For customers

TargetPlan Income Account for Beneficiaries

Member guide

Pensions | Investments | Protection

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Introduction

This guide to the TargetPlan Income Account for Beneficiaries provides you with an explanation of this income drawdown product and outlines the risks involved.

There are a number of things to consider before you open a TargetPlan Income Account for Beneficiaries. These are explored in further detail in this guide.

This guide should be read together with your **Policy Document**, **Investment Options booklet** and **Key Features**, which you'll receive when you apply to open an Account; they're also available on request. **If there's anything you don't understand, or if you're not sure whether the TargetPlan Income Account for Beneficiaries is suitable for you, we recommend that you get advice from a financial adviser to help you understand your options.**

Getting guidance and advice

Pension Wise

Pension Wise is a government service that offers you guidance (online, over the telephone or face to face) to explain what options you have and help you think about how to make the best use of your pension savings. Their website is – **pensionwise.gov.uk** – or call them on 0800 138 3944 and request a telephone or face to face consultation.

Financial advice

Financial advice and guidance is highly recommended to help decide the best course of action for you and your circumstances. You may have to pay for any advice. If you don't already have a financial adviser you can find one through The Money Advice Service. This government-sponsored financial guidance organisation can also help with debt advice, money and pensions.

Income drawdown

Income drawdown gives you the flexibility to choose how much income you'd like and how often you'd like to receive it. But you do need to consider your investment choice and how long your income needs to last.

Background

A TargetPlan Income Account for Beneficiaries enables you to;

- Leave the pension fund you've inherited invested for future potential growth.
- Stay invested and take regular income payments from your Account at a level and frequency of your choosing.
- Defer taking an income from your Account until you need it.

This is a flexi-access drawdown Account - generally known as income drawdown. Income drawdown is an alternative to receiving a one-off lump sum from your benefactor's pension scheme.

The level of income isn't guaranteed. There's a chance that you may need to reduce your income in the future, in particular if the performance of your investments is lower than expected, or you live to a greater age than originally anticipated when choosing your initial income level.

Drawdown will reduce the size of your fund and the investment growth may not be sufficient to maintain the level of income you wish to draw. If you withdraw money at a rate greater than any potential growth achieved by your investments, your remaining fund will reduce in value. The level of income you take will need to be reviewed if the fund becomes too small – this is more likely the higher the level of income you take.

The income you receive may be lower than the amount you could receive from an annuity, depending on the performance of your investments.

The rules governing how much income you can take directly from your fund may change. This could mean that the income you can take from the fund no longer meets your requirements.

Income payments and taxation

You need to consider the implications, and limitations, of the decisions you make, now and in the future.

Income payments

Amount

You can choose an income amount. It may be a one-off income payment or a regular income payment. You can vary the amount of your regular income by giving at least one month's written notice before the due date of the next payment.

Income payments can only be made on the 24th of each month (or the immediate working day prior to that date). There's a period of up to 15 working days before this date, when changes cannot be made to the level of your income payment. If we don't receive your instruction in time to make the change to the income payment for the current month, we'll make the change from the next available payment date.

Please bear this in mind when you request changes in your income payment and give us sufficient notice if you need your income payment to change from a particular payment date.

Frequency

You can choose to receive your regular income on a monthly, quarterly, half-yearly or yearly basis.

You can also request one-off payments, subject to a maximum of 12 one-off payments in each year. One-off payments will be paid with any regular income payments from the next available payment date.

All payments are subject to a minimum amount of £10 before tax. We cannot pay amounts less than this.

Payment

We can only make payments by direct credit to your bank account.

Stopping income drawdown

Once you've elected income drawdown, it must continue until:

- your death;
- your Account runs out of funds;
- you decide to use the remaining balance of your Account to buy an annuity from a company of your choice, or
- you transfer your whole Account to another provider and continue taking income drawdown.

Taxation

Income

The income you take from your Account is generally payable tax free. It'll be taxed as income if the person you inherited the funds from (the benefactor) was 75 or over when they died.

Your income payments may also be taxable if your benefactor was a member of the pension scheme (not a beneficiary themselves), and it took more than two years for the inherited funds to be paid to your Account after the pension scheme became aware of your benefactor's death.

If you transfer inherited funds from any other pension schemes into your Account, different tax treatment may apply to those transferred funds.

Investments

Any growth in your TargetPlan Income Account for Beneficiaries is free of UK income tax and capital gains tax.

Lifetime allowance

Everybody has a limit on the amount of pension savings they can build up in their lifetime without incurring a tax charge - this is known as the lifetime allowance. Details about the lifetime allowance can be found at – www.gov.uk/tax-on-your-private-pension/lifetime-allowance

The funds you've inherited don't count towards your lifetime allowance.

Annual allowance

Everybody has a limit on the amount of contributions that can be made to a pension scheme in a tax year, without incurring extra tax charges. This is known as the annual allowance - more information can be found at – www.gov.uk/tax-on-your-private-pension/annual-allowance

Taking income from this Account does not cause you to become subject to the money purchase annual allowance.

General

This information is based on our understanding of current taxation law and HMRC practice, which may change.

How your money is invested

Your Investment Options booklet provides details of your investment choices but here's a short introduction.

Investment funds

We offer a wide range of investment funds. These funds cover most investment sectors in the UK and abroad. The fund(s) you choose to invest in will have specific risks.

Each fund has an annual management charge. These charges are expressed as an annual percentage but are calculated and deducted on a daily basis.

When you take out a TargetPlan Income Account for Beneficiaries, you'll need to tell us which fund or funds you want your inherited funds to be invested in and in what proportions.

The whole of your Account will be valued on a daily basis.

Please see your Investment Options booklet for more information on:

- all of your investment fund options;
- the charges for each fund;
- the specific risks of the available funds, and
- switching investment funds.

For advice as to whether a fund is suitable for you, please speak to a financial adviser.

How your Account investments are used to take income payments

Income payments will be made by disinvesting (selling) units in the investment funds you specified in your last instruction to us. When you first request an income payment, you'll need to tell us which funds the income payments should be paid from.

Units will normally be disinvested from the funds you've instructed us you wish your income to be paid from and in the proportions you've chosen.

To pay your income, we'll automatically disinvest funds to provide the amount of income (before deduction of any tax that may be due) that you've chosen.

If a fund you've selected to pay your income is exhausted, you'll have to provide a new instruction. If no new instruction is received, we'll continue to disinvest units from the remaining selected funds, in proportion to the value of each fund holding at the time of the withdrawal.

If all of your selected funds have been exhausted, your income will cease.

You can, of course, change your instructions regarding funds to be disinvested if you wish.

If you require advice on which investment funds to disinvest from, please speak to a financial adviser.

After starting income payments

Choosing a TargetPlan Income Account for Beneficiaries isn't a one-off decision – you can, and should, review your circumstances regularly to make sure your decisions remain suitable for your income needs.

Review your Account regularly

Your circumstances might change after you start taking your income, so you should regularly review your situation with a financial adviser, for the reasons set out below:

- if you take too much income too soon your Account may run out of money before you want it to;
- if the amount of income you take from your Account is greater than any potential investment growth, the value of your Account will go down;
- the value of your Account is directly related to the value of the assets held within the investment fund(s) to which its value is linked so can go down as well as up in value. If the value of your Account goes down this may reduce the amount of income that you can receive in the future, and/or
- if you take an income from your Account at a rate that exceeds the rate of any investment return earned on your investments, the capital value of your Account will go down, maybe faster than you may have anticipated. This will affect your ability to continue drawing an income at the same rate.

Buying an Annuity

You can use your Account to purchase an annuity at any time.

An annuity is a contract sold by an insurance company designed to provide payments at specified intervals. The yearly amount of the annuity can be linked to a rate of inflation. We don't sell annuities, but you can buy an annuity from the provider of your choice. The annuity may be a short-term annuity (which is paid for a period of up to five years) or a beneficiary's annuity normally payable for your lifetime. Once you've bought a beneficiary's annuity, you can't change the basis you've set it up on. It's critically important to shape an annuity to meet your needs.

At the time you buy your annuity, the rates available and the options you select will affect your benefits considerably. Annuity rates can change significantly over short periods of time, both down and up so it's important to shop around. This could mean that your pension thereafter may be less than you hoped for

Transfers

Transfers out

At any time you may transfer all or part of your Account to another registered pension scheme (or qualifying recognised overseas pension scheme).

Transfers in

You may also transfer the value of benefits you've inherited from another registered pension scheme (or qualifying recognised overseas pension scheme) into your Account at any time, subject to us being able to accept it. We've not taken your personal circumstances into account, so you must always check first for any potential charges which could apply to the money being transferred, and for any guarantees that you might lose on transferring. If you're in any doubt, you should speak to a financial adviser.

Transferring a pension may not be the best option for you. You may lose features, protections, guarantees or other benefits - so make sure you compare products before transferring. It's up to you to decide if this is the right decision for you. If you're not sure, speak to a financial adviser - there may be a charge for this.

It's important to remember the value of your consolidated pension pot can still fall as well as rise and the final value of your pension pot when you come to take benefits may be less than has been paid in.

Any new funds you move your money into will have their own set of risks that will be detailed in the fund information available to you.

Payments on death

Your remaining Account value can be paid as a lump sum to your beneficiaries or, subject to meeting certain limits, the value of the Account may be paid to one or more beneficiaries to set up an Account in their own name, so they can receive an income.

Death before age 75

Any lump sum or income payments made following your death will normally be paid free of tax to your chosen beneficiaries.

Death aged 75 or over

Any lump sum or income payments will be subject to income tax at the beneficiary's marginal rate (the highest rate of income tax that they pay).

Contact us

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aegon.co.uk/targetplan

@aegonuk

Aegon UK

Aegon UK

Call charges will vary.

If contacting us by email, please don't include any personal, financial, or banking information as email isn't a secure method of communication. If you decide to send information in this way, you're doing so at your own risk as there's no guarantee that any email sent by you to us will be received or remain private during transmission. Where secure online journeys are available, please login to complete these.

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