

active money personal pension part of the active money lifeplan

Suitability



Before giving advice to your clients, you will have carefully considered their financial needs, their attitude to risk and their own individual circumstances, as all these factors will influence the recommendations that you make to them.

This document contains some factual information you may find of use when drafting your suitability letters. The headings and layout are only examples and should not be taken as a guide for how your suitability letter should look or what it should include.

You are solely responsible for making sure that the content of your letter is current, appropriate, tailored for each client and meets regulatory requirements. No responsibility is accepted by Standard Life for your reliance on, or use of, this information which is supplied at your own risk.

What benefits does the active money personal pension offer to your client?

The active money personal pension is an entry-level product within the active money lifeplan. It is designed for clients who want a simple, easy to manage plan. It could also suit those who think they may need access to a wider range of investments and income options later on in life, but don't want to complicate things just now.

You could suggest the following points:

1) Ability to manage the plan online

You and your client can actively manage the plan online. They can make an instruction to switch all or part of their current investment selection, change payments or track how their plan is performing. All transactions can be viewed online at adviserzone.com and customerzone.com.

2) Payment flexibility

Your client can make single and/or regular payments to their plan which they can stop and start when they like. Minimum payments are as follows:

- £150 a month, or
- £1,500 a year, or
- £1,000 for single or transfer payment(s).

All minimum payments, except transfer payments, include basic-rate tax relief. If your client is transferring benefits from another pension scheme, there is no guarantee that what they'll get back from their plan will be higher. They may also be giving up certain rights in the other pension scheme that they'll not have with their new plan.

Transferring may not be suitable for everyone and there may be charges for transferring out of existing plans.

Should your client's circumstances change, the active money personal pension has the flexibility to allow them to stop, restart, decrease or increase their pension payments without penalty. Stopping or reducing payments will, of course, reduce their final pension. Payments can recommence in the future again without penalty.

If your client is no longer able or eligible to make payments, their active money personal pension will freeze. We will continue to take charges each year even if the plan is frozen so this could mean that our charges will reduce the plan value by the time your client retires.

3) Investment choice

Your client can choose to invest in Standard Life funds or funds managed by external fund managers.

The fund choice available from the active money personal pension covers a wide range of countries, sectors and investment styles and has been designed to strike a balance, covering all risk levels and how much involvement your client wants in managing their investments.

For example, they may choose a range of investments and review these periodically. Alternatively they may prefer to take a more active role in the management of their investments by tracking their performance and amending their fund choice online. They can use our fund factsheets for detailed information or seek advice from you. Please refer to the document 'active money personal pension fund choices and charges guide' (AMPP5a) for full details of the funds available.

Your client can invest in up to 12 funds at any one time or 11 if they have money in the Trustee Cash Account.

4) Low cost Fund Management Charge

The active money personal pension includes a selection of low cost tracker and managed funds.

- from 0.5% to around 2.0% a year depending on the funds chosen
- additional expenses may apply depending on the funds chosen
- switching is currently free but we reserve the right to make a charge in the future.

5) Large Fund Discounts

Your client may receive a discount to reduce the effect of the Fund Management Charge (FMC) as detailed below:

- Under £50,000 - No discount
- £50,000 - £249,000 - 0.3% a year
- £250,000 - £499,999 - 0.4% a year
- £500,000 or more - 0.5% a year.

Large fund discounts do not apply to the low cost tracker and managed funds. Although a customer's entire fund holdings will determine when LFDs will be eligible, the discount will not be applied to fund holdings where the FMC as standard is less than 1%.

6) Lifestyle Profiles

Standard Life's Lifestyle Profile is an automated investment switch facility which allows your client to pre-select an investment strategy which will move their funds into lower risk investments as retirement approaches. The appropriate profile will depend on your client's attitude to risk with the higher the risk taken the greater the potential for reward.

7) Tax advantages

- your client's payments qualify for Income Tax relief, normally at their highest Income Tax rate
- their investment will not be liable for UK Capital Gains Tax
- it is possible to take up to 25% of the proceeds as a tax-free lump sum
- any dependants would not normally have to pay Inheritance Tax on a lump sum received if your client dies before taking the proceeds of their active money personal pension. However, if any part of the lump sum exceeds their Lifetime Allowance, that part will be taxed at 55%.

It is important to remember that tax relief may change over time or with changes in legislation. Its value to your client depends on their individual circumstances. The information provided is based on Standard Life's understanding of current law and HM Revenue & Customs practise.

8) Peace of mind

If your client dies before taking the proceeds of their active money personal pension, the fund that the pension payments have built up will be paid as a lump sum, less any tax.

Pension Contribution Insurance

You may also have suggested that your client applies for Pension Contribution Insurance. Pension Contribution Insurance is designed to pay a regular guaranteed amount to help safeguard pension payments if your client is unable to work through illness or injury for a prolonged period. This is an invaluable benefit as, if they became seriously ill or disabled and were unable to work, they may find it difficult to keep making regular payments to their plan. Your client's pension would suffer as a result.

9) Indexation

Your client can choose to have their payments automatically increase by between 1% and 10% a year, or in line with the National Average Earnings Index.

10) Taking the benefits at retirement

Your client can choose when to take the proceeds of their active money personal pension at any time between the ages of 55 - 75 (age 50 until 6 April 2010).

They can:

- buy a pension (known as an annuity), or
- take a tax-free cash lump sum (normally up to 25%) and buy a smaller pension.

Whichever is chosen, part of the proceeds can be used to provide a pension for your client's dependants. This means that, in the event of your client's death their husband, wife, civil partner or dependant(s) will receive a pension according to the instructions Standard Life received at the time of their retirement.

11) Why choose an active money personal pension instead of a stakeholder personal pension?

An active money personal pension is suitable for clients who are able to pay a minimum of £150 a month to their retirement fund and who are looking for a wider fund choice than is traditionally offered with a stakeholder personal pension.

12) The flexibility to upgrade to our active money SIPP

The active money personal pension is part of an evolving lifeplan, allowing your client to upgrade to the active money SIPP if and when required. This can provide your client with more investment choices or income options at a time in their lives when they need it. These options include:

- mutual funds
- direct investments (stocks and shares)
- discretionary fund managers
- income drawdown options
- commercial property.

If your client invests in commercial property as part of their active money SIPP, this may take longer to sell. They'll need to take this into account when planning to take their benefits.

For simplicity, the upgrade to SIPP does not require a transfer so your client can keep the same plan number.

13) Why Standard Life?

Experience

We have been successfully looking after our customers for more than 180 years, and currently over 6.5 million people worldwide rely on us for their financial needs.

Like most people, your client will want to know that their financial future is in good hands. We place a great deal of importance on getting your client's money to work hard for them; that's why we believe they can have confidence in us.

Service

Standard Life is a company which believes in providing good service to all its customers. This means that we are committed to providing a good quality of service locally, and to dealing with queries or documentation with the minimum of fuss or delay.

Some of the awards we've received

Money Marketing Awards

- Voted Company of the Year – 1999, 2000, 2001, 2002, 2003, 2004 2005, 2007, 2008 and 2009
- Voted Best Pension Provider – 2004, 2005 2006, 2007, 2008 and 2009

Financial Adviser Life and Pensions Awards

- SIPP and/or SSAS Provider of the Year – 2006, 2007, 2008 and 2009
- Best Income Drawdown Provider – 2007, 2008 and 2009

Financial Adviser Service Awards

- Voted 5 Star Life and Pensions Provider 1996 through to 2008
- Voted 4 Star Life and Pensions Provider in 2009

Financial Technology Research centre (FTRC)

- e-Excellence Award “eee” Rating for SIPP and Specialist SIPP 2008 and 2009

Internet

www.adviserzone.com is Standard Life's dedicated website for advisers. Once registered you can obtain quotes for active money personal pension and many of our other products. Literature and further technical information is also available from this site.