



Canada Life™

# Annuity Growth Account

## Product details

Planning for the time when you stop working is never easy. Not only is there a wide choice of pension plans available to build up your retirement fund, but there are also many different types of arrangement to choose from when the time comes to retire and convert your hard earned pension fund into an income.

Canada Life has rightly earned a reputation as an annuity provider with the specialist skills to handle the problem of choosing the right arrangement for you to use to provide the best possible retirement income.

As the name suggests, the Annuity Growth Account (AGA) has been designed to enable your income to benefit from potential investment growth as well as maintain flexibility.

The AGA solves many of the problems associated with traditional annuities. In particular, the AGA maintains many of the options normally lost with a traditional annuity product.

### Key details

#### *The AGA*

The AGA is a combination of a 5-year income and a unit linked investment.

#### *Open market option*

The AGA accepts open market option funds from a registered pension scheme once the tax-free pension commencement lump sum has been paid. This includes amounts from personal pensions which are paying income using the income drawdown option.

#### *Transfers in*

The AGA accepts transfers from personal pensions, retirement annuity contracts, occupational schemes, Free Standing AVCs, section 32s, any registered pension scheme or any combination of these.

Transfers are made to The Canada Life Personal Pension Scheme and then immediately vested into the AGA. Where there are protected rights included as part of a transfer in from a personal pension, these benefits will be paid in the form of a protected rights annuity, which is arranged separately from the AGA. This is conditional on you having already attained age 50. If you are under the age of 50, protected rights cannot be accepted.

The Inland Revenue Ref Number for the Scheme is SF87/062/1A and the Appropriate Scheme Number is A7001045B.

Spouse/civil partner benefits are allowable within current tax rules.

The AGA does not accept any other payments, apart from those specified above.

As the benefits from the AGA are payable under pensions rules, there is no need to have actually retired in order to qualify.

#### *Eligibility*

Minimum age at entry – 50 attained

Maximum age at entry – 80 next birthday

#### *Term*

The AGA will continue throughout your lifetime and, if selected, that of your spouse/civil partner.

#### *Minimum purchase premium*

The minimum purchase premium is £35,000, which may be a combined transfer in from eligible sources, after the tax-free pension commencement lump sum has been deducted. For multiple transfers in, there is a minimum of £5,000 per transfer. Once an AGA has commenced, any further transfers would be applied to a new AGA.

### **Maximum purchase premium**

There is no maximum.

### **Payment method**

Payment of the purchase premium may be by cheque to Canada Life, or by telegraphic transfer.

### **Unit allocation for the investment element**

The unit allocation percentage is variable. The actual percentage is shown in the Personal Example, given at outset and at subsequent 5 yearly reviews.

The allocation percentage secures units at the bid price.

### **Benefits**

#### **Tax-free pension commencement lump sum: transfers**

The whole of the transfer value is paid to the Canada Life Personal Pension Scheme as an immediate vesting personal pension bond. Canada Life will pay any lump sum required (within HMRC limits) and then apply the residual amount to the AGA.

#### **Tax-free pension commencement lump sum: open market option**

For open market options, the tax-free lump sum is assumed to have been paid.

The information regarding taxation is based on our understanding of current legislation, which may be altered, and depends on the individual financial circumstances of the investor.

### **Income**

The balance of the funds transferred in, after the tax-free pension commencement lump sum has been taken, is used to secure you an income initially via the purchase of a level 5-year income. The level of the income for the 5 year period will initially either be the same as though an equivalent lifetime annuity had been secured or you may select an income of between 50% and 120% (inclusive) of an equivalent lifetime annuity.

The actual cost of the 5-year income is significantly cheaper than a lifetime annuity would have been. This is because the income payments are for a 5 year duration only. The result is a surplus within the AGA, called the investment element, which is invested in one or more of Canada Life's range of unit-linked pension funds in order to provide potential future growth.

Details of the level of income selected and the investment element amount are contained in the Personal Example, given at outset.

The higher the level of income you take in the earlier years makes it more likely that your income will fall later on if your fund fails to grow sufficiently, you should consider this carefully when selecting your initial level of income.

### **Investment choice**

We regularly review our fund offering to make sure that we are providing a comprehensive range of funds to suit a wide variety of investment objectives. Canada Life's philosophy on fund selection is based on choosing carefully to complement existing funds and fund managers to ensure that we continue to offer a comprehensive range whilst at the same time being selective. We offer over 70 internal and external funds from a range of investment managers. These funds cover all of the major sectors, asset classes, geographic regions and risk profiles and also include specialist multi manager and multi asset portfolios. Detailed information on our fund range including fact sheets can be found on our website at [www.canadalife.co.uk](http://www.canadalife.co.uk)

To protect the interests of all policyholders the Company also reserves the right, in exceptional circumstances, to defer the switching from the U.K. Property units for up to six months pending the realisation of property investments. This could also apply to any part of the other funds invested in property. However, it is intended to maintain sufficient liquidity in all funds to meet normal demands.

In addition, the value of property is generally a matter of the valuer's opinion rather than fact.

Past performance is not a guide for the future. The value of units can fall as well as rise. Currency fluctuations can also affect performance.

The value of the investment element of the AGA is not guaranteed and depends upon the performance of the selected funds. At each subsequent 5 year anniversary of the AGA, annuity rates may be lower than at outset. If so, when securing another 5-year income or lifetime income using the value of the investment element, the annuity rate may give a smaller income than you could have received at outset (depending on the level and type of income selected).

The information contained in this leaflet is based on Canada Life's understanding of current law and HMRC practice which may be subject to future variation. Full and binding details can be found in the policy provisions which are available on request.

### Fund switching

At any time while the AGA has an investment element running, you can switch the funds selected. The minimum switch amount is £500 and the minimum balance remaining in any fund is also £500.

If you decide to switch between funds, the first 12 switches in any policy year are free of charge. Thereafter, a charge of £50 will be made per switch, by deduction of units.

### Investment reporting option

In addition there is the option at the application stage to select notification at an upper and/or lower amount for the investment element. If the value of the investment element achieves either of the amounts specified, a letter will automatically be sent to both you and your adviser, confirming the level of the investment element at that time.

For example, if the investment element from commencement (after the 5-year income has been secured) is £100,000, you could specify a lower level of say £90,000 and an upper level of £130,000. There is no set formula for determining the upper and lower limits, although the upper limit could be set at a fund size in line with the projected amount required to maintain the income level. If the investment element level falls or rises to either of these levels, a letter will be sent advising you and your adviser of this fact.

Please note that Canada Life will not switch funds automatically, we will only act on your instruction. A switch notification will be sent with the letter, in case you do decide to switch.

### Survival Bonus

Provided that you and, where a second annuitant benefit is selected, the second annuitant, survive to the end of the 5-year period, a Survival Bonus will be applied to the investment element in the form of additional units. The bonus, which is applied at the end of the 5-year period, represents part of the expected mortality profit to be gained had the amount invested been applied as a lifetime annuity.

The amount of bonus will depend on whether the AGA has been arranged for a male or female, their ages, or with or without a second annuitant benefit.

The amount of Survival Bonus applicable is shown in the Personal Example.

### Death benefits

#### *Spouse/civil partner benefit*

The AGA will allow you to provide second annuitant benefits after your death for your spouse, civil partner or financial dependant. If selected 50%, 66% or 100% of your income will continue to be paid to the second annuitant in the event of your death. At the date of notification of your death the investment element will be reduced to the same percentage, e.g. 50% or 66% of its previous value. Where 100% second annuitant benefit is selected no reduction will be made.

At the end of the 5-year period, the remaining value of the investment element will be used by the second annuitant to either buy a lifetime income of his/her own, or buy a level 5-year income.

The level of second annuitant benefit can change at each 5-year review.

At each 5-yearly review, you may remove a second annuitant benefit. If a second annuitant benefit was selected at outset and the second annuitant has been removed at a review, you are able to add a spouse or civil partner to the AGA, at a later review. However a second annuitant benefit cannot be added if the AGA has been set up on a single life basis at outset.

A second annuitant benefit is available to unmarried and same sex couples where they are financially dependant on each other. The benefit can only be removed on the death of a partner, rather than the cessation of a relationship. **Please note that if financial dependency does not exist at the date of death, no benefit will be payable.**

#### *Guarantee*

A 5-year guarantee can be arranged at outset, irrespective of your marital status. If selected, the income will continue to be paid to the second annuitant or your estate in the event of your death during the guarantee period, until the guarantee expires. If selected at outset another 5 year guarantee can be selected at the first review only.

### Further information for AGA death benefits

The level and timing of the payment of benefits on death during the 5 year period before having selected a lifetime income depends on the benefits selected. The table below summarises the position:

Single life or second annuitant's benefit (joint life) selected?	Death occurs	5-year guarantee selected?	Benefits payable?
Single life	Annuitant dies during term	<b>Yes</b>	Investment element ceases without value, but income continues until the end of guarantee period.
Single life	Annuitant dies during term	<b>No</b>	Investment element ceases without value and income payments cease immediately.
Joint life	Annuitant dies during term	<b>Yes</b>	50%, 66% or 100% of investment element left for second annuitant and matures at the end of term, balance ceases without value. Income payments continue until the end of the guarantee period. No Survival Bonus paid.
Joint life	Annuitant dies during term	<b>No</b>	50%, 66% or 100% of investment element left for second annuitant and matures at the end of the term, balance ceases without value. Income payments continue at the reduced rate of 50% or 66% until the end of the period, or, it remains unchanged if 100% second annuitant benefit selected. No Survival Bonus paid.
Joint life	Second annuitant dies during term	<b>Yes or No</b>	Investment element remains, but no Survival Bonus added at end of period. Investment element can be used to purchase a lifetime income or new 5-year income on a single life basis. Income continues.
Joint life	Both annuitant and second annuitant die during term	<b>Yes</b>	Investment element ceases without value on second death. Income payments cease at the end of the guarantee period.
Joint life	Both annuitant and second annuitant die during term	<b>No</b>	Investment element ceases without value on second death. Income payments cease at this point.

### Anniversary

At each anniversary before a lifetime income is purchased, you will be sent a unit statement showing the current value of the investment element. In addition, a P60 and a lifetime allowance statement will be issued at the end of each tax year.

### 5 yearly review

Every 5 years, you have 3 options:

- Use the investment element to purchase a new 5-year income within the range available and invest the balance,
- Use the investment element to purchase a lifetime income with Canada Life, or
- Transfer to another lifetime annuity provider.

Further details of these options are as follows:

### Selection of new 5-year income

This option is available provided you will not attain age 85 by the next 5 year review.

A new 5-year income can be selected that meets your requirements, e.g. with a different level of second annuitant benefits (subject to the Policy Provisions). A new choice of funds may be selected or the existing choice may remain. The new benefits remain within the original AGA.

If you selected a second annuitant benefit at outset then you can choose a single life at review.

### Selection of lifetime income

Where the lifetime income is selected, the following provisions apply:

#### Level or escalating

The income may be level in payment, or escalate at a rate selected. The pension will be paid in advance, or in arrears, as selected at outset.

### ***Transfer to another provider***

You will be able to transfer your investment element plus any survival bonus to a lifetime annuity with another purchase provider.

This transfer is a continuation of your annuity and your new provider will need to take into consideration the income payments made and the options you have chosen, e.g. guarantee periods within the AGA, before setting up the annuity for you.

### **5 yearly review processing**

Six weeks before the 5 yearly review, you will be sent a pack confirming:

- the current value of the investment element,
- the options available,
- that the investment element has been switched, free of charge, into the Money Fund in order to protect the value from volatility,
- that the income payments from the 5-year income will cease in 6 weeks' time.

Two weeks before the 5 yearly review, a new Personal Example will be issued, showing the amount of income that you can expect by either purchasing a lifetime income or purchasing another 5-year income, within the AGA. You will also have the option to request a transfer to another annuity provider at this time.

A selection form will also be sent for completion and return with a pre-paid envelope, once a decision has been made.

If a reply is not received, the investment element will remain invested in the Money fund until Canada Life is notified what action to take. In the meantime, income payments will be suspended.

If no decision has been notified to Canada Life 60 days after the 5 yearly review, we reserve the right to convert the AGA into a lifetime income on the same basis as the 5-year income (subject to the Policy Provisions).

### **Charges**

Units will have an annual management charge of 1%. In addition, an investment management charge is levied. This charge varies according to funds selected and details of the charges are available separately.

Please note that all charges are subject to regular review by Canada Life. We have taken account of all these charges, on the current basis, in your Personal Example.

### **Taxation of annuity**

All income payments paid from the AGA will be subject to tax as though they were earned income.

Information regarding taxation is based on our understanding of current legislation, which may be altered and depends on individual financial circumstances of the investor.

### **About Canada Life**

The Canada Life Assurance Company provides insurance and wealth management products and services through domestic operations in Canada and international operations in the Republic of Ireland, Isle of Man, Germany and the U.K., as well as branch and subsidiary operations in other countries. Canada Life is a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies.

[www.canadalife.co.uk](http://www.canadalife.co.uk)



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