

bestinvest

Key Features

of the Scottish Widows Stakeholder Pension Plan

Important information you need to read

Simply one of the most convenient and affordable ways to save for your retirement

A lot has been written about Stakeholder Pensions. A lot has been said. Understandably, in the midst of the coverage in the press and on television, you may have found yourself wondering just whose word you can trust.

Who better than Scottish Widows?

This pack includes everything you need to know about Scottish Widows Stakeholder Pension Plan. You'll find helpful the Key Features of the plan spelled out in plain English, and an application form for you to use when you've made up your mind.

The Key Features explain our Stakeholder Pension Plan and can help explain whether Stakeholder Pensions are right for you.

Before completing the application form you should read the Key Features and the introductory notes. We have not provided you with any advice on this plan. If you have any queries as to whether a Stakeholder Pension is suitable for you please contact your financial adviser. Please note there may be a charge for any advice given.

It may seem a long way off just now, but what do you see yourself doing in retirement? Travelling, indulging your hobbies, or maybe just taking a well-earned rest?

What you decide to do today could make a significant difference to your future.

You could spend up to a third of your life in retirement. If you think this sounds great then take some time to think how you'll maintain your current lifestyle without the income you get from your job. As well as not receiving your pay you'll probably have more free time when you retire than you currently have.

It is unlikely that the Basic State Pension will be enough to survive on, as it is £95.25 per week (tax year 2009/10), provided you have a full National Insurance contribution record. That is why more and more people are taking the initiative by starting their own pension or topping up an existing arrangement. To encourage you to do just that, the Government has come up with Stakeholder Pensions, a low cost, flexible and tax-efficient way to save for your retirement.

The Scottish Widows Stakeholder Pension offers you:

- a simple way to help you in your retirement with a pension
- at retirement there is currently the option to take a tax-free lump sum together with a proportionately reduced taxable pension
- the opportunity to take out a Stakeholder Pension for your partner and children
- flexibility to stop or change your payments whenever you like
- option to make payments even if you are not earning
- freedom to take your Stakeholder plan with you from job to job
- wide choice of investment funds
- yearly statements to keep you up to date.

and...

- low charges currently just 1 % each year of the value of your pension fund
- no other charges and no hidden extras
- benefit from tax relief on your payments
- the opportunity to start saving now with as little as £20
- the opportunity to pay, in any tax year, up to £3,600 (gross) or 100 % of your UK taxable earnings (net of basic rate tax), if higher, and receive tax relief

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Widows, to give you this important information to help you to decide whether our Stakeholder Pension Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference. These Key Features should be read with an illustration.

Its aims

- To build up a sum of money, in a tax-efficient way, that will be used to provide you with an income when you retire.

Your commitment

- To make the payments you agree to pay.
- To tell us if you are no longer entitled to receive tax relief on your payments.

Risks

- The value of your plan can go down as well as up.
- What you'll get back isn't guaranteed. It would be lower than illustrated if, for example:
 - you don't make all the payments;
 - investment performance is lower;
 - the cost of buying your pension is higher;
 - the charges are higher;
 - tax rules change.

- Your plan can invest in a range of investment funds that carry different types and levels of risk. For details of the specific risks that apply to each investment fund, please see our "Stakeholder Funds Guide" booklet. You should read this guide before making any investment decisions.
- In certain circumstances, there may be a delay if you ask to transfer the value of your plan or switch between investment funds.
- If you have little or no other retirement provision, the pension from this plan might reduce any benefit you receive from the Pension Credit. The exact effect will depend on the rules in place when you retire.
- If you change your mind within 30 days of receiving your cancellation notice and the value of your plan has fallen, the amount returned may be less than was invested.
- If you transfer from another pension plan, you could lose any guaranteed benefits and may not be able to return to it.

Questions and Answers

What payments can be made to my plan?

- Monthly, yearly and single payments can be made by you, an employer and other individuals. Transfer payments from other pension plans can also be accepted.
 - Minimum payments apply and can change from time to time, but only to the extent, if any, allowed for stakeholder pension plans. Please contact us for details.
 - You can change the amount of regular payments, or make additional single payments, at any time. You can decide to automatically increase regular payments each year. If you stop or decrease your payments, it will reduce what you might get back. You can ask us for further details.
 - There is no maximum limit on how much can be paid to your plan, although we can only accept payments from you that are eligible for tax relief. See 'What about tax?' for further details.
- If you use this plan to 'contract out' of the State Second Pension, part of your National Insurance contributions will be paid to your plan each year. For more details, see the "Key Features of the Stakeholder Pension Plan – Contracting Out".
 - If you're eligible to join an employer's pension scheme, you should consider whether it is more suitable for you before deciding to make any payments to this plan.

Jargon buster

The State Second Pension

The State Second Pension (S2P) is paid by the Government from State Pension Age. It is available to employees and certain other individuals, and is calculated based on National Insurance contribution history. The self-employed are not eligible for S2P.

Where are the payments invested?

- Payments are used to buy units in the investment funds you choose. We work out the value of your plan based on the total number of units you have in each fund. The value of your plan can fall as well as rise.
- We offer a wide range of unit-linked investment funds. You can find details of the aims, investments and risks of each fund in our “Stakeholder Funds Guide” booklet.
- You can invest in up to 10 funds at any one time. You can switch in and out of the funds to change the mix of investments, though there may be a delay in certain circumstances. Conditions may apply.
- It’s possible to set up regular switching in advance, and to automatically change where any future payments are invested.
- We may change the selection of funds that we make available and restrictions can apply.

Jargon buster

Units

‘Units’ are like shares of the fund.

The price of each unit depends on the value of the investments held by the fund, and the number of units in it.

- If you do not choose an investment fund(s), all payments will be invested in our default investment option. If this option applies to your plan, all payments will initially be invested in our Consensus Fund.
- Unless you instruct us otherwise we will gradually switch your investment over the five years before your chosen retirement date. We do this with the aim that your plan will be invested approximately 75% in our Pension Protector Fund and 25% in our Cash Fund at your chosen retirement date. Any payments into your plan from 5 years before your chosen retirement date will also buy units in these funds.
- The process of switching your investment between funds and changing where future payments are invested is referred to, by us, as ‘lifestyle switching’. It aims to provide some protection against adverse stockmarket movements close to retirement. ‘Lifestyle switching’ does not guarantee the value of your plan, which can still move up or down.

What choices will I have when I retire?

- The value of your plan will be used to provide a taxable income, either from us or another pension provider. It can be provided by either buying an annuity, or by transferring to an 'income drawdown' plan.

Jargon Buster

Annuity

This provides an income for life, the amount of which depends on circumstances when it's bought including:

- interest rates.
- your age.
- your sex.
- how long people are expected to live.

You can choose from different types of annuities.

- You can take up to 25% of the plan value as cash, currently tax-free, in return for a smaller income.
- You can normally start taking your income from age 55. In certain circumstances, you may be able to start earlier, for example if you're in ill health.

- You can normally choose to take your income in stages, either by buying annuities over a period of time, or by gradually transferring to an income drawdown plan. You must use the value of your plan to provide an income by age 75 at the latest.

Jargon Buster

Income drawdown

This type of plan allows you to keep the value of your pension fund invested, but take an income from it each year within limits set by the Government.

- Your illustration will give you an idea of what you might get back from your plan. Remember that the effect of inflation will reduce the future buying power of what you get back.

Jargon Buster

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 3% each year
Today	£1,000
After 10 years	£744
After 20 years	£553

What happens to the plan if I die before I retire?

- The value of your plan will be used to provide benefits to your dependants or beneficiaries.
- We'll normally pay the value as a lump sum, unless part of it has to be used to buy a pension for your husband, wife or registered civil partner – for example, because you've contracted out of the State Second Pension (S2P).
- If you've arranged your plan under trust, we'll pay any lump sum to the trustees. If it's not arranged under trust, we'll decide who to pay the lump sum to.

- If you die as a direct result of an accident before your plan has been running for five years, we'll normally pay either the value of your plan, or 120% of the total payments into your plan, whichever is higher. Please refer to your Policy Provisions to see if your plan has this benefit, and for full details, including the exclusions that apply.

What are the charges?

- We charge for managing and investing your plan. We take our charges regularly out of the value of your plan.
- Your illustration will show our current charges and how they could affect what you might get back.
- We have the power to change, at any time, most of the charges we make, but only to the extent, if any, allowed for stakeholder pension plans. We may use this power if our costs turn out to be unexpectedly high, compared to our charges.

Charges could increase if:

- a tax rule or law change increases our costs or decreases our income from charges;
- our staff or overhead costs are more than we anticipate; or
- our income from charges is less than we anticipate.

What about tax?

- We'll add basic rate tax relief to the regular and single payments you make. Each year, relief is available on payments which don't exceed your relevant UK earnings, or £3,600 if higher. If you're a higher rate taxpayer, you can claim additional tax relief via your self-assessment tax return. Any payments you make which are not eligible for tax relief will be refunded.
- Your plan won't receive tax relief on any payments made by an employer, or on transfer payments.
- The income you buy from the proceeds of this plan will be taxed in payment. If you decide to take a cash sum when you retire, it's normally tax-free. See 'What choices will I have when I retire?' for further details.
- If you die before you retire, no inheritance tax will normally be payable on the value of your plan. However, any dependants' income will be liable to income tax.
- Our pension investment funds are generally free of UK income and capital gains tax. However, we can't reclaim tax deducted at source from the dividends of UK company shares.

- Tax charges will normally apply if the Government's 'Annual Allowance' or 'Lifetime Allowance' is exceeded. Please see your illustration for further details.
- The value of tax benefits of your plan depend on your individual circumstances. Your circumstances and tax rules may change in the future.

Jargon buster

Relevant UK earnings

This means employment income, income derived from carrying on a trade, profession or vocation, and patent income.

Can I transfer my plan?

- You can transfer the value of your plan to another pension plan. You can normally do so at any time, however in certain circumstances there may be a delay. No charges apply.
- Your illustration gives examples of possible transfer values.

Can I change my mind?


- You can change your mind within 30 days of receiving your cancellation notice. If you don't want the plan, we'll return all payments less, for single and transfer payments, any fall in their value.
- If you change your mind it may not be possible to return the value of any transfer payment to your previous pension plan. You may have to take out a new plan.
- If you don't cancel, your plan will continue and we'll collect any payments you have agreed to make.

How will I know how my plan is doing?

- We'll send you a statement each year. You should regularly review your plan to check if it remains on track for your needs.
- You can check the unit prices of our funds on our website as detailed on page 10, or get an up-to-date valuation of the plan by contacting us.

How to contact us

If you've any questions, or any changes you want to make to your plan, please contact us.

 Call us on 0131 655 6000 during the following times:

Monday to Friday 8am – 6pm

Saturday 9am – 12.30pm

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

Fax number: 0131 662 4053

Website: **www.scottishwidows.co.uk**

Office address: Scottish Widows plc
15 Dalkeith Road
Edinburgh
EH16 5BU

- We'll communicate with you in English.

Other Information

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
South Quay Plaza
183 Marsh Wall
London
E14 9SR

Tel: 0845 080 1800

Email: **enquiries@financial-ombudsman.org.uk**

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

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

Terms and conditions

- These Key Features give a summary of the Scottish Widows Stakeholder Pension Plan. Further details of the benefits, charges and conditions are given in product literature, Scheme Rules and Policy Provisions, which are available from us.
- We have the right to change some of the terms and conditions at any time. We'll write and explain if this affects your plan.

Law

- For legal purposes the law of England and Wales will apply.
- This information represents Scottish Widows' interpretation of the law and HM Revenue and Customs' practices as at date of publication. Changes to tax rules and other laws may affect your contract terms.

Compensation

- We're covered by the Financial Services Compensation Scheme. It'll apply if we become insolvent and can't meet our obligations. Information about compensation arrangements is available from the Financial Services Compensation Scheme, who can be contacted on 020 7892 7300 or via their website at www.fscs.org.uk

SCOTTISH WIDOWS
preparation is everything
official pensions and investment provider



As part of the Lloyds Banking Group, Scottish Widows is proud to be an Official Provider of the London 2012 Olympic and Paralympic Games. Scottish Widows plc. Registered in Scotland No. 199549. Registered Office in the United Kingdom at 69 Morrison Street, Edinburgh EH3 8YF. Telephone: 0131 655 6000.

Scottish Widows plc is authorised and regulated by the Financial Services Authority. Our FSA Register number is 191517.