

For customers

# Aegon Retirement Choices – charges

Aegon Retirement Choices (ARC) is designed with you in mind. When it comes to charges, that means being clear on how much you'll be charged and why.

If your personal circumstances mean you need any additional support, or if you'd like a large print, Braille or audio CD version of this document, please call 03456 081 680 (call charges will vary) or visit [aegon.co.uk/support](https://aegon.co.uk/support)

This guide covers the charges that could apply to your investment with us – these charges apply as at October 2021. We may vary these charges in the future, if we do so we will let you know.

The charges and calculations shown throughout this guide are our current standard charges and calculation methods for individual investors only. Your own charges may vary from those detailed. To find out the charges that apply specifically to you please see your personal illustration. Once a year, we'll send you details of the costs and charges you've paid in the last 12 months.

If you've already taken out an ARC account, you can view your personal illustration by logging into your online account and viewing it in the document library. If you've not yet taken out an ARC account, your financial adviser will be able to explain the charges to you.

If you've invested in ARC through your workplace pension scheme, different charges may apply. Please view these on our website [aegon.co.uk/workplace-arc-charges](https://aegon.co.uk/workplace-arc-charges)

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## Contents

<b>ARC charges</b>	<b>3</b>	<b>Paying your charges</b>	<b>10</b>
Annual charge	3	About your cash facility	10
Drawdown fee	6	Paying fund charges	10
Gross GIA charges	6		
		<b>Adviser charges through ARC</b>	<b>11</b>
<b>Investment charges</b>	<b>7</b>	Initial adviser charge	11
Investment and fund charges	7	Ongoing adviser charge	12
Stockbroker fee	8	Ad hoc adviser charges	12
Other dealing related charges	9		
Discretionary fund manager charge	9		

# ARC charges

## Annual charge

Your annual charge is to pay for the administration of your ARC account.

Within your ARC account, you can hold different types of products. These are:

- self-invested personal pension (SIPP);
- individual savings account (ISA), and
- general investment account (GIA).

When calculating the annual charge, we look at the value of all your products.

## How much is the annual charge?

The table below details the charge. We base the charge **on the total value of your ARC account** and how much of that value falls into the different charging bands.

Charging band	ARC account value	Annual charge
1	First £29,999.99	0.60%
2	Next £20,000 (£30,000 to £49,999.99)	0.55%
3	Next £50,000 (£50,000 to £99,999.99)	0.50%
4	Next £150,000 (£100,000 to £249,999.99)	0.45%
5	£250,000 and over	0.00%

As you can see from the table above, we only take a charge on the first £250,000 of your ARC account value. Based on the charging bands in the table above, you'll never pay a total yearly charge of more than £1,215 a year.

## How often do we take the charge?

Even though it's an annual charge, we take the charge each month throughout the year. We take it on or around the first business day of the month.

## How do we calculate the annual charge?

On the first business day of the month, we'll look at the value of your ARC account on the last business day of the previous month. We'll then apply the percentages shown in the table on the previous page.

It's important to note that this charge will change month to month depending on the value of your ARC account.

The example below shows how we calculate the charges.

Let's assume the total value of your ARC account is £300,000 (£225,000 in a SIPP and £75,000 in an ISA) – this will take you over the five bands shown in the table on the previous page. We look at the charge from each band and use this total to work out the overall percentage charge we apply to your ARC account.

So the charge would be:

Charging band	ARC account value	Annual percentage charge	Value of account falling into band	Calculated yearly charge
1	First £29,999.99	0.60%	£29,999.99	£180
2	Next £20,000 (£30,000 to £49,999.99)	0.55%	£20,000	£110
3	Next £50,000 (£50,000 to £99,999.99)	0.50%	£50,000	£250
4	Next £150,000 (£100,000 to £249,999.99)	0.45%	£150,000	£675
5	£250,000 and over	0.00%	£50,000.01	£0
<b>Total</b>			£300,000	£1,215

So as you can see in the table above the total charge is £1,215 which means we'll apply an overall charge of 0.405% to your ARC account ( $£1,215/£300,000 \times 100 = 0.405\%$ ).

We apply this percentage to each of the products you hold within your ARC account and divide by 12 to calculate the monthly charge. In this example this would mean:

$$\begin{array}{l}
 \text{£225,000} \\
 \text{SIPP value}
 \end{array}
 \times
 \begin{array}{c}
 \text{0.405\%} \\
 \text{Annual} \\
 \text{percentage} \\
 \text{charge}
 \end{array}
 \div
 \begin{array}{c}
 \text{12} \\
 \text{Calendar icon}
 \end{array}
 =
 \begin{array}{c}
 \text{£} \\
 \text{£75.94} \\
 \text{SIPP monthly charge}
 \end{array}$$

$$\begin{array}{l}
 \text{£75,000} \\
 \text{ISA value}
 \end{array}
 \times
 \begin{array}{c}
 \text{0.405\%} \\
 \text{Annual} \\
 \text{percentage} \\
 \text{charge}
 \end{array}
 \div
 \begin{array}{c}
 \text{12} \\
 \text{Calendar icon}
 \end{array}
 =
 \begin{array}{c}
 \text{£} \\
 \text{£25.31} \\
 \text{ISA monthly charge}
 \end{array}$$

$$\text{Total} = \begin{array}{c} \text{£} \\ \text{£101.25} \\ \text{Total monthly charge} \end{array}$$

### Reducing your annual charge further

You may be able to benefit from a reduction to the annual charge if you have other eligible pension products with us. You may sometimes hear these pension products called 'off-platform assets'.

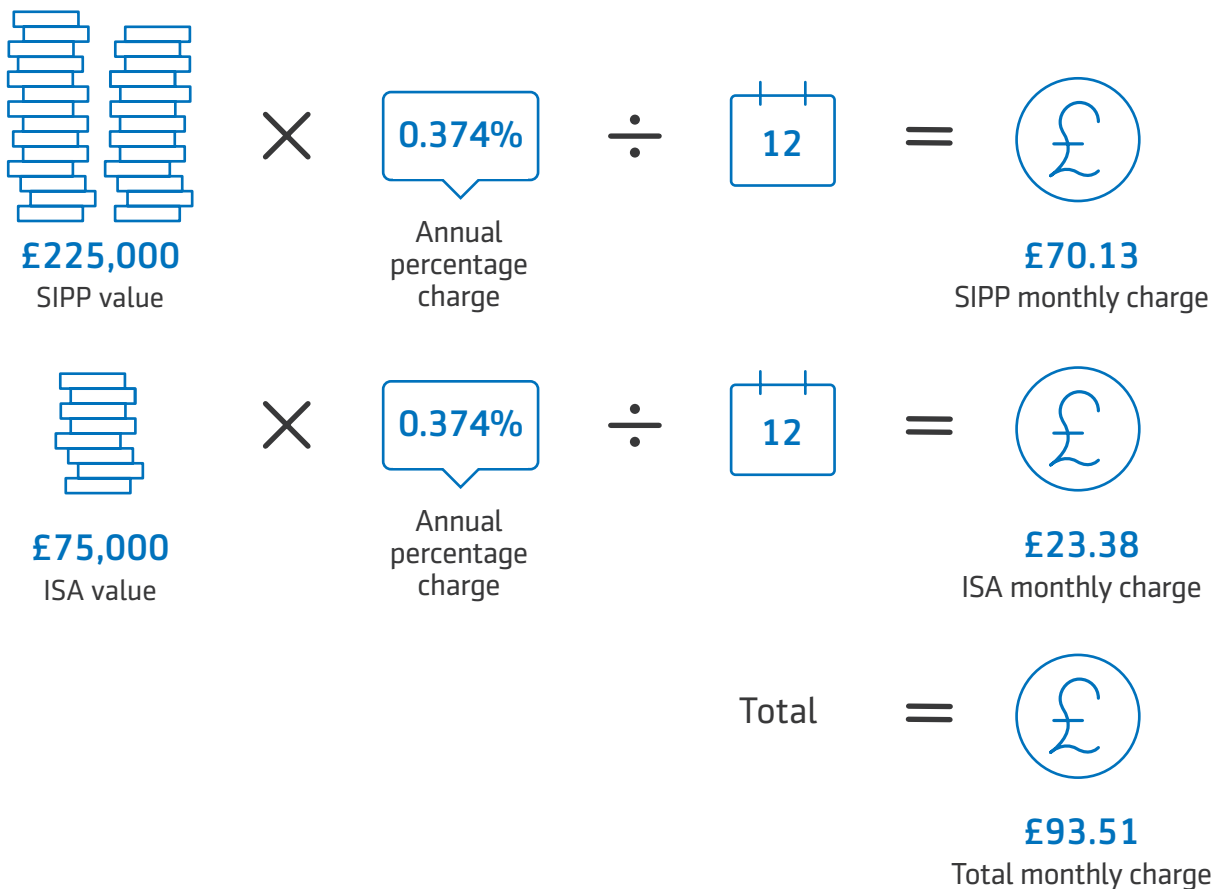
If you do have any other eligible pension products with us, we'll automatically include them when calculating your annual charge. You don't have to let us know about them.

Using the values shown in the earlier example, if you also had another eligible pension product with us with a value of £25,000 the annual charge percentage would reduce from 0.405% to 0.374%.

This is because although the overall yearly charge is still limited to £1,215. In this example, when you divide the £1,215 by the £325,000, including the value of the other eligible pension products, it gives a lower charge in percentage terms of 0.374%.

This doesn't affect any of the charges payable on your other pension products with us. It's only the value of all your pension assets with us that's taken into consideration.

So the charge we'd take from each of the products you hold in your ARC account would now be:



By taking into account other eligible pension products, the monthly ARC account charge has reduced from £101.25 to £93.51.

Your financial adviser will be able to tell you if you have any eligible off-platform pension products with us.

## Drawdown fee

It you choose to take an income (either regular or ad hoc) from your SIPP within your ARC account, there's a charge to cover the ongoing administration.

### How much is the charge?

The drawdown fee is £75.00 each year.

### How often do we take the charge?

We'll take this charge the first time you take an income payment and every year after that.

If you don't take any income in the year following your last income payment, there will be no charge.

The charge will become payable the next time you decide to take income.

### How do we calculate the charge?

It's a flat rate.

If you have more than one income stream from your ARC account, you'll only pay a single £75.00 charge. We'll take the charge equally across all the drawdown accounts you're taking income from.

## Gross GIA charges

You may find that some external product providers will charge you for investing in their products.

As these are other providers' charges and not ours, we're unable to provide details of these charges in this guide. Your financial adviser will be able to provide more information on this.

# Investment charges

## Investment and fund charges

These charges cover the cost of managing your funds or investments and checking they're performing as expected. It's sometimes known as the total expense ratio (TER) or ongoing charges figure (OCF). This charge applies to the following types of investments:

- insured funds;
- collectives;
- investment trusts, and
- exchange-traded funds (ETFs).

## How much is the charge?

The charge depends on the investments you and your adviser have selected.

You can find out which investments are available to you and how much they cost on our website [aegon.co.uk/fund-ranges](https://www.aegon.co.uk/fund-ranges)

## How often is the charge taken?

Charges are normally calculated daily and are taken directly from your investments. Some fund managers may have other frequencies.

## How is the charge calculated?

The charge is calculated as a percentage of the investments. It's taken directly which means it's already been taken into account in the unit price of your investments.

## When are unit prices calculated?

The unit price for a fund is calculated at every valuation point. The valuation point is the set time each day when the fund manager works out the unit/share price of a fund based on the value of all its assets. Different funds have different valuation points.

When you buy or sell units, we use the unit price at the first valuation point after we receive your instruction.

## How are unit prices calculated?

Unit prices are based on the value of all the fund's assets. Each of these assets may have a buying and selling price:

- The difference between these two prices will vary depending on the type of asset, how easy it is to trade and where in the world it's based. For example, cash deposits have no difference but commercial property has a large difference.
- In addition there's a range of costs to pay when buying or selling these assets such as stockbroker fees or stamp duty.
- The size of the difference between the two prices can change on a daily basis as investment conditions change.

There is a range of methods for calculating the prices of a fund that allow for all these factors:

- Each method has a different way of allowing for the costs of buying and selling the fund's assets to allow for when the fund is growing or reducing in size.
- Where the method used doesn't pass the full costs onto customers, either putting money into or taking money out of the fund, the costs can be paid from the fund. This will affect its potential performance.
- The funds available can be either dual priced or single priced.

### **What is dual pricing?**

- Dual-priced funds have two different prices, a price you buy units at (known as the offer price) and a price you sell units at (known as the bid price). The difference between these prices is called the 'bid offer spread'.
- This spread accounts for the costs of buying and selling the fund's assets. It protects ongoing investors from the costs of other investors buying and selling units.
- The size of the spread will differ between funds. It will tend to be larger for funds investing in commercial property, certain corporate bonds, smaller companies or emerging markets.
- Where this is the case, it could lead to a large difference between the prices at which you buy and sell units.

### **What is single pricing?**

- Single-priced funds have just one price, directly linked to the value of the fund's assets. You buy and sell all units in the fund at this single price.
- Each day, units in a fund have a single price for all investors buying and selling.
- High levels of buying or selling may increase the fund's dealing costs and affect the value of its assets. This is known as 'dilution', and these costs can reduce the fund value.

To protect ongoing investors from dilution the fund manager may do one of two things:

- Charge a 'dilution levy' on certain individual large purchases or sales, to cover the costs of those transactions.
- Make a 'dilution adjustment' by changing the price of all units, to cover the extra costs.

### **Stockbroker fee**

A fee will apply to every sale or purchase of:

- equities, and
- investment trusts.

#### **How much is the charge?**

The stockbroker fee is £15.00 for each sale or purchase.

#### **How often do we take the charge?**

It will apply to any sale or purchase. We'll take it from your cash facility. You can find out how this works on page 10.

#### **How much is the charge?**

The stockbroker fee is £10.00 for each sale or purchase.

#### **How often do we take the charge?**

It will apply to any full sale or new purchase. We'll take it from your cash facility. You can find out how this works on page 10.



## Other dealing related charges

### Stamp duty

Stamp duty will apply to equity and investment trust transactions.

### Panel of Takovers and Mergers (PTM) levy

A £1 PTM levy is charged for equity transactions over £10,000. The levy goes to the PTM.

### Investment entry and exit charges

Investment entry and exit charges may also apply. Please refer to either your Key Information Document, Key Investor Information Document or fund factsheet for details.

## Discretionary fund manager charge

If you decide to use a discretionary fund manager (DFM) to help you with planning your investments, we'll pay a charge to this manager on your behalf.

### How much is the charge?

The fees charged by DFMs vary. Your financial adviser will explain how much you're expected to pay.

### How often do we take the charge?

We'll take the charge from the cash facility of the product wrapper that you have appointed a DFM for. You can find out how the cash facility works on page 10. We take the charge monthly.

### How do we calculate the charge?

This is a percentage of the value of the assets the DFM is managing on your behalf. It's calculated using the value on the last business day of the month and deducted on or around the first business day of the following month. Your personal illustration will show you more details on this or speak to your financial adviser.

# Paying your charges

When we set up your ARC account for you, we'll automatically set up a cash facility for each product you have. The cash facility is where we deduct most of the charges from.

## About your cash facility

- You must hold a minimum balance of 0.25% of the value of your ARC account in your cash facility.
- It's up to you and your adviser to make sure there's always enough money in the cash facility to meet any charges due.
- Each month we'll check the minimum cash balance in the cash facility of your ARC account. If the amount held in your cash facility falls below 0.15% of the value of your ARC account we'll sell some of your investments, starting with the highest value investment to bring the balance back up to the minimum of 0.25%.

If there's not enough in your cash facility to pay any charges due, we'll sell some of your investments. How we sell the investments will depend on the value of the payment out. If the amount is:

- **less than 0.25% of the current value of the wrapper** - we'll sell enough from the the highest value investment in the product wrapper to meet the payment out.
- **0.25% or more of the current wrapper value** - we'll sell investments proportionately from the product wrapper to meet the payment out, meaning your investment allocation will stay the same.

Take a look at the examples below to see how this would work in practice if you have a product wrapper valued at £40,000, split as shown below:

Product wrapper split	Value
Fund A	£10,100
Fund B	£9,950
Fund C	£9,950
Fund D	£9,900
Cash facility	£100 (minimum cash value of 0.25%)
<b>Total product wrapper value</b>	<b>£40,000</b>

- **Highest value investment sale** - you're due a regular income payment of £90, which is less than 0.25% of the total value of your product wrapper. As a result, we'll automatically sell £90 from the valued investment in your product wrapper - Fund A.
- **Proportionate sale** - you're due a regular monthly income payment of £190, which is more than 0.25% of the total value of your product wrapper. As a result we'll sell investments proportionately across your product wrapper, as shown below:

Product wrapper split	Sale value
Fund A	£48.10
Fund B	£47.38
Fund C	£47.38
Fund D	£47.14

## Paying fund charges

Fund and investment charges on the investments you hold are taken by the investment manager and are reflected in the daily price of the investment.

We'll only take investment and fund charges from the cash facility if the investment manager asks us to. Your adviser will be able to tell you if this applies to any of your investments.

We take stockbrokers fees, dealing charges and DFM charges from the cash facility.

# Adviser charges through ARC

You and your financial adviser will agree how much you'll pay for the financial advice you receive. The good news is that we can facilitate these charges (known as adviser charges) through your ARC account if you wish.

If you and your financial adviser agree when you're setting up your ARC account to pay adviser charges, these will be clearly shown on your personal illustration. If you agree to add these at a later date, your financial adviser will provide you with the information to show how these will impact your ARC account.

There are three ways to pay your financial adviser.

- Initial adviser charge
- Ongoing adviser charge
- Ad hoc adviser charge

## Initial adviser charge

This can be a percentage of the amount you invest in your ARC account – whether that's a regular contribution, single contribution or transfer payment – or a set monetary amount.

We'll take any initial adviser charge from your cash facility that we spoke about in the [Paying your charges](#) section.

## Regular contributions

- We take initial adviser charge payments monthly and can be made up to a maximum of 36 months.
- If there isn't enough money in your cash facility to meet the payment, we'll automatically sell some investments, take a look at the [Paying your charges](#) section to find out more.
- We'll take the initial adviser charge after basic-rate tax relief has been applied, where relevant.

For example, if you pay a regular contribution of £160 per month into a SIPP, after basic-rate tax relief (currently 20%) has been applied this brings the amount up to £200 per month. If you agree to pay your financial adviser a 10% initial adviser charge from the regular contributions over 24 months, we'll pay your financial adviser £20 each month, so after 24 months we'll have paid your financial adviser the £480 you agreed with them.

## Single contributions and transfer payments

- The initial adviser charge is calculated on the amount of your single contribution, after adding basic-rate tax relief (if paid to a SIPP) where relevant, or transfer payment. We take the charge from the cash facility of your product after the single contribution or transfer payment has been added.

For example, if you pay a single contribution payment of £8,000 into a SIPP, after basic-rate tax relief (currently 20%) has been applied this brings the amount to £10,000. If you agree to pay your financial adviser a 3% initial adviser charge, we'll pay your financial adviser £300 (3% of the £10,000) from the £10,000 paid into the cash facility and invest the remaining £9,700 in the investments selected for your ARC account.

- If you take tax-free cash straight away, and you want to pay your financial adviser a percentage of the transfer payment, we'll calculate the initial adviser charge after deducting your tax-free cash (and any other charges we may have to deduct to meet any regulatory requirements).

For example, if you transfer £100,000 into your ARC account and you take 25% tax-free cash (£25,000) this leaves £75,000. If you agree to pay your financial adviser 3% initial adviser charge, we'll pay your financial adviser £2,250 (3% of £75,000) from the £75,000 paid into the cash facility and invest the remaining £72,750 in the investments selected for your ARC account.

Your financial adviser will be able to tell you if any charges are due to be deducted to meet any regulatory requirements.

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

## Ongoing adviser charge

If you've agreed with your financial adviser to pay them for ongoing advice and services through payment from your ARC account, this can be done through an ongoing adviser charge.

An ongoing adviser charge can be set up for the products you've agreed to pay your financial adviser a charge on. For example, you might agree to pay a certain level of charge for ongoing advice and services you're receiving on your SIPP and a different charge for advice and services you're receiving on your ISA.

- The ongoing adviser charge can be a percentage of the value of the product or a fixed amount – the frequency of payment is monthly.
- We can facilitate quarterly payments but only where you select to have the ongoing adviser charge as a fixed amount.
- You and your financial adviser should agree the frequency and level of payment. This can be changed in the future.

## Ad hoc adviser charges

This is a lump-sum payment you can ask us to make to your adviser from your ARC account. We'll make payment as and when we receive a request and there must be enough in the cash facility for this to be paid.

For more information about the charges that apply to ARC,  
please speak to your financial adviser.

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