



For members

TargetPlan Retirement Income Account

Member guide

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Introduction

This guide to the TargetPlan Retirement Income Account gives a clear explanation of how the account works, including any risks.

There's a lot to think about before you open an account, so please read this document along with the:

- Policy Document
- Investment Options booklet
- Key Features

If you don't have these documents we can send you copies of them on request.

How your account works and your options

The TargetPlan Retirement Income Account is a flexi-access drawdown plan, which gives you the flexibility to choose how much income you'd like and how often to receive it. When you choose to start taking an income, you'll move money from your growth fund into a new fund which will be available to pay income.

Your account will, at any time, consist of one or both of the following:

- Your drawdown fund (this is the part of the account which you've designated as being available to pay income).
- Your uncrystallised fund (this is the part of the account which hasn't been designated to pay income).

You have broadly three ways to take your money from your TargetPlan Retirement Income Account – so you'll need to decide what's best for you.

Risks to be aware of

No matter which option you choose, there are some risks you should know about. This information is based on our understanding of current taxation law and HM Revenue & Customs (HMRC) practice, which may change.

- How long your drawdown fund will last, will in part, depend upon how much income you take. Taking higher amounts of income will reduce the value of your drawdown fund more quickly, which increases the risk of the drawdown fund running out.
- If the investment returns are lower than the income payments you take, the value of the drawdown fund will go down.
- The value of an investment, and any income you take from it, can fall as well as rise and isn't guaranteed. You could get back less than has been paid in.
- Taking income payments will increase your total taxable income. This could lead to you unexpectedly paying income tax at a higher rate than you currently do.



Here's a more detailed look at your options

Option 1. One-off tax-free pension commencement lump sum (PCLS) plus income payments

When you first open your account, you can normally choose to:

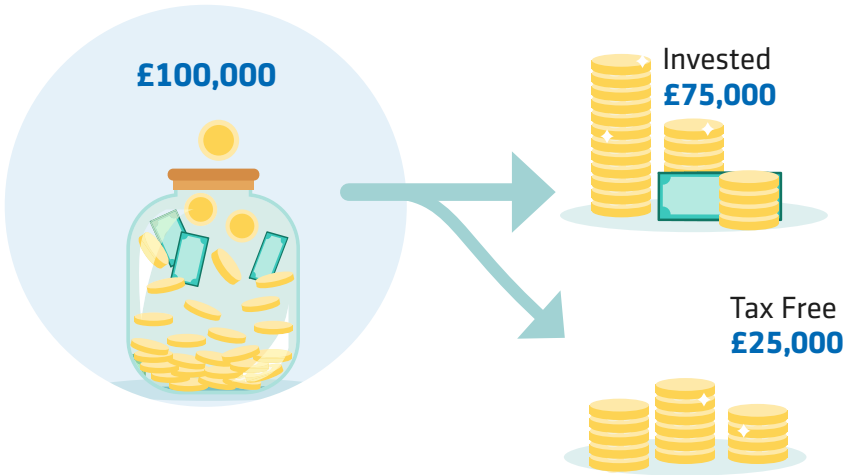
- Take up to 25% of your account value as a tax-free PCLS.
- Set up income payments from the remaining amount invested in your Account. You can take between 0% (no income) and 100% (the whole) of your account value.

Any income you take from your account is taxed at your marginal rate of income tax (this is the rate of tax paid on the next pound of income - in other words, new income you have still to receive).

This option means you've fully designated all of the funds, after the payment of the tax-free PCLS, in your account into drawdown funds.

As you're taking a lump sum or income from a registered pension scheme, known as benefit crystallisation events (BCE), the value of your funds must be measured against the lifetime allowance. You can find more details on page 10.

Example of a one-off tax-free PCLS plus income payments from a drawdown fund



You can take income monthly, quarterly, half-yearly or yearly.

In the above example:

- An account is set up with an initial value of £100,000.
- £25,000 is immediately paid to the account holder as the maximum tax-free PCLS allowed. The remaining £75,000 is invested in the drawdown fund.
- The account holder decides how much taxable income they want to take from their drawdown fund. This can be changed at any time and could be set to zero until income is required.

Option 2. Tax-free PCLS paid in instalments with income payments

When you first open your account, your funds will be invested in the uncrystallised fund within your account. You can then choose the level of income you want to take and how often you want it to be paid.

Each time you take income, up to 25% of the income amount you've chosen is paid as a tax-free PCLS, and the balance is moved to your drawdown fund and paid to you as taxable income. This option means you receive a series of tax-free PCLS, rather than one single lump sum.

For example:

- An account is set up with an initial value of £100,000.
- The account holder decides how much income they want to take from their account.
- The account holder decides to withdraw £1,000 each month, which means £250 (25%) of each payment is tax free and £750 will be taxed.
- After 12 months, the account holder will have withdrawn £12,000, of which £3,000 was tax free and £9,000 was taxed.

If you choose this option, the balance of your account stays invested in your uncrystallised fund.

Option 3. A combination of 1 and 2

The third way to set up an account is to have a mix of options 1 and 2.

Using our earlier example of a fund of £100,000, this could be split equally between options 1 and 2.

Under this option, up to 25% of the £50,000 (£12,500) would be paid as a tax-free PCLS, with the remaining balance held in the drawdown fund and available for payment of taxable income. The account holder could then choose the level of income they want to take from their drawdown fund from the balance of up to £37,500.

The other £50,000 would be held in the uncrystallised part of the account. Each time the account holder wants to take income from this part of the account, up to 25% of the income amount chosen would be paid as a tax-free PCLS and the balance moved to the drawdown fund and paid as taxable income.

Money purchase annual allowance

When you receive an income payment from your account, you'll become subject to the money purchase annual allowance (MPAA), if it doesn't already apply to you. The MPAA might affect the amount of pension savings that you make in the future.

For more details on the MPAA please visit – moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions/money-purchase-annual-allowance-mpaa

Income payments and tax

There are lots of things to think about when it comes to income and tax, and it's really important to understand your choices and how they work.

Income payments

Amount

You can choose how much you want to take as income, and it can be a one-off or regular income payment. You can vary the amount of your regular income. But please bear in mind that you need to give at least one month's notice before the due date of the next payment.

Income payments are made on the 24th of each month (or the last working day before that). You can't make any changes during the 15 working days before this date. If you don't tell us in time for the current month, we'll make the change from the next available payment date.

Frequency

If you choose to receive a regular income, you can be paid monthly, quarterly, half-yearly or yearly. We can't pay amounts of less than £10 before tax.

You can also take a maximum of 12 one-off payments in each calendar year, as long as they're more than £10. We'll pay you any one-off payments at the same time as your regular income payments, from the next available payment date.

Increases

You can choose to increase your income payments automatically each year. The increase can be in line with inflation or by a fixed percentage that you choose.

Payments

We can only make payments by direct credit to your bank account.

Stopping income drawdown

Once you've chosen income drawdown, it will continue until one of the following:

- You tell us by letter, email or a phone call that you want to stop your income drawdown payments.
- Your account runs out of funds.
- You decide to use the remaining balance of your account to buy an annuity from a company of your choice.
- You transfer your whole account to another provider.
- Your death.

How the tax works

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

Income

The income you take from your account that isn't a tax-free PCLS will be treated as income and taxed under the Pay As You Earn (PAYE) system. Remember, the amount of income you take in a tax year could put you into a higher tax bracket, so you need to bear this in mind when deciding how much and when to take an income.

Investments

Any growth in your TargetPlan Retirement Income Account is free of UK income tax and capital gains tax.

Lifetime allowance

The lifetime allowance is a limit on the total value of pension benefits you can receive before facing a tax charge on the value of the benefits. The Government intends to abolish the lifetime allowance from 6 April 2024. Until then, any pension scheme savings that you crystallise will still be measured against the current lifetime allowance limit of £1,073,100. Any amount taken over this limit will be taxed at your marginal rate. You may have a higher lifetime allowance limit if you have a lifetime allowance protection. For more information please visit, [Tax on your private pension contributions: Lifetime allowance](#)

Designating your account for income drawdown and taking a tax-free PCLS are benefit crystallisation events, which means:

- We need to measure the money you're taking against your remaining lifetime allowance.
- You'll need to give us information about the money taken from any other registered pension schemes too.
- If you choose option 2 or 3 to receive income you'll need to give us this information regularly when we ask for it.

How your money is invested

You can find out more about your investment choices in the [Investment options booklet](#), but here's a quick introduction.

You can choose from around 80 investment funds, which cover most investment sectors in the UK and abroad, including a selection of responsible investment options. This allows you to select a combination of funds that suits your own investment goals, values and attitude to risk.



How it works:

When your account is set up, you'll need to tell us which fund or funds you want your uncrystallised fund and drawdown fund to be invested in. You'll need to invest your uncrystallised fund and drawdown fund in the same investment funds and in the same proportions.

Once your account is set up, you can switch your uncrystallised and drawdown funds into different investment funds and in different proportions.

What you invest in can have a big effect on your income. So, it's important that you read the fund factsheets carefully before choosing to find out where each fund invests and the charges and risks that apply. If you're not sure whether a fund is suitable for you, you may want to speak to a financial adviser. There may be a charge for this.

The value of an investment, and any income you take from it, can fall as well as rise and isn't guaranteed. You could get back less than has been paid in.

Taking income payments from your account investments

Income payments will be made by selling units in the investment funds. When you first ask for an income payment, you'll need to tell us which funds the income payments should be paid from.

- If you've chosen to take income as option 1, we'll sell units from drawdown funds.
- If you've chosen to take income as option 2, we'll sell units from uncrystallised funds.
- If you've chosen to take income as option 3, we'll sell units proportionately across your drawdown and uncrystallised funds.

We'll automatically sell funds to provide the amount of income you've chosen. (before deduction of any tax that might be due).

What happens if your chosen fund(s) has run out?

- **If there's nothing left in a fund you've chosen to pay your income**, you'll need to give us a new instruction. If we don't get a new instruction, we'll continue to sell units from any remaining drawdown funds you've asked for your income to be taken from, in proportion to the value of each fund holding at the time of the withdrawal.
- **If all of your chosen funds have run out**, we'll take your income from any other drawdown funds that you hold. If there are no other drawdown funds available, your income will stop.
- **If you hold any investments in an uncrystallised fund**, you can give us a new instruction if you want income payments to restart.

You can, of course, change your instructions about funds to be sold when you want to. If you need advice on which investment funds to sell from, please speak to a financial adviser. There may be a charge for this.

Staying on track with regular reviews

It's important to regularly look over your account and your circumstances to make sure everything's still on track for the income you'll need in the future.

The level of income isn't guaranteed. There's a chance that you might need to reduce your income in the future, in particular if either of the following occurs:

- The performance of your investments is lower than expected.
- You live longer than originally anticipated when choosing your initial income level.

You should regularly check the level of income you're taking to make sure the balance of your account doesn't get too low. And if your circumstances change, you should arrange a review with a financial adviser. There may be a charge for this.

Here's why regular reviews are important:

- If you take too much income too soon, your account might run out of money before you die.
- The value of your account is directly related to the value of the assets held within the investment fund(s) to which its value is linked, so the value may go down as well as up. If the value of your account goes down, this may reduce the amount of income that you can receive in the future.
- If you take income from your account at a rate that's higher than the rate of investment return earned on your investments, the capital value of your account will go down, maybe faster than you might have expected. This will mean you might not be able to carry on taking an income at the same rate. It will also mean that, on your death, the fund that's left might not be enough to support your spouse, registered civil partner, or dependant, as appropriate.

Please bear in mind:

- The income you receive might be lower than the amount you could receive from an annuity, depending on the performance of your investments.
- The rules on how much income you can take directly from your account might change. This could mean that the income you can take from your account no longer meets your requirements.

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

Managing your account online

You can keep an eye on your account by logging into our online service –TargetPlan.

When you log in, you'll be able to:

- See how much you've saved
- See a summary of contributions paid into your account
- See and manage where you're invested
- Manage your contributions
- Use the modeling tool to project different levels of potential incoming in later life (if available for your scheme)

Our app

Once you have registered for TargetPlan online account, after 24 hours, you can download and register for the Aegon app.

What you can do with the app:

- View the value of your account
- View your transactions and contributions
- View a breakdown of your investments
- Change funds
- Update your personal details
- Change your retirement age

Thanks to the app, you can check on your pension and make changes in just a few taps, wherever you are.

Log in is quick and secure – you'll be able to use fingerprint or face recognition for added security (if your device has this functionality). It only takes a few seconds. The Aegon UK app is free and just a tap away.



Annuities, transfers and death benefits

Buying an annuity

You can use your account to buy an annuity at any time. An annuity is designed to provide payments at specified intervals which can be linked to a rate of inflation. We don't sell annuities, but you can buy an annuity from the insurer of your choice.

The annuity might be a short-term annuity (which is paid for up to five years) or a lifetime annuity. Once you've bought a lifetime annuity, you'll be paid an agreed set level of income for the rest of your life.

It's critically important to choose an annuity that meets your needs – for example, you can choose to include an income for your spouse after you die.

Generally, the older you are when you buy an annuity, the higher the yearly income you should get for your money, because your life expectancy will be shorter. But remember that annuity rates might get worse, so your pension fund may provide you with a lower level of income.

If you buy an annuity, the rates available and the options you choose will affect the income provided considerably. Annuity rates can change a lot over short periods of time – both down and up – so it's important to shop around.

If you suffer from ill health, you might be able to get a higher annuity rate from certain annuity providers.

Transfers

Transfers out

At any time, you can transfer all or part of your account to another registered pension scheme (or qualifying recognised overseas pension scheme). Any new funds you move your money into will have their own set of risks.

Transfers in

You can also transfer the value of benefits from another registered pension scheme (or qualifying recognised overseas pension scheme) into your account at any time, as long as we're able to accept it.

Things to bear in mind:

- Always check first for any potential exit penalties which could apply to the money being transferred.
- You might lose features, protections, guarantees or other benefits, so make sure you compare products before going ahead.
- Remember, the value of your consolidated pension pot can still fall as well as rise and the final value of your pension pot when you come to take benefits may be less than has been paid in.

Transferring a pension might not be the best option for you. If you're in any doubt about transferring, speak to a financial adviser – there may be a charge for this.

Payments on death

When you die, the value that's left in your account can be paid in one of the following ways:

- As a lump sum to your beneficiaries.
- Subject to meeting certain limits, to set up a beneficiary drawdown account for any beneficiary choosing this option, so they can receive an income.

Death before age 75

Any payments made after your death will normally be paid free of tax as long as any lump sum is paid, or any income payments start, within two years of us being told about your death.

Death aged 75 or over

Any payments will be taxed at the beneficiaries' marginal rate of income tax.

Getting guidance and advice

Pension Wise

Pension Wise, a service from MoneyHelper, is a free and impartial government service offering guidance about your retirement options. This service is available online at moneyhelper.org.uk/pensionwise or by phone on 0800 138 3944.

Financial advice

If there's anything you don't understand, or if you're not sure whether the TargetPlan Retirement Income Account is right for you, we highly recommend that you get advice from a financial adviser to help you understand all your retirement options. There may be a charge for this.

If you don't already have a financial adviser, you can find one at moneyhelper.org.uk/choosing-a-financial-adviser

Get in touch

 0345 601 7721

 my.pension@aegon.co.uk

 aegon.co.uk/targetplan

 @aegonuk

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Call charges will vary.

Our email system and the way we deal with data internally is secure. However, we're unable to ensure the security of emails before they reach us so please consider this and do not include any personally sensitive, financial or banking information that hasn't been appropriately secured.

If you have access to our online services, you may be able to log in and complete your action securely.

