

The Retirement Plan

Suitability Wording



For adviser use only

The following paragraphs are designed to provide generic information about Alico Wealth Management's Retirement Plan and may be of use to Independent Financial Advisers (IFAs) when drafting suitability letters.

No liability or responsibility is accepted by Alico Wealth Management for the use, or otherwise, of the statements in this fact sheet in any individual situation regarding the giving of advice by the IFA.

The IFA remains solely responsible for ensuring that the content of the suitability letter is appropriate and that it meets all legal and regulatory requirements.

Aims

The Retirement Plan is part of the Select Portfolio from Alico Wealth Management and is a new type of pension plan for investors between the ages of 17 and 75 that offers access to a wide range of investments. The main purpose of the Retirement Plan is to offer clients a tax-efficient way of saving for retirement and flexible income options in retirement.

The Retirement Plan can help provide flexible investment solutions for clients' retirement needs by enabling them, with the assistance of an IFA, to construct an investment portfolio to match their retirement investment objectives and attitude to risk.

Features/Benefits of the Retirement Plan

Flexibility with Savings and Income

The Retirement Plan consists of two elements - savings and income:

- The Savings element enables contributions to be made into a tax efficient environment where a range of investment options can be used to provide potential for growth within your required risk constraints.
- The Income element provides the flexibility to choose from an Unsecured Pension (USP) income or Short Term Annuity.

The Income element allows your remaining funds to stay invested whilst drawing your required income from your portfolio. Within the Income element Alico Wealth Management also offer a Short Term Annuity. This is designed to provide you with a guaranteed income of between 1 and 5 years in length.

With the Retirement Plan, Alico Wealth Management allows you to effectively mix and match all of these benefits to meet your long and short term income requirements, whilst allowing remaining funds to stay invested (if applicable).

Alico Wealth Management makes all of these options available in one place.

The Retirement Plan also makes available the functionality to move funds into a Lifetime Annuity available separately through Alico Wealth Management.

Death benefits – Savings

Should you die before you begin taking any retirement benefits from the Savings element of your Retirement Plan, the full value of your Plan will normally be passed as a lump sum to your spouse or other nominated beneficiary free of inheritance tax. You can nominate your beneficiaries when you apply for the Retirement Plan.

Alternatively, the value of your Plan could be used to provide either of the following:

- dependants' income
- a combination of lump sum(s) and dependants' income

Death benefits – Income

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.

Charges

As part of Alico Wealth Management's commitment to the Financial Services Authority's initiative on treating customers fairly and in preparation for the retail distribution review, the charges relating to the Retirement Plan are designed to be transparent and flexible. With this in mind, all of Alico Wealth Management's contracts give investors flexibility by removing all exit charges. In the case of Defined Return Investments early exit invalidates the guarantee and could lead to loss of capital.

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.

Fund Manager Charge

The fund manager will charge an Annual Management Charge (AMC) which will be taken into account in the prices of the mutual fund units, and therefore reflected in the unit prices of the Alico Choice Funds. However the fund manager will normally refund some of this charge back to Alico Wealth Management. This is because Alico Wealth Management will have negotiated a reduced AMC on behalf of its clients. Any refunds Alico Wealth Management receives will be placed into the fund. The effect of the AMC through Alico Wealth Management will therefore be lower than that of a direct holding with the fund manager.

Investment options - Overview

When you invest in the Alico Wealth Management Retirement Plan, you have the opportunity to choose from a wide range of investments offering different levels and types of risk and return. There are two types of investments - Market Funds and Defined Return Investments. Collectively these investments are known as the Select Investment Range.

The investment options currently available include:

- Alico Choice Funds - a 'best of breed' panel of around 100 funds from some of the leading investment companies in the world, carefully selected in conjunction with Morningstar Associates Europe Ltd ('Morningstar'), our investment research partner.
- Managed Portfolio Funds - a choice of portfolios with a number of different risk profiles, offering investors a simple way to invest into a well diversified portfolio of Alico Choice Funds:
 - 5 portfolios constructed by Morningstar, and
 - 5 portfolios where the investment strategy is managed by Alico Wealth Management's own in-house research team.
- Adviser Choice Funds - access to a selection of leading funds that are popular with advisers, complementing our Alico Choice Funds.
- Guaranteed and Structured Investments - providing defined returns and fixed investment periods at outset, enabling future capital and income needs to be planned for whilst hedging your clients' retirement savings against undue risk.

Investment options – Further detail

Combining investments

There are two types of investments available through the Retirement Plan - Market Funds and Defined Return Investments - offering different levels and types of risk and return. Collectively these investments are known as the Select Investment Range.

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. With the choice of investments available, you can tailor your investment to match the optimum balance of risk and return you desire.

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. Alico Wealth Management's rigorous research process gives you the reassurance that the funds you are investing in have been identified by Alico Wealth Management's team of experts as having strong potential to outperform other similar funds.

As part of Alico Wealth Management's commitment to ensuring the quality of the Alico Choice Funds they offer performance-related rebates. At the end of each quarter (March, June, September and December), they 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 does not achieve its top half performance objectives Alico Wealth Management will reduce the effect of the asset charge by 0.25% for the following quarter.

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 with advisers. These funds either operate in the same way as the Alico Choice Funds, or are specially constructed by Alico Wealth Management in conjunction with advisers. They do not meet all of the criteria required for inclusion in the Alico Choice Fund panel, but are included due to their popularity in the marketplace.

Market Funds - Managed Portfolio Funds

The Managed Portfolio Funds invest in a selection of Alico Choice Funds. The Managed Portfolio Funds are carefully constructed and regularly reviewed to provide a well-diversified portfolio designed to meet your investment choices. 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 can be used as a 'cash' holding within a portfolio, although it should be noted that the assets within the fund are short term in nature so in the current interest rate environment it may not be efficient to hold large proportions of your portfolio in this fund for long periods of time.

Defined Return Investments - Guaranteed Investments

The Guaranteed Investments offer different levels of return over a choice of fixed investment periods – as well as full capital protection – providing they are held 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, Alico 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.

Defined Return Investments - Short Term Annuity

Our Short Term Annuity is designed to provide you with a fixed income over a fixed period while leaving the remainder of your Retirement Plan untouched. At any time Alico Wealth Management offer a range of terms under their Short Term Annuity that cover periods (in years and months) from 1 to 5 years. The rates Alico Wealth Management pays will depend on market rates of interest and sometimes how much is invested, as well as Adviser Remuneration.

A Short Term Annuity has no value at the end of the chosen term and cannot pay lump sum death benefits. Instead, income payments will continue to be paid until the end of the chosen term to either your nominated beneficiaries or their estate.

About Alico

American Life Insurance Company (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 60,000 agents, brokers, financial institutions, and other points of distribution, and 12,500 employees across more than 50 countries, Alico services 20 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.

Alico's Financial Strength

As of 20 April 2010 Alico have been awarded an A+ rating by Standard & Poor's, A1 by Moody's Investor Service, A+ by Fitch Ratings and A by A.M. Best Company.

Risk for the Savings element

Most of the investment choices available under the Retirement Plan do not guarantee what you will get back and you may get back less than you invest into them.

Once Alico Wealth Management have set up your 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.

If you transfer a pension arrangement built up elsewhere, the benefits may not be comparable. Additionally, once Alico Wealth Management 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.

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.

Risks for Income element

Once Alico Wealth Management 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. At the end of the fixed period it does not return a capital sum.

The Retirement Plan Suitability Wording



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 Key Facts Document 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.