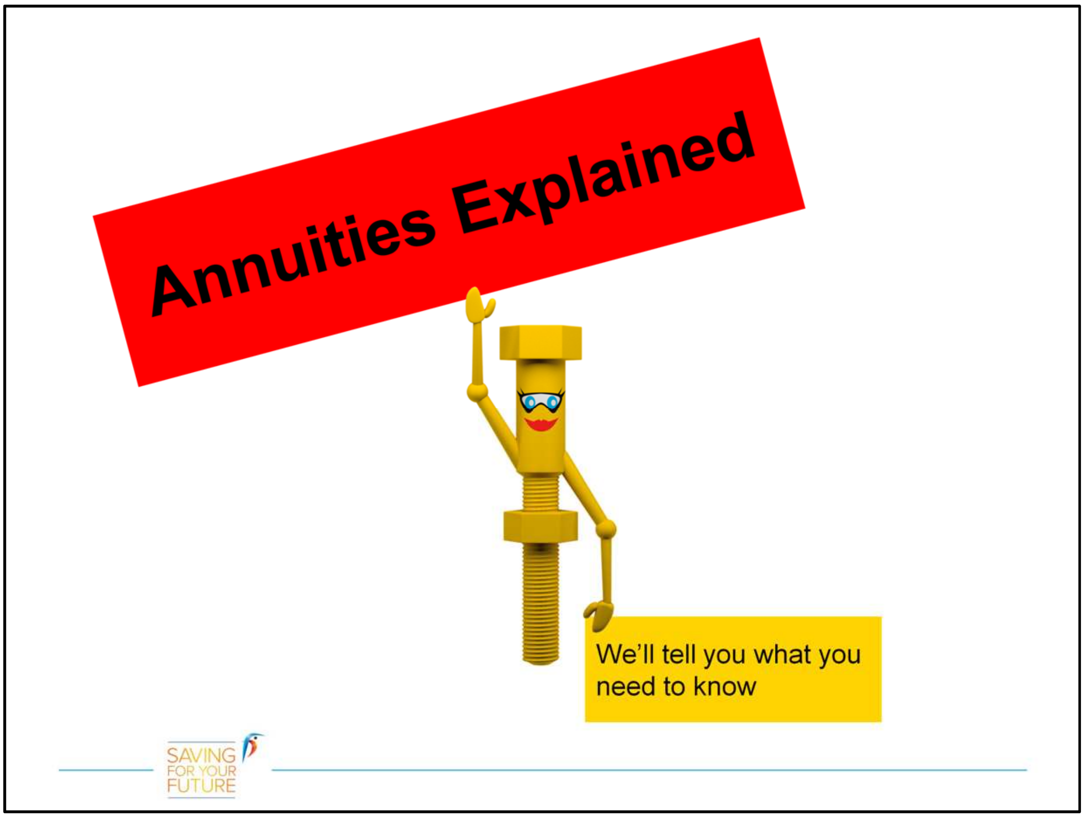
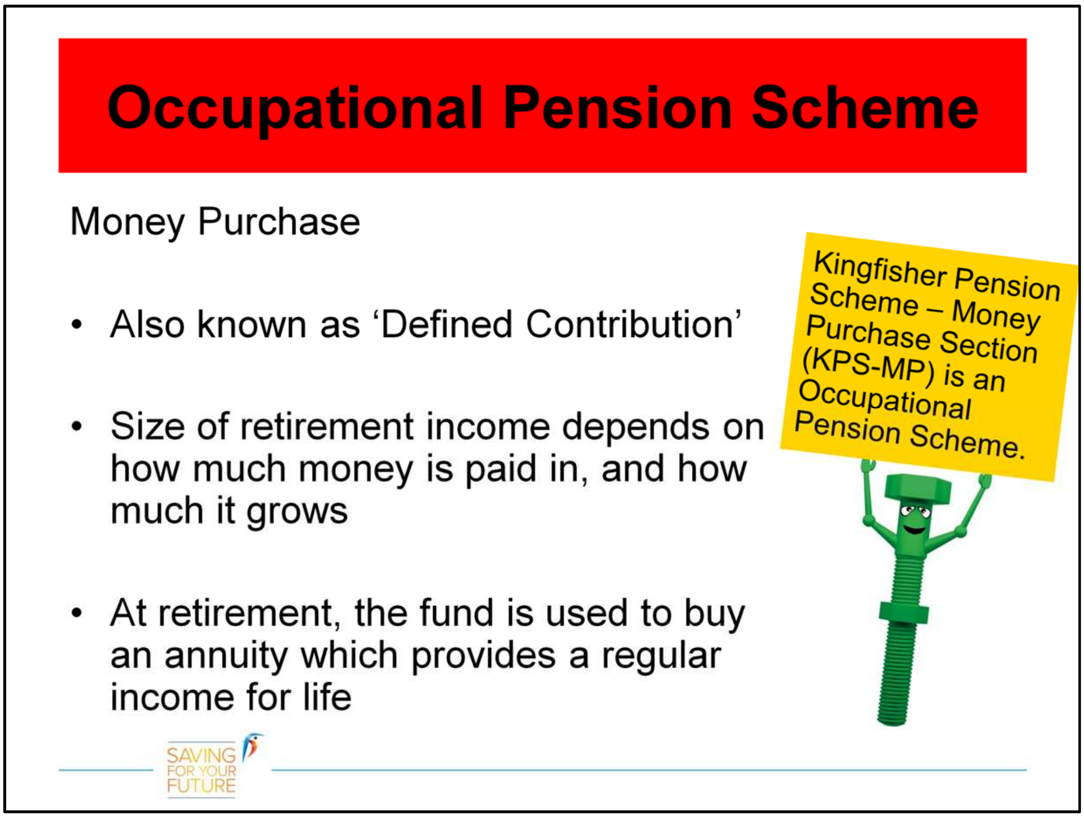
Welcome to the Saving for Your Future module Annuities Explained.

This module is aimed at:
1) Members of the Kingfisher Pension Scheme Money Purchase Section with a money purchase Retirement Account who are thinking of taking their benefits.
2) Final Salary members with money purchase AVC's.
3) Any member interested in what options are available when they take their benefits.

Even if you're not ready to retire you will find this module useful as it will give you an idea of what you need to think about and help you plan for the future.



The purpose of this module is to help you understand what an annuity is and how important it is to shop around for the best deal when you decide to take your Kingfisher Pension Scheme benefits.

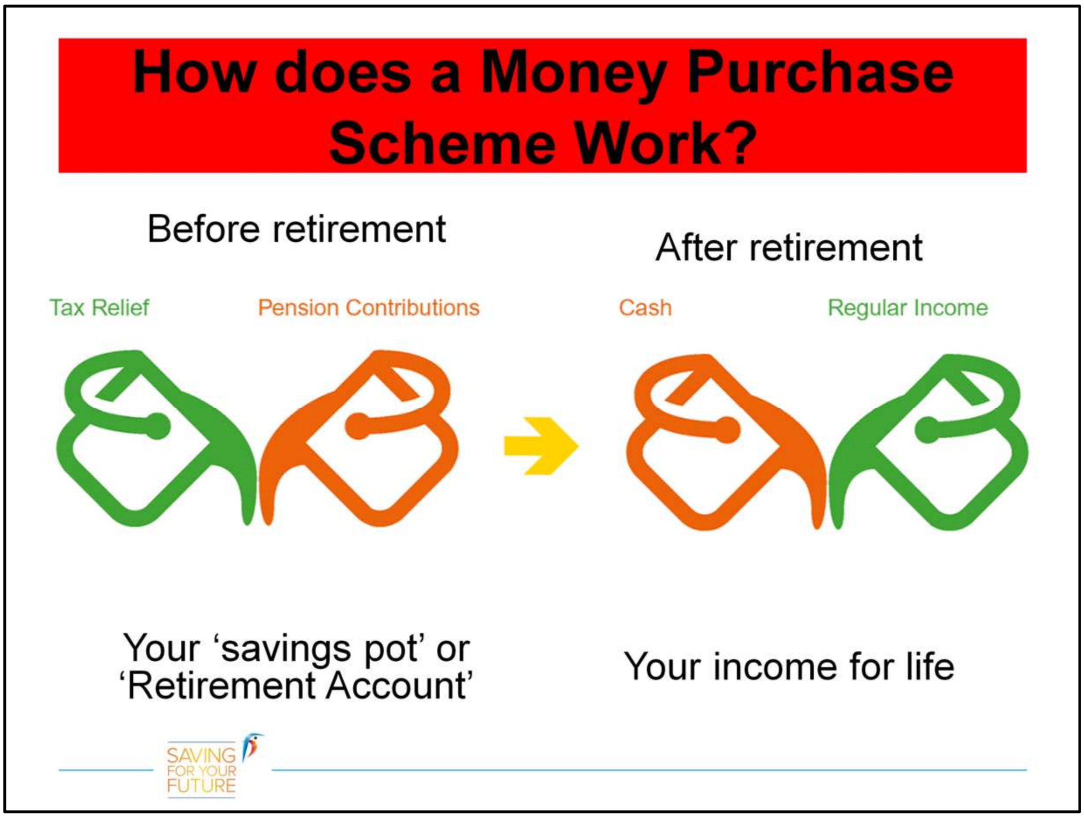


The Kingfisher Pension Scheme is our occupational pension scheme, made up of a final salary scheme which closed to new members in 2004 and an open money purchase section.

With a money purchase scheme, the amount you get in retirement depends on how much money you have paid in and how much it has grown by. This is determined by investment performance over the time you've been in the scheme. So a money purchase scheme is effectively a savings plan with tax incentives and the money you save is used to provide an income in retirement.

There are two routes to joining the scheme. You may have been automatically enrolled and you can join voluntarily. If you joined the company before March 2004 you may have joined the final salary scheme and may now have deferred final salary benefits. If you were a member of the Final Salary Scheme you may have paid into the Additional Voluntary Contribution (AVC) arrangement. This is also a money purchase scheme so this module is relevant for you as well. Don't forget to take this into account when working out how much you are likely to get when you want to stop working.

Remember if you were in the final salary scheme prior to 2004 you will still have a pension entitlement under that scheme and you will receive a benefit statement every year to let you know how much that will be. If you have final salary benefits you will not need to buy an annuity for this part of your pension. **HOWEVER, if you contributed to an Additional Voluntary Contribution** arrangement then you will need to consider annuities for this part of your pension.



Whilst you are working, your employer and you pay contributions into the Scheme and the Government adds tax relief on your contribution.

Over time, this grows into a 'savings pot' of money which for our Scheme is known as your 'Retirement Account'. When you stop work, you can (if you want to), take part of the 'Retirement Account' as cash, which would be tax free - and use the balance to buy yourself an income for life. Taking some of the 'Retirement Account' as cash does of course mean that there's less left over to buy your income, but that's a decision you can put off until you decide to take your benefits. Under current rules this tax free amount can be up to a maximum of 25% (a quarter) of Retirement Account.

In some cases you may be eligible to take all of your Retirement Account as a lump sum. All of your options will be given to you when you come to retire.

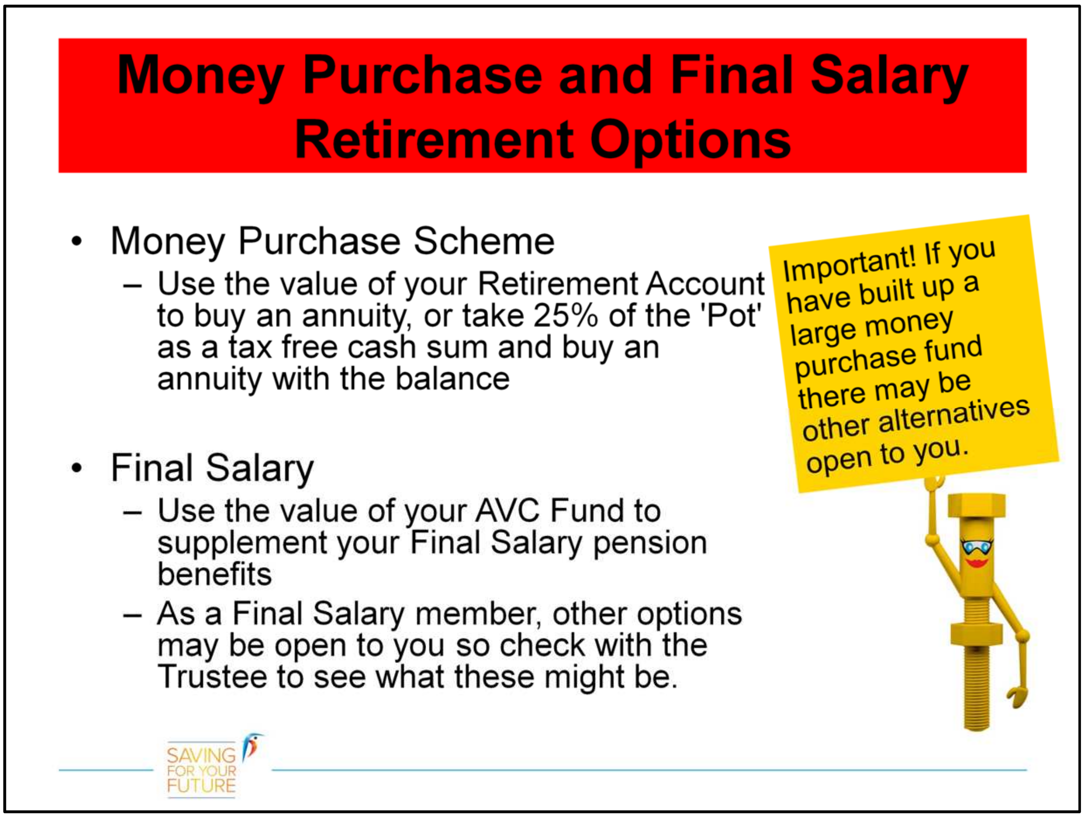
How does a Money Purchase Scheme Work?

- Designed to produce a ‘pot’ of money at retirement
  - In the Money Purchase Scheme, your ‘pot’ is called your ‘Retirement Account’
  - In the Final Salary Scheme, your ‘pot’ is called your AVC fund
- The value of your ‘pot’ on retirement will depend on…
  - The contributions you pay (don’t forget tax relief)
  - The contributions paid by the Company on your behalf
  - How long contributions were paid for
  - Investment performance
  - Any charges applied to your funds

SAVING FOR YOUR FUTURE

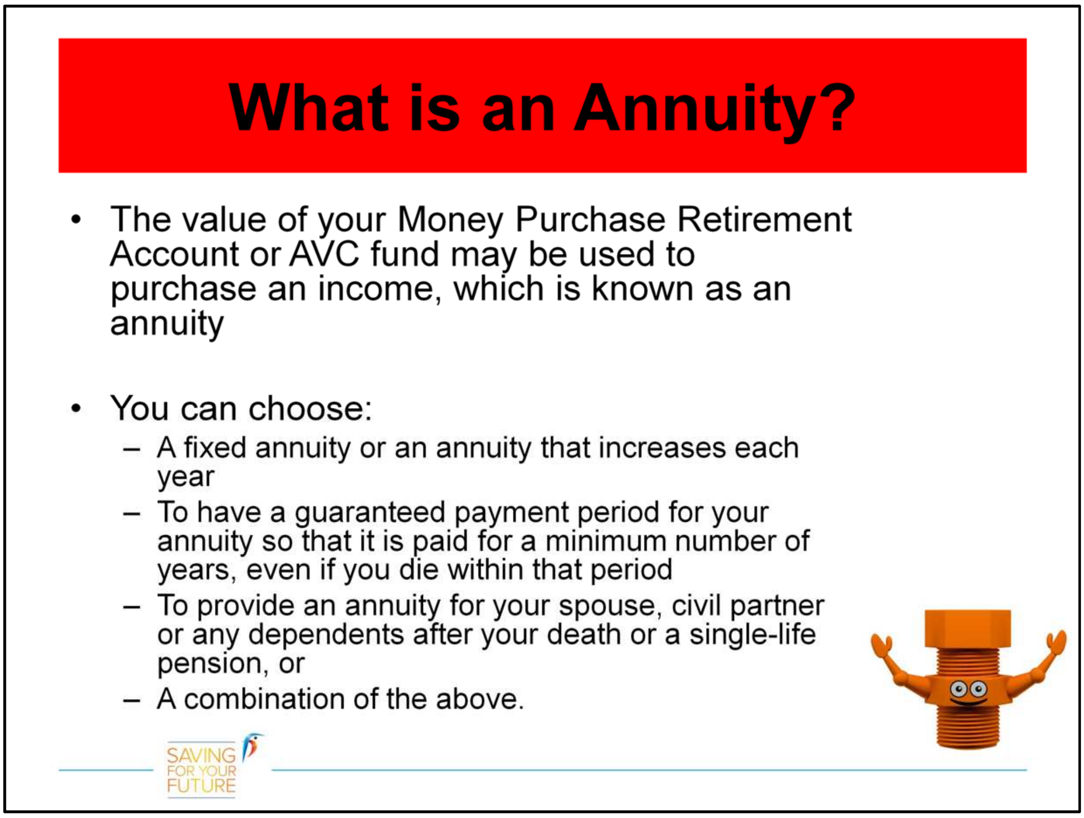
How your “Retirement Account” grows depends on a number of factors.

Because of these aspects it is very important that you keep yourself informed about how your pension is performing and be prepared to review your decisions if you feel you are not on track.



If on retirement you will be taking your benefits from funds built up in the money purchase scheme or the AVC arrangement under the Final Salary Scheme you will be in the market to buy an annuity.

You may decide to take part of your "pot" or Retirement Account as a tax free cash sum but you will still need an annuity to provide your income from the balance of the fund. This cash sum is also known as a "Pension Commencement Lump Sum".



Quite simply an annuity is an insurance policy which guarantees to provide you with an income for life.

Unfortunately that's also where the simplicity ends! There are many, many different combinations of annuity

The most important point to remember is that it is your choice. You can choose what type of annuity to buy and which provider to buy it from.

The consequences of making the wrong choices about your annuity could be serious as we'll show you in a minute. You can shop around to find the annuity that best meets your needs. This is known as the open market option.

There are a number of comparison tables available which you can use to shop around for the best deal. Hargreaves Lansdown has been appointed by the Scheme Trustee and offers a Retirement Service to guide you through the process.

We'd suggest you have a look at Hargreaves Lansdown's website because it is quite easy to use and will give you an idea of the sort of tools available, the information you need to put in and the type of results you can expect.

Other comparison tables are available from the Money Advice Service, Annuity Direct and others.

One important point to remember is that none of the comparison sites and tools currently available cover the whole of the market. This is no different to buying any other type of product so, just as you wouldn't go to only one shop to buy any other product, you will need to compare the results from a number of comparison tables to get the best deal.

This is particularly important if you have a small open market option fund where the best deals may not be featured on some comparison tables.
Hargreaves Lansdown has an '**annuity price promise'** which promises that if you find a better annuity quote anywhere else, Hargreaves Lansdown will do its best to beat it. Clearly, to take advantage of this promise you will need to shop around to find the best deal.

The Open Market Option

Shopping around for an annuity which best suits your needs via the Open Market Option allows you to:

- Find out how the cost may vary between different providers
- Identify different features which may help you find the annuity that best suits your circumstances
- Potentially find a higher annuity if you are in poor health
- Find out if your lifestyle has any effect on the annuity rates available
- Identify the highest income for your circumstances.

SAVING FOR YOUR FUTURE

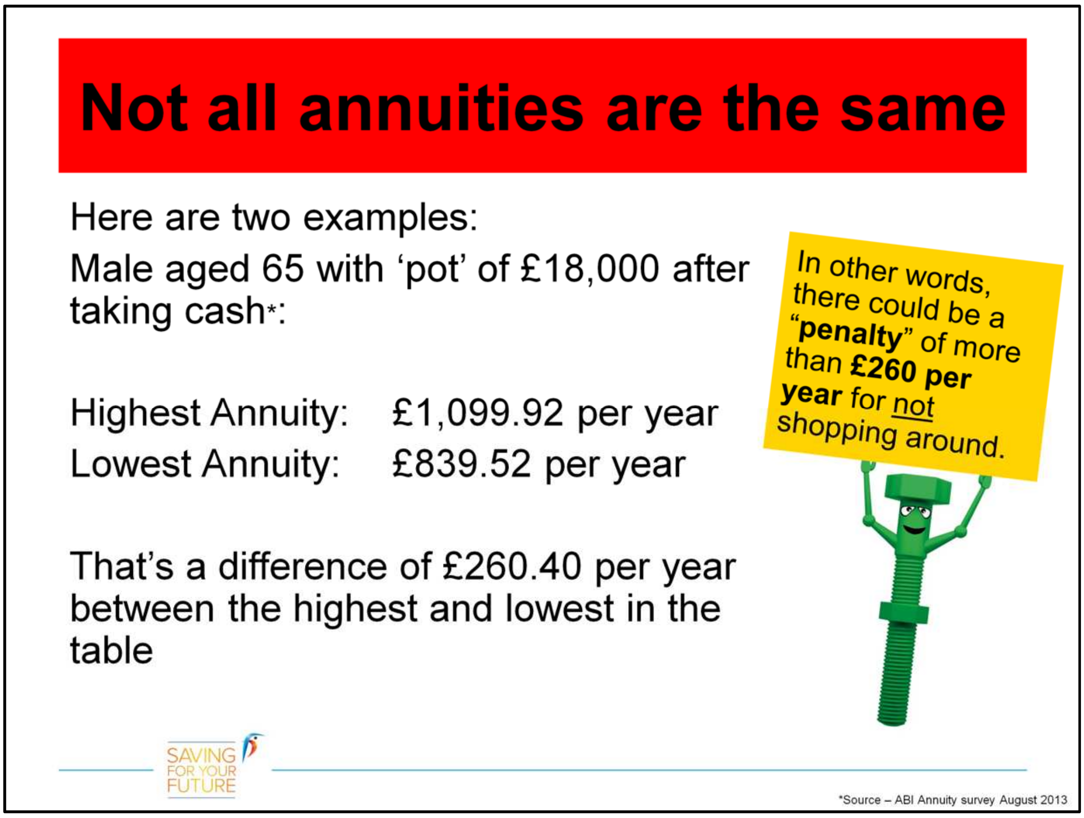
Shopping around for your annuity is very important because you only get one chance and you can't take it back later if find you've picked the wrong one.

Your age and, believe it or not, your post code, are relevant so it's important to enter the right data when using the comparison tools.

If you have dependents you can choose an annuity which will provide for them when you die.

Generally speaking, the more options you add, the more it costs so the lower the income you get. At the end of this module you will find a summary and an explanation of the terms used on the tools to help you.

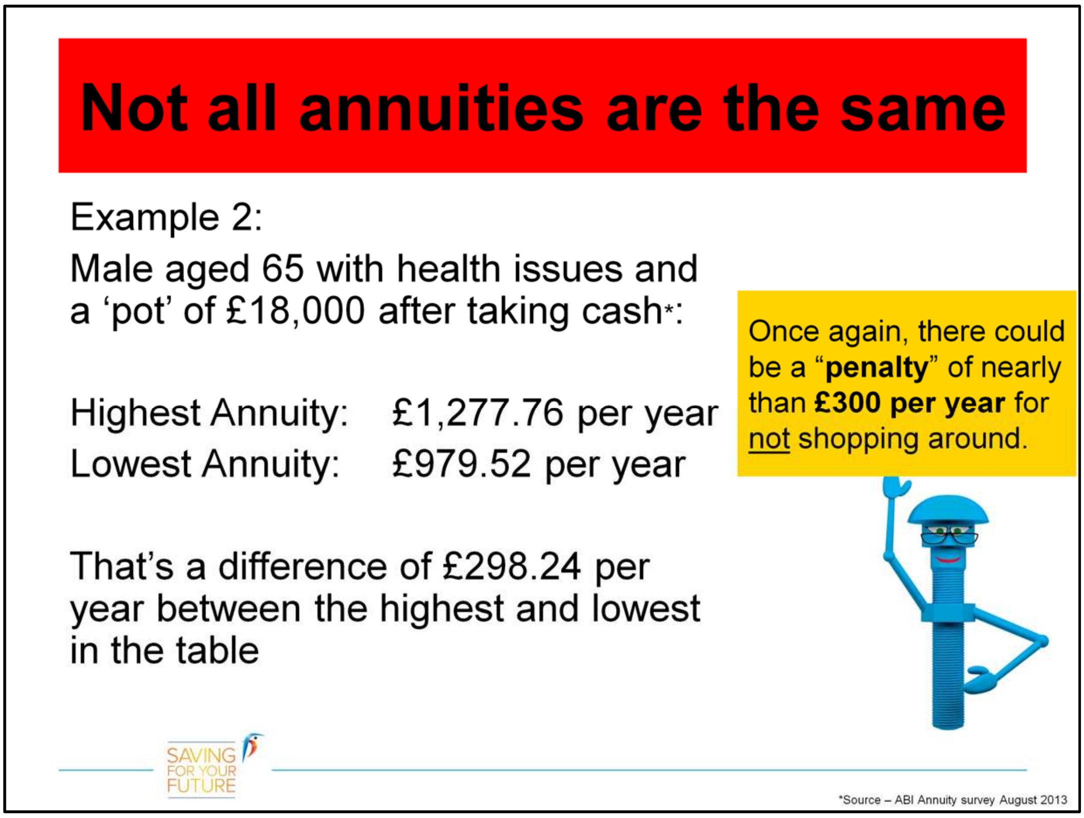
Once you've tried out a couple of annuity comparison calculators you'll soon get the hang of how all the options work and the effect they have on the income.



Annuities can vary greatly.

These are the figures for a male with a "pot" of £18,000 after taking some cash.
As you can see, there's a difference of up to £260.40 per year between the highest and lowest in the table.
In other words, this person could lose £260 per year by **not** shopping around.
If he had chosen an annuity which increased in line with inflation this difference would get bigger and bigger every year, so over time this would be an expensive mistake to make.

Note:
These figures were taken from a survey by the Association of British Insurers in July 2013.
The rates are based on a 65-year-old who buys an annuity with £18,000 after taking maximum cash. The annuity shown is level, paid monthly in arrear and has no guaranteed period.



These are the figures for a male with health issues and a 'pot' of £18,000 after taking some cash

As you can see, there's now a difference of up to £298.24 <u>per year</u> between the highest and lowest in the table.
So this person could lose nearly £300 <u>per year</u> by <u>**not**</u> shopping around.
Once again, if he had chosen an annuity which increased in line with inflation this difference would get bigger and bigger every year so over time this would be a very expensive mistake to make.

Note: These figures were taken from a survey by the Association of British Insurers in July 2013.
The rates are based on a 65-year-old smoker with high blood pressure who buys an annuity with £18,000 after taking maximum cash. The annuity shown is level, paid monthly in arrear and has no guaranteed period.

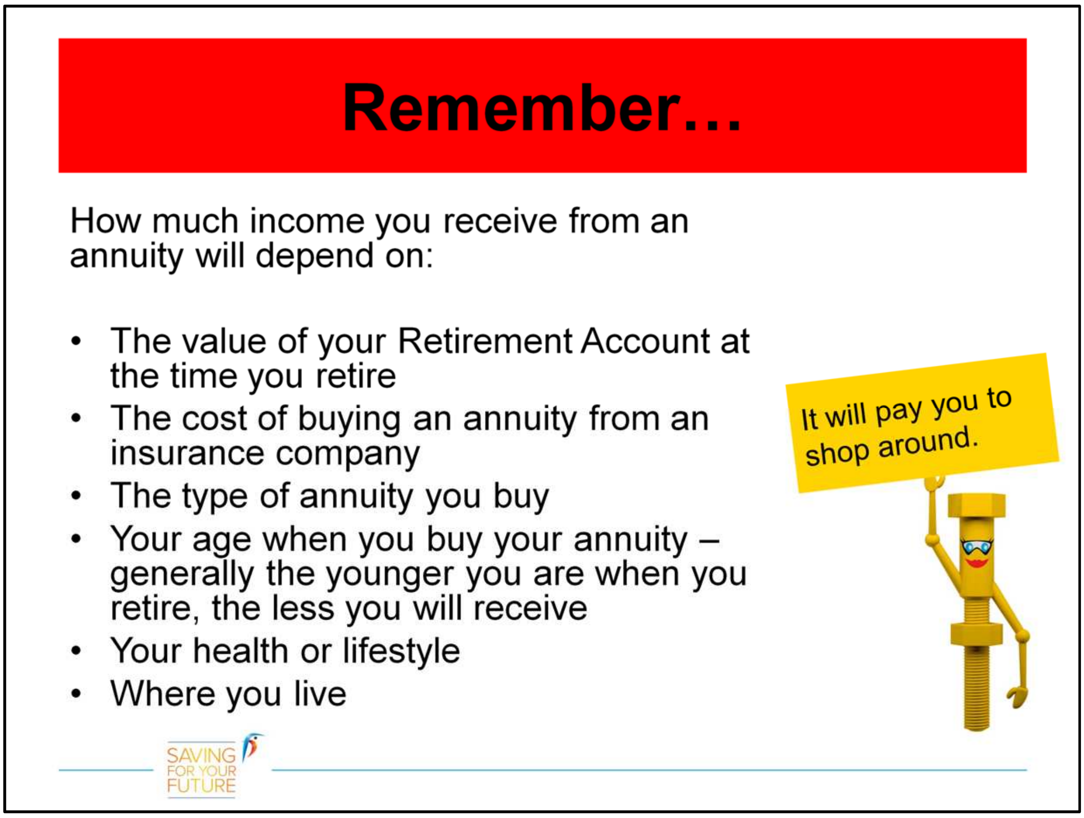
To find out how to shop around

- Go the Trustees' website
- Use Hargreaves Lansdown's Retirement Service
- And use Comparative Tables from:
  - Annuity Bureau
  - Annuity Direct
  - Hargreaves Lansdown
  - Money Advice Service
  - Origen Annuities
  - William Burrows
- Also see the "Guide To Annuities" from moneysavingexpert.com
- Different combinations of age, pension age etc. will produce different results
- Relying on one comparison table could also cost you – A LOT!

SAVING FOR YOUR FUTURE

It's really important to shop around to get the best deal. There are a number of tools to help you. You should also consider getting independent financial advice when the time comes because some IFA's have access to comparison tables which are not available to the general public.

Use the on-screen links to access the service you need.



You'll only get one shot at it!

Getting it wrong could be expensive!

Remember, you may wish to seek financial advice.

Neither the Company nor the Trustee can give you personal financial advice. Without knowing all your personal details and without the specialist expertise required it is not possible to give advice specific to your circumstances.

Learn the 'magic words'

Annuities providers love to use jargon!

Retirement age = the age you want to take the annuity	**Impaired life rates** = better terms if you smoke or have health issues	**Retirement fund** = the size of your 'pot'
TFC = Tax Free Cash = how much you want to take out of your 'pot' as cash (maximum one quarter of benefits)	**Escalation** = the rate you want your income to increase by each year	**Guaranteed period** = the period you want payments to continue for if you die after taking out the annuity
Payment frequency = how often you want the income paid	**Deferred period** = when you want the income paid	**Drawdown** = An investment-linked alternative to annuity, for larger funds

SAVING FOR YOUR FUTURE

When you come to shopping around you'll come across lots of jargon.

It will help if you learn the 'magic words' and understand what they mean.

Using the Comparison Tools

It will pay you to shop around

Tax Free Cash: Current maximum is 25% of your benefits.	**Escalation**: Annuity goes up every year	**Single or Joint Life**: You can choose to add your partner
Annuity Term: For an OMO annuity the term will be 'For Life'	**Guaranteed Period**: You can choose 0, 5 or 10 Years	**Without Proportion**: Pro-rata payment on death if annuity is in arrears
Value Protection: Returns original amount on death before age 75, less income taken and less tax	**Commencement Date**: You may need to adjust your date of birth to 'trick' the tool	**Lifestyle Questions**: Complete if you smoke, drink or are overweight

SAVING FOR YOUR FUTURE

Here's a summary of the terms commonly used on the annuity comparison tools and what they mean.
Tax free cash sum required: the amount of your 'pot' you want to take as a tax free lump sum. Maximum 25%
Escalation: You can choose an annuity which goes up every year. This increase can be by a fixed amount or in line with inflation. Inflation can be measured by either RPI (Retail Price Index) or CPI (Consumer Price Index).
Single or Joint Life: With some annuities you can choose to add your partner. Joint life annuities are more expensive than single life so if you choose a joint life annuity you will get a lower income than you would from a single life annuity.
Annuity Term: For an OMO annuity the term will be For Life
Guaranteed Period: this is the period you can have income payments guaranteed for after you start the annuity. You can choose 0, 5 or 10 Years. You might choose to have your payments guaranteed if you are concerned about your health and life expectancy. The longer the guaranteed period, the lower the income.
Without proportion: If you were to take the income in arrears it can be with or without proportion. If you died during the arrears period a pro-rata payment would be made to your estate. For example, it the death occurred halfway through the month for an annuity paid monthly, then half of the annuity would be paid to the estate.
Value Protection: In the event of the annuitant's death (before age 75), value protection will return the original amount used to buy the annuity, less all annuity payments. Tax at 55% is also deducted from this amount. You can protect any part of the pension fund up to 100%.
Commencement Date: If you haven't yet reached your retirement date you may need to

adjust your date of birth on the input screen to trick the tool into giving you the figures.
Drawdown: An alternative to annuity purchase for those with large money purchase funds.
Lifestyle Questions: Complete if you smoke, drink or are overweight.
Included within the Magic Words on the webpage

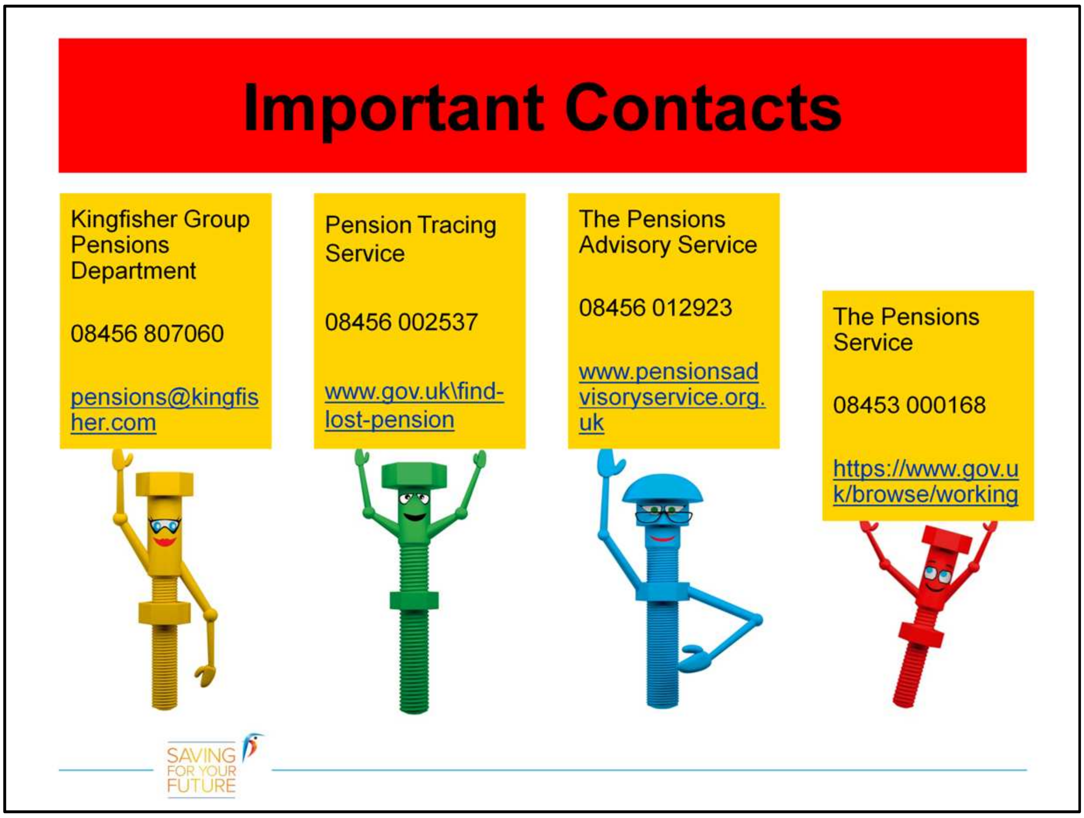
Summary

- Plan ahead
- Stay informed about entitlements, fund values and projections
- Shop around and compare results
- Learn the jargon

Don't delay, start today.

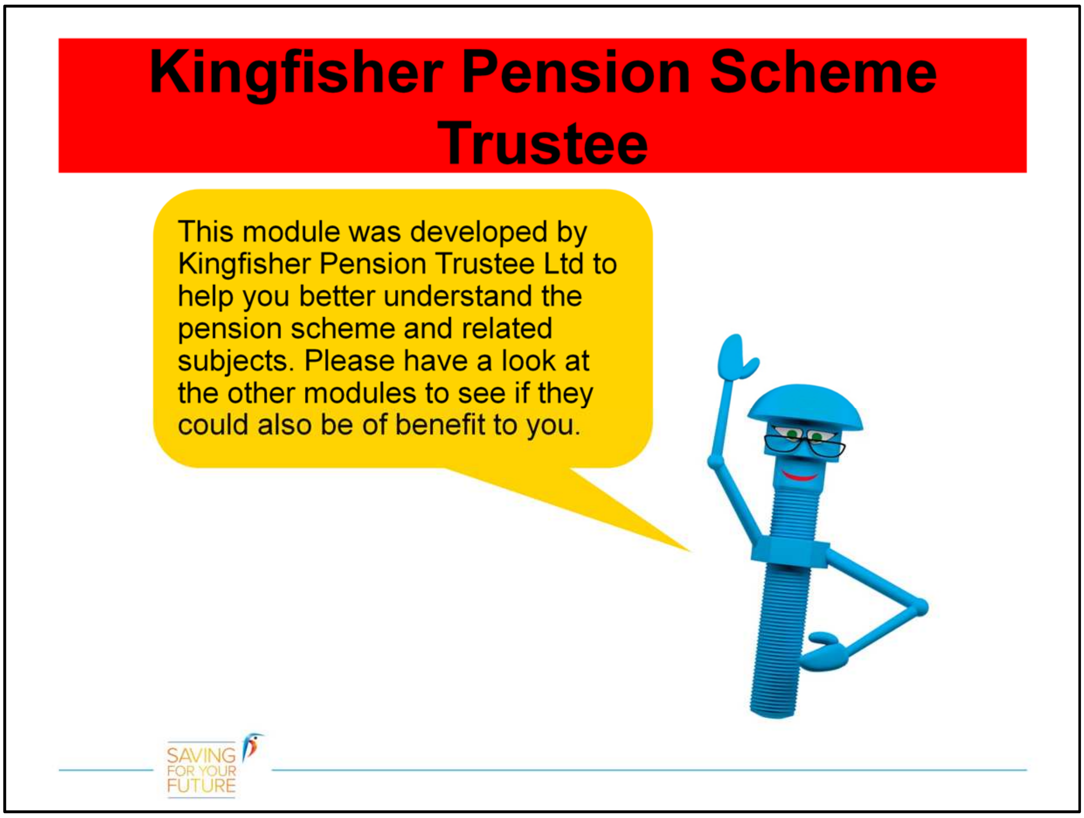
SAVING FOR YOUR FUTURE

No additional notes required.



Here are some important ‘phone numbers for you. Make a note of then in case you have any difficulty in accessing the information you need over the internet.

Use the on-screen links to access the service you need.



No additional notes required.