

# *i2Live* Drawdown – Income Guarantee Option

Series 1 Terms and conditions



# Contents

Section 1	The option	3
Section 2	The charges	3
Section 3	The income guarantee	4 - 5
Section 4	Reviewing the income guarantee	6
Section 5	Payment of the income guarantee	6
Section 6	Income from a specified fund	7
Section 7	Conversion to <i>i2Live</i> Annuity	7

These terms cover Series 1 of the Income Guarantee Option and will have been issued to you by our Service Team if they apply to your policy.

However, if you are in any doubt about whether these Terms and Conditions apply to you, please contact our Service Team on 0845 642 2222.

You should read this document in conjunction with the *i2Live* Drawdown Terms and Conditions issued to you by your financial adviser or from our Service Team. Definitions of the terms highlighted in bold can be found within that document.

## 1. The option

- 1.1 You can include the **Income Guarantee Option** when you make a **payment** into your policy or at a later date. If it is added at a later date, the terms and structure that apply to the **Income Guarantee Option** will be the ones available at the time. There is no guarantee that they will be the same terms and structure as those set out in this document. In determining the terms and structure that will apply at the time, we take into account a number of factors which could include, but is not limited to, the following:
  - The financial and economic conditions at the time.
  - Our expectations at the time for what will happen in the future for things such as financial and economic conditions, life expectancy, policyholder behaviour, etc.
  - The availability and cost of appropriate financial instruments (or other arrangements such as reinsurance) at the time to back the **Income Guarantee Option**.
  - The legal, regulatory and tax requirements at the time.
  - Market practice at the time.
- 1.2 The **Income Guarantee Option** can be applied to all or part of any **payment** that is made to your policy or to all or part of the fund built up in your policy if the option is added at a later date.
- 1.3 The value of any **payment** or part of any **payment** or part of the fund for which the **Income Guarantee Option** is selected will be applied to a separate **tranche segment**.
- 1.4 Each **tranche segment** with the **Income Guarantee Option** exists independently from any other **tranche segment** with the **Income Guarantee Option** attached.
- 1.5 The **Income Guarantee Option** can be continued under your *i2Live* Drawdown policy to your 75th birthday and then

continued on conversion to *i2Live* Annuity. If not converted and you choose to remain in *i2Live* Drawdown past age 75, in accordance with section 8.2 of the *i2Live* Drawdown Terms and Conditions, then the **Income Guarantee Option** shall be cancelled by us on your 75th birthday. We assume that each **tranche segment** to which the **Income Guarantee Option** applies will be converted to *i2Live* Annuity on your 75th birthday. You can decide to convert to *i2Live* Annuity before your 75th birthday (at any time from your 60th birthday) but the **guaranteed minimum income** for that **tranche segment** will be reduced (see sections 7.1 and 7.2 of this document).

- 1.6 The **Income Guarantee Option** can be cancelled from a **tranche segment** by you at any time and you will then be able to take income payments up to the **HMRC maximum income limit** set out in sections 7.5 to 7.11 of the *i2Live* Drawdown Terms and Conditions without any other restriction.

If the **Income Guarantee Option** has been cancelled from a **tranche segment**, it can be added back at a later date, but only after a period specified by us (currently 12 months) has elapsed. If it is added at a later date, the terms that apply will be the ones available at that time. There is no guarantee that they will be the same terms as those set out in this document, see section 1.1.

## 2. The charges

- 2.1 We will make an extra charge, the annual guarantee charge, as a percentage of the value of a **tranche segment** to which the **Income Guarantee Option** applies. The percentage to be deducted is shown on your **Tranche Segment Details Schedule**. We will collect this charge on a monthly basis by cancelling **units** to the value of the charge proportionately from the **investment funds** in which the **tranche segment** is invested, based on the value of **units** in each **investment fund** on the date the charge is deducted.

### 3. The income guarantee

- 3.1 The initial **guaranteed minimum income** for a **tranche segment** is set at outset of that **tranche segment** and will not reduce unless any of the events described in section 3.7 of this document occur.

The initial **guaranteed minimum income** is calculated as a percentage (the income guarantee percentage) of the initial **maximum supportable income** for that **tranche segment**. The income guarantee percentage applying to a **tranche segment** is as shown on the **Tranche Segment Details Schedule**.

- 3.2 A condition of the **Income Guarantee Option** is that the **guaranteed minimum income** will continue to apply to a **tranche segment** only if the total income taken during a **pension year** does not exceed the greater of the **maximum supportable income** and the **guaranteed minimum income** for that **pension year** (see section 3.7 of this document for what happens if this condition is broken).
- 3.3 At the outset of a **tranche segment** to which the **Income Guarantee Option** applies, the proportion of the value of that **tranche segment** that is invested in **equity risk** investments is restricted to the **maximum equity risk proportion**, which is currently 70% (but see below if income is not taken proportionately from all **investment funds**).

This restriction also applies at each review of the **guaranteed minimum income** for that **tranche segment** in accordance with the terms set out in section 4.1 of this document.

In both of the above, if income is not being taken proportionately from all **investment funds**, the **maximum supportable income** is deducted from the **tranche segment** before the restriction to the **maximum equity risk proportion** is applied. This will result in a lower maximum **equity risk** than would be permitted if income was taken proportionately.

Additional restrictions apply if income is not taken proportionately from all **investment funds** (see sections 6.1, 6.2 and 6.3 of this document).

If we request that investments are switched to meet the requirements in this section or section 6.2 of this document, you must switch your investments within 30 days of the date of our request, otherwise the **Income Guarantee Option** will be removed from the **tranche segment**.

We will specify and periodically review the proportion of each **investment fund** deemed to be invested in **equity risk** investments for the purposes of the **Income Guarantee Option**. These proportions will be based on our view of a reasonable average proportion invested in **equity risk** investments over the next five years for each **investment fund** taking into account the objectives of that **investment fund** and other relevant factors. The proportions may be different to the actual investment mixes of the **investment funds** at any particular point in time. You can request details of the current proportions from our **Service Team** at any time.

- 3.4 You can only switch your investment in a **tranche segment** from one **investment fund** to another if one or both of the following apply:
- immediately after the switch, the proportion of the value of the **tranche segment** (less the current year's **maximum supportable income** applicable to that **tranche segment**, if income is not taken proportionately from all **investment funds**) that is invested in **equity risk** investments does not exceed the **maximum equity risk proportion**.
  - the proportion of the value of the **tranche segment** that is invested in **equity risk** investments does not increase as a result of the switch.

If the value of a **tranche segment** is reduced following the application of a **pension sharing order** or the purchase of an **annuity**, then one or both of the following must apply:

- immediately after the event, the proportion of the value of the **tranche segment** (less the current year's **maximum supportable income** applicable to that **tranche segment**, if income is not taken proportionately from all **investment funds**) that is invested in **equity risk** investments does not exceed the **maximum equity risk proportion**.
  - the proportion of the value of the **tranche segment** that is invested in **equity risk** investments does not increase as a result of the event.
- 3.5 The **maximum supportable income** is calculated at outset (the initial **maximum supportable income**) and for each subsequent **pension year**. It is calculated independently for each **tranche segment**.

The initial **maximum supportable income** for a **tranche segment** is based on:

- the value of the investments in the **tranche segment**
- **your** age and gender
- an assumed conversion to **i2Live Annuity** on **your** 75th birthday
- whether or not **you** have specified the **joint life option** and/or the **dependant's guarantee period option** to apply to **i2Live Annuity**
- no initial commission charge or **lifetime allowance charge** being deducted on conversion to **i2Live Annuity**
- an assumed rate of investment return
- assumed future life expectancy
- assumed future charges from **your policy**.

The **maximum supportable income** for each subsequent **pension year** is calculated using the same method as for the initial **maximum supportable income** but based on the value of the **tranche segment**, **your** age and our assumptions at that time.

- 3.6 Where a new **tranche segment** is opened and there is less than 12 months to the end of the **pension year** (for example because there is an existing **tranche segment** of the same **policy tranche**), then the maximum total income allowed under the **Income Guarantee Option** (as set out in section 3.2) for that **pension year** will be based on the proportionate period to the end of that **pension year**.

The maximum total income allowed under the **Income Guarantee Option** in the final **pension year** (i.e. the period immediately prior to conversion to **i2Live Annuity**) will also be based on the proportionate period in that **pension year**.

- 3.7 The **guaranteed minimum income** for a **tranche segment** will not reduce unless:

- income greater than the **maximum supportable income** (or **guaranteed minimum income** if greater) for that **tranche segment** is taken in any **pension year**.
- the value of that **tranche segment** is reduced following the application of a **pension sharing order** or the purchase of an **annuity**.
- the level of ongoing regular **commission** **you** have agreed with **your** financial adviser is increased.

In the above circumstances the **guaranteed minimum income**

for the relevant **tranche segment** will be reduced immediately.

Where the **maximum supportable income** is greater than or equal to the **guaranteed minimum income**, the new amounts will equal the old amounts multiplied by the following factor:

(A / B) where:

A = an amount equivalent to the **maximum supportable income** calculated at the date of the above event, based on the value of **units** of that **tranche segment** immediately after the event.

B = an amount equivalent to the **maximum supportable income** calculated at the date of the above event, based on the value of **units** of that **tranche segment** immediately before the event.

The **guaranteed minimum income** may also reduce in certain circumstances on conversion to **i2Live Annuity** (see sections 7.1 and 7.2 of this document).

Where the **maximum supportable income** is less than the **guaranteed minimum income**, the adjustments will depend on **our** calculation basis current at that time, but will be such that the impact of the change is, in **our** reasonable opinion acting on actuarial advice, broadly cost neutral.

The **maximum supportable income** calculated for the following **pension year** will automatically take into account these events.

- 3.8 If the **guaranteed minimum income** is greater than the **maximum supportable income** immediately before one of the events set out in section 3.7 of this document occurs, the amount in payment will reduce immediately after the event to the new **guaranteed minimum income**.
- 3.9 If the level of ongoing regular **commission** **you** have agreed with **your** financial adviser is reduced, the **guaranteed minimum income** for each **tranche segment** to which the **Income Guarantee Option** applies will be adjusted upwards. The new amounts will be determined in a similar manner as set out in section 3.7 of this document for an increase in renewal commission.

## 4. Reviewing the income guarantee

- 4.1 The **guaranteed minimum income** for each **tranche segment** to which the **Income Guarantee Option** applies will be reviewed at regular intervals.

For the first **tranche segment** to which the **Income Guarantee Option** applies in a **policy tranche**, the date of the first review of the **guaranteed minimum income** for that **tranche segment** will be the next **HMRC review date** after that **tranche segment** is opened. Subsequent review dates of the **guaranteed minimum income** for that **tranche segment** will be every five years thereafter and the date of conversion to **i2Live Annuity**.

The review dates of the **guaranteed minimum income** for subsequent **tranche segments** in the same **policy tranche** will be the same as specified above for the first **tranche segment** to which the **Income Guarantee Option** applies in that **policy tranche**.

The **guaranteed minimum income** will not reduce at a review except when section 3.7 of this document applies, but it may increase.

The new **guaranteed minimum income** for a tranche segment will be the greater of:

- the existing **guaranteed minimum income**, and
- the income guarantee percentage as shown on the **Tranche Segment Details Schedule** multiplied by the average **maximum supportable income** for that **tranche segment** since the last review of the **guaranteed minimum income**, adjusted for any of the events set out in section 3.7. This average excludes the **maximum supportable income** calculated at outset or last review, but includes the one calculated at this review.

## 5. Payment of the income guarantee

- 5.1 Income payments up to the greater of the **maximum supportable income** and the **guaranteed minimum income** will be made from the **investment funds** in which the **tranche segment** is invested in accordance with sections 7.17 to 7.21 of the **i2Live Drawdown Terms and Conditions**. Note that section 7.7 of the **i2Live Drawdown Terms and Conditions** continues to apply, but see section 5.2 of this document below.
- 5.2 If the value of the funds in a **tranche segment** to which the **Income Guarantee Option** applies reduces to zero, then we will continue to pay you a regular income each year for the remainder of your life equal to the **guaranteed minimum income** applying at the time the fund reduced to zero.
- 5.3 Subject to section 5.4, of this document if the **guaranteed minimum income** for a **tranche segment** would otherwise exceed the **HMRC maximum income limit** calculated on an **HMRC review date**, then the value of your fund in the **tranche segment** will be increased through the addition of 'reserve units' so that the **HMRC maximum income limit** is not exceeded. The **reserve units** are made available solely to provide income in these circumstances only.
- 5.4 Where the **payment** was received from an existing **income withdrawal** product and the existing **HMRC maximum income limit** was less than the initial **guaranteed minimum income**, calculated in accordance with section 5.3 of this document, the terms set out in section 5.2 of this document will not apply until the next **HMRC review date**.

The **maximum supportable income** calculated on conversion to **i2Live Annuity** will automatically take into account these events.

6.1 You can choose for income to be taken from a specified **investment fund(s)**. If you choose to do this, the maximum **equity risk** permitted will be lower than if income was taken proportionately from all **investment funds** (see section 3.3 of this document).

6.2 In addition to the events set out in section 3.3 of this document, the proportion of the value of the **tranche segment** less the current year's **maximum supportable income** applicable to that **tranche segment** that is invested in **equity risk** investments is also restricted:

- when the option to take income from a specified fund is first selected (if not at outset), and
- at the start of each subsequent **pension year** (other than at a review of the **guaranteed minimum income**).

The proportion is restricted to the greater of the **maximum equity risk proportion** and the proportion of the value of the **tranche segment** that is invested in **equity risk** investments immediately before the check.

6.3 If income is not being taken proportionately from all **investment funds** and income greater than the **maximum supportable income** (or **guaranteed minimum income** if greater) is taken during a **pension year**, then one or both of the following must apply:

- immediately after the income payment, the proportion of the value of the **tranche segment** that is invested in **equity risk** investments does not exceed the **maximum equity risk proportion**
- the proportion of the value of the **tranche segment** that is invested in **equity risk** investments does not increase as a result of the income payment.

## 7. Conversion to i2Live Annuity

7.1 On conversion to **i2Live Annuity** the **guaranteed minimum income** for a **tranche segment** will continue to apply unless:

- conversion takes place prior to **your** 75th birthday, or
- there is a reduction in the value of that **tranche segment** at conversion due to the deduction of an initial commission charge and/or a **lifetime allowance charge**, or
- the actual selection of the **joint life option** and **dependant's guarantee period option** under **i2Live Annuity** is different to that initially specified.

In the above circumstances the **guaranteed minimum income** and **maximum supportable income** for the relevant **tranche segment** will be adjusted on conversion. The adjustments will depend on our calculation basis current at that time, but will be such that the impact of the changes is, in our reasonable opinion acting on actuarial advice, broadly cost neutral.

The **maximum supportable income** calculated on conversion to **i2Live Annuity** will automatically take into account these events.

7.2 If the **guaranteed minimum income** is greater than the **maximum supportable income** immediately before the date of conversion and the **guaranteed minimum income** has been adjusted downwards on conversion in accordance with section 6.3 of this document, the amount in payment will reduce immediately after conversion to the new **guaranteed minimum income**.

# How to contact us

Our dedicated adviser and customer support team is on hand to answer any questions you have about Sun Life Financial of Canada's products and services.

They can also provide you with further product literature and assist you with any specific queries or instructions regarding a policy.



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