continue to withdraw money from your Plan beyond your 75th birthday. At this point you must use the remaining value of your Plan to either buy a lifetime annuity or transfer to an alternatively secured pension with another pension company (as we do not currently offer an alternatively secured pension arrangement).

What might I get back?

What you will get back is not always guaranteed and will be influenced by:

- How much you have invested
- The length of time you have held your Retirement Plan and when you take your income and/or tax-free lump sum from your Plan
- The investments you have chosen, how they have performed and - in the case of Defined Return Investments - whether you have held them until the end of their investment period
- Market conditions (in the case of the Short Term Annuity and Lifetime Annuity)
- The charges we have taken
- The rate of income tax you pay on any income you receive from your retirement savings.

What happens on death?

- Should you die whilst in receipt of retirement benefits from the Income element, the value remaining in your Income element will normally be passed as a lump sum to your spouse, civil partner or other nominated beneficiary after a tax charge - currently 35% - has been applied. You can nominate your beneficiaries when you apply for the Retirement Plan.
    - Alternatively, your beneficiaries could use the value of the Income element to buy an annuity. Depending on circumstances, they might be able to withdraw an income from the Income element. If there is no surviving spouse, civil partner or other dependants, the remaining value of your Income element will be paid to your estate less 35% tax.
    - If you have funds in a protected rights part under your Income element your dependants will normally have to use the funds to either continue drawing an income or to purchase an annuity. If there is no surviving spouse, civil partner or other dependants, the remaining value of the protected rights part will be paid to your estate (or any nominated beneficiary) less a tax charge - currently 35%.
    - Any income payable to a nominated beneficiary will be liable to income tax on the part of the beneficiary at the highest rate they pay through the PAYE system.
    - Please note, a Short Term Annuity cannot pay lump sum death benefits. Instead, income payments will continue to be paid until the end of your chosen term to either your nominated beneficiaries or your estate.
- If you additionally have funds invested in the Savings element, these will normally be passed as a lump sum to your spouse, civil partner or other nominated beneficiary free of inheritance tax. You can nominate your beneficiaries when you apply for the Retirement Plan.
    - Alternatively, you can request that we use the value of your Savings element to provide an income for your spouse, civil partner or dependants on your death.
    - You may be required to use the value of any protected rights within the Savings element to provide an income for your spouse, civil partner or dependants on your death.
    - If there is no spouse, registered civil partner or other dependants, the value of your Savings element will be paid as
    - a lump sum to your estate.
- The Lifetime Allowance also limits the lump sum death benefit payable from pension arrangements before a tax charge may apply. The total value of lump sum death benefits payable at the date of your death will be tested against the Lifetime Allowance. Please speak to your financial adviser for further details.
- Lump sum death benefits paid from your Retirement Plan to your estate may be subject to inheritance tax. However, this will depend on your circumstances.

Can I change my mind?

Transferring from other pension companies

- Each time that you apply to transfer an existing pension arrangement held with another pension company, you have the right to cancel the transfer.
    - Once we receive your application to transfer to the Retirement Plan, you will receive a notice telling you about your right to change your mind and how to cancel. You'll then have 30 days in which to cancel your transfer into the Income element. If you apply to transfer a number of different pension arrangements to the Retirement Plan all at once on one Application Form, you will receive only one notice telling you about your right to change your mind.
    - If you decide to cancel a pension transfer from another pension company, we will return the transfer monies (including any Initial Adviser Remuneration) to the transferring company, but please note that if the value of your chosen investment(s) has fallen in the meantime, we will return the value of your Income

element and not the full amount invested. The transferring company may not be willing to accept the transfer back, in which case you may request a transfer to another pension company. Where this happens the transfer monies will be invested in the Select Deposit Fund - a very low risk fund - until you have chosen another pension company.

Transferring from an existing Savings element under the Retirement Plan

- If you have an existing Savings element, each time that you apply to transfer funds from your Savings element you have the right to cancel the transfer.
    - After your Income element has been set up and your transfer has been allocated to your chosen investment(s), you will receive a notice telling you about your right to change your mind and how to cancel. You'll then have 30 days in which to cancel your investment into the Retirement Plan.
    - If you decide to cancel, we will return the transfer monies (including any Initial Adviser Remuneration) to your Savings element, but please note that if the value of your chosen investment(s) has fallen in the meantime, you will get back the value of your Income element and not the full amount you invested.
- If you do not exercise your right to change your mind, the money you invest must remain in the Retirement Plan or another pension scheme (if you subsequently decide to transfer the value of your Retirement Plan) until you choose to retire.

Investing in the Short Term Annuity

- At any point you invest in the Short Term Annuity within the Income element of your Retirement Plan you have the right to cancel your investment.
    - After your investment has been allocated to the Short Term Annuity, you will receive a notice telling you about your right to change your mind and how to cancel. You'll then have 30 days in which to cancel your investment into the Short Term Annuity.
    - If you decide to change your mind, we will surrender your Short Term Annuity and the proceeds (including any Initial Adviser Remuneration) will be placed into the Select Deposit Fund - a very low risk fund - until you have chosen another investment option. Please note that if market conditions have changed adversely, you may not get back the full amount you invested in the Short Term Annuity.
    - You will be required to repay any income that we have paid to you from the Short Term Annuity before we can place the surrender proceeds into the Select Deposit Fund.
    - After the 30 day cancellation period, you will have no further right to cancel your investment in the Short Term Annuity.
- If you do not exercise your right to change your mind, the money that you invest in the Short Term Annuity will be used by us to provide you with a regular income for your chosen term.

Is this a stakeholder pension scheme?

No, a stakeholder pension scheme is another type of pension plan. There are certain features that the Government stipulates that stakeholder pension schemes must have. These are to do with contribution levels, charges, and terms and conditions. Our Retirement Plan has different features.

For example the minimum contribution under a stakeholder pension scheme has to be set no higher than £20 per month. The minimum contribution under the Retirement Plan is £25,000 paid as a lump sum, and therefore the Retirement Plan cannot be classed as a stakeholder pension scheme.

Stakeholder pension schemes are widely available and may meet your needs at least as well as the Retirement Plan.

If you would like further information on stakeholder pensions please contact your financial adviser.

What pension arrangements can I transfer from other pension companies?

You can transfer existing pension arrangements into the Retirement Plan at any time as long as the transfer comes from a UK **registered pension scheme** or a **Qualifying Recognised Overseas Pension Scheme (QROPS)**.

A **registered pension scheme** is a pension scheme registered by HMRC that must comply with regulations relating to the amounts of contributions and retirement benefits that can be paid.

A **QROPS** is a pension scheme set up outside of the UK that is recognised by HMRC, regulated as a pension scheme in the country in which it was established, and recognised for tax purposes (retirement benefits must be subject to taxation).

If you are considering transferring an existing pension arrangement, you should ensure that you have fully considered the differences between your existing arrangement and the Retirement Plan. For example, you would lose any guaranteed benefits that you may have built up with your existing pension arrangement and may not be able to return to it once you have transferred. You should seek specific advice from your financial adviser on the suitability of a transfer.

Key Features of the Retirement Plan - Income

Can I transfer Protected Rights pension arrangements from other pension companies?
Yes, you can.

Can I 'contract out' of the additional State Pension using this Plan?
No, you cannot '**contract out**' using the Retirement Plan.

> To **'contract out'** is the means by which to opt out of the state additional pension and build up benefits in a pension scheme.

Further information on the additional State Pension is available from your financial adviser or at www.moneymadeclear.fsa.gov.uk.

Can I transfer my Plan?
You can choose to transfer the value of your Income element to a UK registered pension scheme or a QROPS at any time providing it is willing to accept the transfer. In certain circumstances there may be a delay in the transfer until investments are sold or mature.

No charges apply to transfer, but if you are invested in a Guaranteed or Structured Investment and transfer before the end of its investment term, you will not receive the defined return and you may get back less than you invested.

If you have purchased our Short Term Annuity within your Income element and apply to transfer before the end of its payment term, you must make sure that that the UK registered pension scheme or QROPS that you are transferring to will accept to make the remaining payments to you under the terms of the contract that you made with us. It is important to note that the Short Term Annuity must be transferred as part of a transfer of the Income element in whole, i.e. it cannot be transferred separately, and we reserve the right to refuse your request to transfer.

How can I keep track of my Retirement Plan?

- Every six months, we will send you and your financial adviser a statement summarising your Retirement Plan's value and any activity over the previous six months. You may also request this information from us at any time, free of charge. Our contact details are opposite.
- Each year you will also receive a Statutory Money Purchase Illustration (SMPI) which will show you the current value of your Retirement Plan and a projection of the income that this might provide throughout retirement.

Where can I find further details?
You can find further details about the Retirement Plan and the range of investments in the Retirement Plan Client Guide, Retirement Plan Policy Conditions, Select Investment Range, Select Investment List and Asset Rules documents. You can get these from your financial adviser or from our website at www.alicowm.co.uk.

Alternatively, please feel free to contact us using the contact details below.

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
Website:	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 above.

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 Retirement Plan.

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 or phone 0207 892 7300. Alternatively, you can contact the Financial Services Authority by visiting their website at www.fsa.gov.uk or phoning 0207 066 1000.

www.alicowm.co.uk

Wealth Management

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