

Your pension annuity policy **a reminder of some important facts**



What is a Pension Annuity policy?

Your Pension Annuity policy is a tax-efficient way of building up a pension pot to provide you with pension benefits in your retirement.

The options available to you are included in the **What choices will I have when I come to take my pension benefits?** section.

Do I get tax relief on my pension contributions?

To encourage people to save for their retirement, the Government gives income tax relief on your pension contributions. You should claim the tax relief through your Self Assessment tax return if you complete one, or by asking H.M. Revenue and Customs to adjust your PAYE (Pay As You Earn) tax code if you don't.

Tax treatment depends on individual circumstances and may change in the future.

Are there any limits on how much I can save into my pension(s)?

There's no limit on how much you can save into your pension(s) each year. But there is a limit to the amount you'll get tax relief on. This limit is the greater of:

- £3,600, or
- 100% of your relevant UK earnings.

Annual Allowance

The Annual Allowance is the most you can save into your pension(s) each tax year (6th April to 5th April) before you have to pay tax. This includes contributions made on your behalf by someone else, such as an employer. The Annual Allowance is currently £60,000 (2025/2026 tax year) although a lower allowance may apply if you have:

- an income in a tax-year of more than £200,000;
- flexibly accessed pension savings from another pension plan under the Pension Freedoms. In this instance, your limit is reduced to £10,000. This reduced limit only applies to contributions made into money purchase (defined contribution) pensions, and is known as the Money Purchase Annual Allowance.

We recommend that you get independent financial advice from a regulated financial adviser. Financial advisers normally charge you a fee but they should let you know in advance how much their services will cost. If you don't have a financial adviser, you can get help finding one on our website. Just visit www.royallondon.com/find-a-financial-adviser

Lump sum allowance

Under pension rules, the lump sum allowance, usually set as £268,275, limits the amount of tax-free cash you can access from your pension plan. Normally 25% of the benefits you take can be paid tax-free, with an overall maximum limit of your remaining lump sum allowance. Payments above this are subject to tax at your marginal rate of income tax. You may have protection that allows you to take more than this – your policy documents will tell you if this is the case.

The total of all tax-free lump sums, including tax-free lump sum death benefits and serious ill-health benefits, will be tested against a lifetime limit, set at £1,073,100. Any lump sums paid above this level will be taxed at the individual's or beneficiaries' marginal rate of income tax. This is known as the lump sum and death benefit allowance (LSDBA).

However, if you have a protected right to a higher amount of tax-free cash you'll continue to be able to access this right.

Where does Royal London invest my pension contributions?

We invest your contributions, together with the contributions of other with profit policyholders, into the RLCIS OB & IB Fund, referred to here as the with-profits fund. The with-profits fund's investment strategy is to achieve growth by investing in a wide range of assets, comprising UK and overseas shares, government and other bonds, property, cash, and other investments.

We aim to pass on a share of the with-profits fund's investment returns to you. We do this by adding annual and final bonuses to your policy.

Once added, we guarantee we'll pay the annual bonuses to you at your Selected Retirement Date. This is the date that you originally stated you'd like to take your pension benefits and is the date shown on your annual statement (unless subsequently changed).

However, please note that the addition of bonuses depends on the fund's performance and there is no guarantee that we'll add future bonuses to your policy. We'll also deduct a small amount from each bonus to cover the costs of managing your policy.

We explain how we manage the with-profits fund in the Principles and Practices of Financial Management (PPFM) of the RLCIS OB & IB Fund document available on our website at **royallondon.com/PPFM**. Go to the RLCIS section and then select RLCIS OB & IB Fund PPFM.

PPFM changes

There have been a few small updates to PPFM Practices to improve clarity but they remain materially the same.

Investing responsibly

As the UK's largest mutual life, pensions and investments company*, we're committed to acting and investing responsibly. Visit **royallondon.com/responsiblebusiness** to read our latest report on our climate change commitments and the progress we've made so far in line with our requirements under the Taskforce on Climate-related Financial Disclosures (TCFD).

Does my policy have any guarantees?

Your Pension Annuity policy was written to provide you with a guaranteed regular income at your Selected Retirement Date as long as you pay all your pension contributions up to that date. This regular income is known as your Basic Annuity.

You could also receive a lump sum, linked to your Basic Annuity, at your Selected Retirement Date.

On your Selected Retirement Date if you use your pension pot to buy a regular income from Royal London, we guarantee to pay you your Basic Annuity and any bonuses we've added.

When can I take my pension benefits?

Pension benefits can normally be taken from age 55, even if you're still working. But if you're unable to work because of poor health then you may be able to take your benefits earlier.

*Based on total 2022 premium income. ICMIF Global 500, 2024

From April 2028, the Government is increasing the normal minimum pension age from 55 to 57. This will become the earliest age that most people will be able to access their pension savings. You should consider how this change may affect your retirement plans.

We'll write to you in the months leading up to your Selected Retirement Date to inform you of your retirement options, unless you contact us to request an earlier retirement date.

If you take your pension benefits before age 60 you will lose the policy guarantees described above.

What choices will I have when I come to take my pension benefits?

The choices available to you may change between now and when you come to take the benefits from your pension pot. But at the current time you can choose any of the following options.

- You can use your pension pot to provide a guaranteed, regular income for life (also known as a lifetime annuity). A quarter of your pension pot can usually be taken as a tax-free lump sum and any other payments will be taxed as earned income.
- You can take all of your pension pot in one go as a single lump sum. A quarter of your pension pot can usually be taken tax-free and the rest will be taxed as earned income.
- You can leave your pension pot invested and take it more flexibly. You could take it as a number of lump sums. A quarter of each lump sum is normally paid tax-free with the rest taxed as earned income. Alternatively, you could take it as a flexible income where a quarter of the whole pot can be taken tax-free with all future payments taxed as earned income in the tax year in which they are taken. At any time you can use any remaining pension pot to provide a guaranteed, regular income for life.
- You don't have to take your pension pot when you reach your Selected Retirement Date. You can choose to keep it where it is and then take it at a time that best suits you. Delaying taking your money may give your pension pot a chance to grow but it could also go down in value too. Your Royal London pension policy allows you to delay taking your pension pot until age 75.

Not all the above options may be available to you under your Pension Annuity plan and you may need to move to a new pension plan to get the option that you want.

As you approach your Selected Retirement Date we'll send you a pack outlining the options available to you and the action you need to take.

To help you understand your options and make the right choices, the Government provides a free and impartial guidance service – Pension Wise.

We strongly recommend that you use this service to help you understand your options and make the right decision. You can access Pension Wise online by visiting moneyhelper.org.uk/pensionwise or by calling them on **0800 138 3944**.

This service won't provide advice or recommend specific products or providers. If you feel you need advice, we recommend you talk to a regulated financial adviser. If you don't have a regulated financial adviser, you can get details of local financial advisers by visiting royallondon.com/find-a-financial-adviser. Advisers may charge for providing such advice and should confirm any cost to you beforehand.

What happens if I die before I take my pension benefits?

If you die before you take your pension benefits, we'll pay a lump sum to your beneficiaries at least equal to all the pension contributions you've paid into the policy plus compound interest. The value of this death benefit may be lower than the amount available to you when you take your pension benefits.

If you die *before* the age of 75, it will normally be paid tax free. Anything that is over the lump sum and death benefit allowance would be taxed at your beneficiaries marginal rate of tax.

If you die *after* the age of 75, pension benefits paid to an individual will be taxed as income at their marginal rate. If the pension benefits are paid to a trust or company, tax at 45% will be deducted before payment is made.

Can I transfer my policy?

You can transfer your policy to another pension product at any time before you take your pension benefits. We won't charge you for doing this.

However, if you do transfer your policy you'll lose the policy guarantees described earlier.

We recommend that you speak to a regulated financial adviser before you transfer your policy.

Can I stop paying my pension contributions?

You can stop paying your pension contributions at any time, but this will reduce your Basic Annuity. Any future bonuses will also be based on this reduced amount.

Additional information

This guide is a short reminder of the main features of your Pension Annuity policy. For more detailed information, you should refer to the policy document we sent to you when you took out your policy, together with any policy endorsements. In the event of any conflict between this guide and the policy document, the policy document will prevail.

If you need more information contact our Customer Contact Centre

0345 605 7777

Monday to Friday 8am to 6pm
(excluding bank holidays)

**We are happy to provide your documents in alternative formats
such as braille, large print and audio.**

**Please call us on 0345 605 7777. Lines open Monday to
Friday 8am-6pm (excluding bank holidays).**



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