

Key Features

Of the Scottish Widows Annuity
(Standard and Enhanced)

Important information you need to read

Are you thinking about using the value of your pension to buy an income for your retirement? You can do that by buying an annuity with us or with another provider.

To help you decide if our annuity is right for you, read this key features document, and the enclosed quotation.

There are two main types of annuity – Standard and Enhanced. Both types of annuity take into account things like your age and where you live but an Enhanced Annuity also takes into account your health and lifestyle. If you have a medical condition, or a lifestyle factor such as being a smoker or overweight, you might qualify for an Enhanced Annuity, which could provide you with a higher income than a Standard Annuity. If you have an adviser, they should compare the rates we send to them and offer you the highest rate.

Its aims

- To give you a guaranteed taxable income for the rest of your life.
- To give you the choice to provide an income to a dependant, in the event of your death, for a named spouse, registered civil partner or another dependant. With this option the amount of guaranteed income you get will be less.

There's more information about the aims in the questions and answers section.

Your commitment

- To buy an annuity with some or all the value of your existing pension plan or plans (you can combine more than one plan to buy an annuity if you haven't already started taking an income from any of the plans).
- To make sure your answers to any personal, medical and lifestyle questions are accurate and complete.
- You must tell us if your permanent residence changes. If you live outside the UK, talk to a tax adviser in your country to understand the tax rules and how they might affect your annuity.

Risks

- Once you've bought an annuity it can't be changed, or cancelled after the 30 day cancellation period, even if your circumstances change. See, 'Can I change my mind?' in the Q&A for further details on your cancellation rights.
- **If you buy an Enhanced Annuity, and you give inaccurate or incorrect answers to medical and lifestyle questions we may reduce your income backdated to the start of your annuity.**
- If you choose an income that doesn't increase, or one that increases at a rate lower than the future Retail Prices Index (RPI), inflation will reduce

what you can buy with it. For example, if you choose a fixed annuity income and the income is fixed at £1,000 per year, it will never increase to more than this amount. This means that over time, as the cost of most things increase, your £1,000 income will buy you less.

- When you die, your income will stop unless you've chosen an option to continue payments - see the section 'What other options are available to me with this annuity?' The total amount paid out may be less than the amount that was originally used to purchase the annuity. Choosing value protection or a guaranteed period can help protect against this.



Jargon Buster

Retail Prices Index

The Retail Prices Index is a measure of the level of price inflation in the UK. It does this by calculating the average increase in the prices of a broad range of goods and services. It does this monthly.

Inflation

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 2.0% each year
Today	£1,000
After 10 years	£820
After 20 years	£672

- If you choose an income that is linked to RPI it will vary in line with retail prices. If RPI is negative your income could go down. See 'What are my options for income payments with this annuity?' in the Q&A for more information.

The Financial Conduct Authority (FCA) is a financial services regulator. It requires us, Scottish Widows, to give you this important information to help you decide whether our annuity is right for you. You should read this document carefully so that you understand what you are buying, and keep it safe for future reference. Please read this document with the enclosed quotation.

Questions & answers

What are my options for income payments with this annuity?

- You can choose a type of income that suits you. Your income can:
 - stay at a fixed amount until you die, or
 - increase at a fixed rate each year, or
 - change each year in line with the Retail Prices Index (RPI). If RPI is negative, your annuity payments could reduce.

If you choose an income that increases at a fixed rate or in line with RPI it will start at a lower level than one that remains at a fixed amount.

- You can choose for your income payments to be monthly, quarterly (every three months), half-yearly (every six months) or yearly. These can be made:
 - in advance, where the first payment will be made as soon as possible after your annuity has been set up, or
 - in arrears, so for example if you choose monthly payments the first payment would be one month after your annuity's been set up.

What other options are available to me with this annuity?

Guaranteed period

- You can choose to have your income paid for a minimum period of time known as a guaranteed period. The guaranteed period is usually between 0 and 30 years. Some Scottish Widows plans may offer less than 30 years. This guarantee means that when you die your income will continue to be paid to anyone who is entitled to receive it until the guaranteed period ends.

Value Protection

- If you're buying your annuity through a financial adviser or intermediary, and do not wish to have a guaranteed period, you can choose instead to protect up to 100% of the amount used to buy the annuity. This is called value protection and can pay a lump sum when you die. If you choose a dependant's income (see 'Dependant's income'), any value protection lump sum would only be paid after both you and your dependant have died.

- A value protection lump sum will be equal to the protected amount minus the total income payments paid to you and any dependant (before tax) under the annuity. If these total income payments are greater than the protected amount, no value protection lump sum will be paid.
- You can tell us who you would like to receive any lump sum but we will decide who to pay it to (see 'What about tax?' for information).

Dependant's income

- You can also choose to have up to 100% of the income you receive paid to your surviving spouse, registered civil partner or another dependant after you die. It can only be paid to the dependant that you chose when you set up the annuity and can't be changed.
- If your dependant dies before you, the annuity will end on your death and no dependant's pension will be paid.
- If you choose a guaranteed period as well as a dependant's income, you'll need to choose if, in the event of your death, their income is 'with overlap' or 'without overlap':
 - 'with overlap' – If you die within the guaranteed period, the dependant's income will be paid alongside the guaranteed payments until the end of the guaranteed period. Once this period has ended, the dependant's income will continue until the death of the dependant.
 - 'without overlap' – the guaranteed payments will continue until the end of the guaranteed period, at which point they will cease and the dependant's income would then begin.
- If you choose a guaranteed period, value protection or a dependant's income, your income will be lower than if you didn't choose these. You can choose a guaranteed period or value protection but not both.

How much will my income payments be?

- The amount of income you get will depend on various circumstances when your annuity is bought. For example:
 - interest rates
 - your age
 - life expectancy
 - the type of income you choose
 - your main residential postcode
 - for an Enhanced Annuity, the personal, medical and lifestyle information supplied.
- Your quotation will show you the income you will get. If you choose a fixed amount until you die, remember that the effect of inflation will reduce the future buying power of your income.

How do you check my health and lifestyle?

- If you have an Enhanced Annuity, within six months of your application, we may check the health and lifestyle information you gave us. To do this, we may ask your doctor to complete a report.
- Depending on the results, we may need to gather further evidence. For example, if you stated that you are a smoker, we may ask you to undergo a simple test to confirm your smoker status.

What happens to my income when I die?

- Normally, your income will stop when you die.
- However, if you've chosen for your income to be paid for a guaranteed period and you die before the end of the guaranteed period:
 - normally if you die before age 75, any remaining instalments will be paid free of income tax.
 - if you die on or after age 75, any remaining instalments will be paid net of income tax at the marginal rate of the receiver/beneficiary.
- If you've chosen value protection, we may pay a lump sum. See the section 'Value Protection' for more information about how we calculate the lump sum.
- If you've chosen a dependant's income when you took out your annuity and the dependant is still alive when you die, we'll start to pay them the income in line with your annuity conditions. If you die:
 - before age 75, any income paid to the dependant will be paid free of income tax.

- after age 75, any income paid to a dependant will be net of income tax at their marginal rate.
- The total amount of income paid to you and any dependant may be less than the amount that was originally used to buy the annuity. Choosing value protection or a guaranteed period can help protect against this.

What are the charges?

- The following charges can apply to your annuity if you've taken advice:
 - Any costs for advice and services from a financial adviser can be deducted from the annuity purchase price before the annuity is set up. If this applies to you, your quotation will include details of these.
 - If you've agreed to pay an adviser charge as a percentage of your pension fund, and your pension fund is different to what has been quoted, the adviser charge we pay will be different to the amount shown in your quotation.
 - Your financial adviser should make you aware of any changes to the amount of adviser charge paid and any impact on your income.
- The following charges can apply to your annuity if no advice has been taken:
 - Our charges, which we've taken into account when calculating the annuity shown in your quotation.
 - The cost of any commission paid to your adviser for helping you find and apply for your annuity. If commission is to be paid, it is already calculated and included as part of your quotation.

If you have any questions about charges, please speak to your financial adviser.

What about tax?

Lump Sum Allowance and Lump Sum and Death Benefit Allowance

- Amounts paid from your pension plans are normally taxable as income. However, some amounts can be paid tax free. These allowances limit the tax-free benefits that can be paid from all your pension plans.

Lump Sum Allowance (LSA)

- The total amount of tax-free lump sums you can take from all your pension plans will be capped at the Lump Sum Allowance, currently £268,275. If you have a protected tax-free lump sum or previously applied to HM Revenue & Customs for certain protections, you may be entitled to a higher amount.

Lump Sum & Death Benefit Allowance (LSDBA)

- The total amount of tax-free lump sums that can be paid from all your pension plans, including lump sum death benefits, will be capped at the Lump Sum and Death Benefit Allowance, currently £1,073,100. If you've previously applied to HM Revenue & Customs for certain protections, you may be entitled to a higher amount.
- Any lump sums taken in excess of these allowances will be taxable as income.
- Tax treatment depends on your individual circumstances. Your circumstances and tax rules may change in the future.

Tax-free cash

- When you take benefits from your pension you can normally take a quarter (25%) of the value as a tax-free lump sum. In some circumstances, a higher amount may be available.
- If you choose to do this alongside buying this annuity, your available Lump Sum Allowance and Lump Sum and Death Benefit Allowance will be reduced by the amount of tax-free cash that you take. Where the lump sum payment is in excess of the Lump Sum Allowance and/or Lump Sum and Death Benefit Allowance available, any payments made above the remaining allowance will not be tax free, they will be taxed at the marginal rate of the recipient.
- No tax-free cash can be chosen if you are buying your annuity from funds that are in income drawdown.

Your annuity income

- The income from your annuity will be treated as earned income and will be taxable.
- We'll deduct tax from each income payment before it's paid. HM Revenue & Customs will provide us with a tax code to work out how much tax to deduct.
- If you reside outside the UK, you should speak with a tax adviser in your country of residence to understand what tax rules may apply, and how they may affect your annuity.
- Your annuity income payments do not use up any of your Lump Sum Allowance or Lump Sum and Death Benefit Allowance.

Dependant's income

- When you buy this annuity, you can choose to have up to 100% of the income you receive paid to your surviving spouse, registered civil partner or other dependant upon your death.
- If you die before the age of 75, these income payments will be tax free. If you die on or after age 75, the payments will be taxable at the recipient's marginal rate.
- Dependant's annuity income payments do not use up any of their Lump Sum Allowance or Lump and Sum Death Benefit Allowance

Value protection

- If you choose to protect up to 100% of the amount used to buy your annuity through value protection a lump sum may be paid when you die. If you choose a dependant's income, any value protection lump sum would only be paid after both you and your dependant have died.
- If you've chosen Value Protection, any lump sum payable on death would count towards the Lump Sum and Death Benefit Allowance.
- If you die after 5 April 2027, any value protection lump sum will be included in your or your beneficiary's estate for Inheritance Tax purposes.
- We recommend that you seek specialist tax advice if you have any concerns about how taxation might affect a value protection lump sum.

If you die before age 75

- The lump sum will normally be paid tax free if:
 - You have sufficient Lump Sum and Death Benefit Allowance available; or
 - Your annuity was bought with funds that were crystallised before 6th April 2024; or
 - Your annuity was bought from drawdown funds designated before 6th April 2024.
- Otherwise, some or all of the lump sum will be taxable, normally at the beneficiary's marginal rate of tax (or at 20% for non-qualifying persons who are not subject to the higher or additional rates of tax, or at 45% if payable to a trust).
- It's the responsibility of the Legal Personal representative to check whether any tax is due on the lump sum.

If you die on or after age 75

- The lump sum will be fully taxable at the beneficiary's marginal rate.
- If it is payable to a trust or estate a Special Lump Sum Death Benefit Charge of 45% will apply.
- Your Lump Sum and Death Benefit Allowance will not be reduced by the value of the lump sum payment.

Do I have to buy an annuity at retirement?

- Before committing to buying an annuity, you should consider all the pension options available to you, such as taking a pension encashment or moving to an income drawdown plan. For more details on all your options at retirement, please speak to your financial adviser, or visit: **www.scottishwidows.co.uk/retirement**
- If you've received a guaranteed quote from us, and you provided your consent to do so, we'll also tell you if you can get a higher income from another provider.
- **We recommend you shop around before you make your final decision to make sure you get the best outcome.**
 - Many people will shop around for car and home insurance to get the best deal for them. You can do the same before you buy an annuity with your pension savings. You don't need to buy an annuity with us, even if you have saved money into your pension with us.
 - If you're an existing customer, you can ask us to look at other pension providers and tell you if they'll give you a better deal than we can. We'll need your permission for us to share your details with other pension providers. You can also shop around yourself or pay for an adviser to help you.
- **Before you make a decision about your retirement choices, and before taking any action, we recommend you get in touch with Pension Wise from MoneyHelper.** This free and impartial service helps you understand your options for using your pension savings. So, you can choose the right one for you. Provided by MoneyHelper, a government organisation, it offers clear and simple guidance online or over the phone. To find out more or book an appointment visit **moneyhelper.org.uk/pensionwise** or call **0800 011 3797**. In addition, or alternatively, you can seek financial advice. There is usually a charge for any advice given.

Can I change my mind?

- If a Standard Annuity or an Enhanced Annuity is bought with the proceeds of an existing Scottish Widows pension plan – you can change your mind and cancel the annuity, but only within 30 days of receiving our letter confirming that the annuity has been set up.
 - To cancel, the person named on the schedule should call or write to us (see 'How to contact us' for further details).
 - You'll need to return any income payments you've received from us.
 - You won't be able to repay us any tax-free cash that you chose to receive before the annuity is bought. The cancellation amount (the amount used to buy the annuity) must still be used to provide retirement benefits.
 - We won't refund any adviser charge that we've paid out.
 - We'll tell you which options are available to you.
- If the annuity is bought using funds transferred from another provider, or by using your open market option – you can change your mind and cancel the annuity, but only within 30 days of receiving the policy documents we send you when the annuity is set up.
 - To cancel, the person named on the schedule should call or write to us (see 'How to contact us' for further details).
 - You'll need to return any income payments you've received from us.
 - You won't be able to repay any tax-free cash that you chose to receive from your previous pension provider (if you exercised your open market option) or from us (if you transferred your pension to us) before the annuity is bought.
 - We'll refund the amount used to buy the annuity to the previous pension provider if it's possible to do so. The previous provider may decide not to accept the refund. If that happens, you'll need to buy an annuity elsewhere or buy drawdown with us or another provider. We won't refund the amount of any adviser charge that we've paid out.

In both cases your annuity can't be cancelled after the 30-day cancellation period has come to an end.

Other information



How to contact us

Your financial adviser will normally be your first point of contact. If you've any questions about your plan, or any changes you want to make to it, please contact us. You can phone us, or write to us.



By phone

Call us on:

0345 757 3494

during the following times:
Monday to Friday, 9am–5pm.

We may record and monitor calls to help us to improve our service.



By website

www.scottishwidows.co.uk



By post

Scottish Widows
Annuities
Swindon
SN80 1AA

Please note that if you buy an annuity with us, the contractual terms will be supplied in English, and we'll communicate with you in English.



Terms and Conditions

If you are buying an annuity with the proceeds of an existing Scottish Widows pension policy.

These Key Features give a summary of our annuity. Further details of the benefits, charges and conditions are given in the product literature, Scheme Rules and Terms and Conditions, which are available from us.

We can change some of the terms and conditions at any time. We'll write and explain if this affects your annuity.

If you're buying an annuity using funds transferred from another provider, or by using your open market option.

Once your annuity has been set up, you'll receive a policy document, including a Terms and Conditions booklet.



Law

- For legal purposes the law of England & Wales, Scotland or Northern Ireland will apply, according to where the benefits are payable under the pension scheme.
- This information represents Scottish Widows' interpretation of the law and HM Revenue & Customs practices as at date of publication. Changes to tax rules and other laws may affect the contract terms.
- We may ask a UK court to allow us to transfer all our rights and obligations under this policy to another insurance company. We'd write and explain if this were to happen. Your income would not be affected.



How to complain

If you ever need to complain, please contact us. If you're not satisfied with our response, you can complain to:

**The Financial Ombudsman Service,
Exchange Tower, London E14 9SR**

Tel: **0800 023 4567**

Email: **complaint.info@financial-ombudsman.org.uk**

Website: **www.financial-ombudsman.org.uk**

Complaining to the Ombudsman won't affect your legal rights.

Financial Services Compensation Scheme (FSCS)

Your plan with Scottish Widows is fully covered by the Financial Services Compensation Scheme. More information about compensation arrangements is available from the Financial Services Compensation Scheme, who can be contacted on **0800 678 1100** or **0207 741 4100** or via their website at **www.fscs.org.uk**



Financial Services
Compensation Scheme

Solvency and Financial Condition Report (SFCR)

Our SFCR provides information on the performance and management of our business, including its financial strength. It's produced each year and is available on our website at: **www.scottishwidows.co.uk/about_us/financial_information/solvency-ii-returns/**



**If you need
extra help**

You can find extra help and support at **www.scottishwidows.co.uk/extra-help**

If you would like a braille, large print or audio version of this document, please contact us.

If you have a hearing or speech impairment you can contact us using the Relay UK Service available 24 hours a day, 7 days a week. Or you can call using textphone on **18001**.

SCOTTISH WIDOWS