At **Retirement**

The Aviva Annuity

AVIVA

A guide for customers

Contents

Your guide to the Aviva Annuity

After so many years of saving for your retirement the day has come for you to start enjoying your retirement. What you now decide to do with your pension fund will be one of the most important financial decisions you ever make.

It is important that you talk to your Financial Broker about the choices you have and the important decisions you need to make. One of the choices you have is to use your pension fund to buy yourself an income for the rest of your life. This is called an 'annuity'.

An annuity provides a regular income for the rest of your life, no matter how long you live. You can buy an annuity with the money from your pension fund. The annuity payments are taxable as income.

For many people, an annuity is the most practical and suitable way to get a pension income during their retirement.

The more money you have in your pension fund, the higher your pension income is likely to be. Here's a quick look at the pros and cons of an annuity:

Pros

- ✔ Annuities are lower risk than other retirement income options.
- ✔ It will pay you a regular income no matter how long you live.
- ✔ You can choose to provide for your spouse / civil partner when you die.
- ✔ You can choose to reduce the impact of inflation on your pension income.
- ✔ You can opt to guarantee your payments for 2, 3, 4, 5 or 10 years.

Cons

- ✖ Once you've bought it you can't cash it in, swap it for something else or alter your annuity options.
- ✖ The level of your pension income is not flexible.
- ✖ Depending on when you die, you may get back less than you paid in.
- ✖ Unless you choose to increase your pension income by a set percentage each year, you will not be reducing the impact inflation may have on your pension income.
- ✖ Unless you choose otherwise, your spouse / civil partner will not be automatically provided for.
- ✖ The options you choose affect the level of pension income you receive. Generally the more options you add, the more it will cost you, so the lower your pension income will be.

Is an annuity right for me?

The answer to that depends very much on your personal circumstances.

A Financial Broker will be able to help you gather quotes from a number of annuity providers and then assess if it is the right option for you.

So before reading the rest of this booklet you should consider if an annuity is right for you. Please read the table below and see which statements are most relevant to you.

Is an Annuity right for you?

An annuity might suit you if:	An annuity might not suit you if:
✔ You are aged 50 or over (but not older than 80).	✖ You are aged under 50 or over 80.
✔ You require a guaranteed pension income for the rest of your life after you retire.	✖ You do not require a guaranteed pension income for the rest of your life after you retire.
✔ You wish to provide a guaranteed level of pension income for your spouse or civil partner in the event of your death.	✖ You have no spouse or civil partner who you wish to provide a pension income for.
✔ You do not wish to, or are unable (due to Revenue reasons) to invest the balance of your pension fund in an Approved Retirement Fund after you have taken your tax-free cash lump sum.	✖ You wish to, and are able to invest the balance of your pension fund in an Approved Retirement Fund after you have taken your tax-free cash lump sum.
✔ You want certainty about how much income you will receive each year after you have retired	✖ You are happy for your income to move up and down each year after you have retired.

Please read the Aviva Annuity Key Features document in addition to this brochure

Shop around for the best deal

If you were buying a new house or car, it's more than likely you'd have a good look around the market to find what suits you and offers the best deal.

You should do exactly the same when you start thinking about your income in retirement. This money is going to see you through the rest of your life, so it's a big decision.

It's important to shop around because different companies will offer different rates for retirement income. The money from your pension fund has to stretch over a long time. Because of that, even the smallest difference in annuity rates can affect your pension income by hundreds of euros a year for the rest of your life.

Compare quotes from different companies

Your pension provider will offer you a rate for your pension income, through an annuity. Remember that you don't have to take the first deal you're offered.

Your pension plan will likely include an open market option, which means you can shop around, looking at deals from other companies.

Take some time to get quotes from a number of companies and compare them against each other. Your Financial Broker will be able to help you with this.

Why choose Aviva?

Around the world, Aviva provides around 34 million customers with life assurance, savings and investment products*.

Aviva is Ireland's leading composite insurer for life, pensions, general and health insurance products*. Our aim is to provide an efficient and professional service through a range of channels such as Financial Brokers, financial institutions and our website www.aviva.ie.

We combine strong life assurance, general insurance and asset management businesses under one powerful brand. We are committed to serving our customers well in order to build a stronger, sustainable business which makes a positive contribution to society.

*Source: Aviva annual accounts, March 2015.

How does the Aviva Annuity work?

Buying your annuity

You can use your pension fund to buy an annuity. You can opt to use the full value of your pension fund or any amount left over after you have taken a tax-free cash lump sum. Pension funds from the types listed below can be used to buy an annuity:

1. A personal pension plan
2. A company or executive pension plan
3. A buy out bond
4. Additional Voluntary Contributions (AVCs)
5. A Personal Retirement Savings Account (PRSA)

Unfortunately you cannot use any other types of pensions to buy an Aviva Annuity – it is only those pension types listed above that can be used to buy an Aviva Annuity. However, if you have an Approved Retirement Fund (ARF) and / or an Approved Minimum Retirement Fund (AMRF) you can use either of these to buy an annuity. If you ever decide that you would like to use some or all of the money in your ARF and / or AMRF to buy an annuity, you may do so. If you would like further information on ARFs and / or AMRFs please refer to our *ARF / AMRF Customer Guide*.

How much income will I receive?

This question can only be answered when we have received certain information that we will use to calculate how much pension income you will receive. As the level of pension income you may get depends on your personal circumstances, it can vary from one person to the next.

We will look at all sorts of things to work out your pension income, including:

- The size of your pension fund
- The annuity rates at that time
- Your age
- Your health (if you're applying for an enhanced annuity)
- Whether you want to add your spouse/civil partner
- Your spouse / civil partner's age

Annuity rates

The annuity rate is the percentage of a lump sum which we will agree to pay to you for life in return for that lump sum.

Annuity rates tend to go up and down quite regularly. This could have a significant effect on your pension income.

Once you have bought an annuity, you're locked into the rate you accept. You won't be able to change it later on.

Enhanced annuity rates

If you or your spouse / civil partner (or both) have (or have previously suffered) from medical conditions such as cancer, a heart attack or either of you smoke, we may be able to offer you a higher pension income through an enhanced annuity.

If you're applying for an enhanced annuity rate it's important the details you give us are accurate. We may approach your doctor to confirm that the information you have provided is correct. If the information provided by you is inaccurate, or we cannot verify it within 60 days from the date we request it, we may reduce your annuity payment and / or recover any payments we have already made. This may result in you getting a lower annuity amount than what you might have received from another annuity provider.

Talk to your Financial Broker to see if you can avail of an enhanced annuity.

What options are available with the Aviva Annuity?

Everyone is different and annuities come in all shapes and sizes. There are lots of extra features that you can add to your Aviva Annuity to tailor it to your personal circumstances. When assessing these, you need to think carefully about your immediate and long-term needs. You do not have to choose these extra features.

What if I'm single?

If you're single, a 'single life' annuity, which provides a pension income only for you for the rest of your life, may be suitable.

What if I want to provide a pension income for my spouse or civil partner who is financially dependent on me?

If you have a spouse or civil partner who relies on you financially, you may want to consider a 'joint life' annuity, as this will continue to pay them a pension income for the rest of their life if you die before them. You have a choice as to how much your spouse or civil partner's pension income will be from 100% of your pension income down to as low as 20%. If you choose this option your pension income will be lower.

What if I just want a fixed pension income?

These are the most basic types of annuities. They pay a higher starting pension income than other types of annuity but your income will always stay the same, so the buying power of your pension income will reduce each year because of inflation. These are called 'level annuities'.

How can I reduce the impact of inflation on my pension income?

Inflation is a fact of life and if your pension income remains flat, its buying power will reduce over time. For this reason, with the Aviva Annuity you can choose for your pension income to increase each year to lessen the effect of inflation.

The pension income you start on will be lower than a level annuity. This is because some of the money from your pension fund is held back initially to pay for increases to your pension income each year. Typically you have the choice of your pension income growing by up to 3% each year. These types of annuities are called 'escalating annuities'.

You should be aware that it can take quite a number of years before the pension income under an escalating annuity reaches the amount payable under a level annuity. You should speak to a Financial Broker to ensure the decision is right for you.

What if I want my dependants to benefit from the money I've invested into my pension fund if I die in the early years of the annuity?

Something to bear in mind is that if you use the money from your pension fund to buy an annuity and depending on when you die, you may not get back what you've paid into it.

If you choose a 'joint life' annuity, this will pay a pension income to your spouse or civil partner, after you die. But if you both die soon after buying it you could still lose out. One way to protect against this is to buy an annuity that guarantees to pay the income for a set period of time regardless of how long you live. Your family may also benefit from Value Protection depending on when you die.

What is Value Protection?

Single Life Annuity: If you die within 90 days of the earlier of your contract date or annuity start date, we will make a payment to your estate. This will be equivalent to the value of your purchase amount, minus any payments already made to you.

Joint Life Annuity: If you die within 90 days of the earlier of your contract date or annuity start date, and your spouse / civil partner (who is named on your policy) dies before you, a lump sum equivalent to the value of your purchase amount, minus any payments already made will be paid to your estate. No further payments will be made under your policy.

The contract date is the date the policy comes into force and the annuity start date is the date your annuity payments accrue from.

What are guaranteed payment periods?

These are guarantees made by us that if you die within a set period of time, the money you would have received for the rest of that period will be paid as an income to your spouse / civil partner or personal legal representative. You can choose a guaranteed payment period of:

- 2 years
- 3 years
- 4 years
- 5 years
- 10 years

For instance, if you buy an annuity with a five-year guarantee but die at the end of year one, your spouse / civil partner or personal legal representative will still receive the pension income for the remaining four years. Of course, if you live beyond this five year period, you will still receive a regular pension income for life.

We offer a minimum one year guaranteed payment period as standard, but you will always have the option of selecting a different guaranteed payment period when applying for an Aviva Annuity.

What is ‘overlap’?

Overlap is only relevant to ‘joint life’ annuities with a guaranteed payment period of 5 years. Upon your death, an annuity with overlap will commence paying the second pension income to your spouse or civil partner and in addition, will continue to pay the main pension income to your spouse or civil partner up to the expiry of the guaranteed payment period. This is best illustrated by an example:

Peter has just retired and he and his wife Alice take out a joint life annuity with a guaranteed payment period of 5 years. Peter’s pension income is €12,000 a year reducing to €6,000 a year (i.e. the spouse/ civil partner’s pension) on his death. Unfortunately, Peter dies after only 3 years. Therefore, Alice starts to receive the reduced pension income of €6,000 a year and in addition receives the remaining 2 of the 5 guaranteed years of Peter’s pension income. In effect Alice receives a total pension income of €18,000 a year in years 4 and 5, reducing to €6,000 a year thereafter.

For annuities without overlap, Alice’s pension income only starts when the guaranteed payment period ends. So, in the example above, Alice continues to receive the remainder of Peter’s pension income of €12,000 a year in years 4 and 5 and thereafter the reduced amount of €6,000 a year.

How will these options affect my pension income?

The features you choose affect the level of pension income you receive. Generally, the more options you add, the more it will cost you, so the lower your pension income will be. However, some options will hardly affect your pension income at all. It’s worth speaking to a Financial Broker about this and to find out how much you could get depending on the options you select.

Things you may need to know

An annuity can often take a couple of months to set up and start paying you a pension income, so make sure you leave yourself plenty of time. The information and documentation we will require are set out on our application form.

How often can I receive my pension income?

You will be able to choose how often you receive your pension income. We can pay this to you monthly or yearly. The payment frequency you choose will also apply to any pension income that may be paid to your spouse / civil partner or personal legal representative following your death.

Payment will be made on the 1st day of the month following receipt of all documentation required to set up your annuity. This applies for both monthly and yearly paid annuities. If we do not receive all of the relevant documentation within 15 working days of the end of the month, it is likely that your annuity will not be paid until the 1st day of the subsequent month – but your first payment will be in respect of that month and the previous month.

How do you pay me my pension income?

Payment of the annuity must be to a bank, building society or Credit Union. Money will be credited to the nominated account by Electronic Funds Transfer (EFT).

What happens to my pension income when I die?

Single life annuity – if you do not have a guaranteed payment period on your annuity your pension income will stop when you die.

Annuities with guaranteed payment periods - if you die during a guaranteed payment period your pension income will continue to be paid to your spouse / civil partner or personal legal representative at the same frequency it was paid to you. The next payment will normally occur on the 1st of the month after we receive all of the requirements to process the death claim. This payment will include any back payments that may be due since your death. However, no proportionate payments will be made in respect of the period from the date of your death to the 1st of the following month.

For yearly paid annuities the next payment will occur on the yearly payment date after we receive all of the requirements to process the death claim. However, no proportionate payments will be made in respect of the period from the date of death to the yearly payment date.

Joint life annuities - if a pension income is to be paid to your spouse / civil partner or personal legal respresentative following your death, the first payment will occur on the 1st of the month after we receive all of the requirements to process the death claim. This payment will include any back payments that may be due since your death. However, no proportionate payments will be made in respect of the period from the date of your death to the 1st of the following month.

For yearly paid annuities the next payment will occur on the yearly payment date after we receive all of the requirements to process the death claim. However, no proportionate payments will be made in respect of the period from the date of your death to the yearly payment date.

How is my pension income taxed?

The income from it will be taxed as earned income, according to the tax rules at the time you retire. The tax you pay will be based on your personal circumstances.

You will have to pay tax at your marginal rate of tax, subject to your tax status. The current income tax rates are 20% or 40% depending on your earnings. A deduction for the Universal Social Charge (USC) of up to 8% may also be made depending on the level of your income and your age.

Based on information provided to us by the Revenue Commissioners, we will deduct tax and other payments and send these directly to the Revenue Commissioners on your behalf. Any shortfall of tax or USC may be deducted from subsequent annuity payments that we pay to you.

Important

In all cases it is your responsibility to contact your local Inspector of Taxes in the Revenue Commissioners to ensure your annuity is taxed correctly before payments commence. Your local Inspector of Taxes can tell you the correct rate of income tax that you should pay on your annuity.

We will require a Notice of Determination of Tax Credits and Standard Rate Cut-Off Point ('tax credit certificate') with Aviva Life & Pensions Ireland DAC stated as the employer (Registered Number 3576970GH). If you are not liable for tax this will be reflected on the tax credit certificate. We would suggest that you telephone the Revenue Commissioners on LoCall 1890 33 34 25 to obtain a tax credit certificate for this annuity.

Until we receive a tax credit certificate from the Revenue Commissioners telling us what rate of tax to apply, we are obliged to deduct income tax at the highest rate (currently 40%) and the Universal Social Charge (USC) at 8% from your annuity payment. This is known as emergency tax. If you do need to claim back this overpayment of tax, please contact the Revenue Commissioners directly.

Can I cash in my annuity?

No. Under current Revenue rules it is not possible to stop an annuity and trade in any balance for cash. Neither is it possible to change any of the features of the annuity (for example the rate of escalation or switching the annuity from a single life to a joint life) once the annuity has been bought.

Annuities are designed to provide you with certainty of income during retirement. Once the initial set of options are chosen they cannot be changed. So, it's important to choose your annuity carefully and get it right the first time. Talk to a Financial Broker before you buy your annuity.

The Aviva Annuity - At a glance

Minimum entry age	50 (51 next birthday)
Maximum entry age	80 (81 next birthday)
Minimum term	Not applicable
Maximum term	No maximum term. The income is payable for the remainder of your life. You can also choose to have the income continue after your death to your spouse or civil partner for a set Guaranteed Payment Period.
Limits on purchase amount	Minimum: €10,000
	Maximum: €500,000
Basis	Single or joint life annuities available
Escalation option	0% - 3%
Guaranteed Payment Period	2, 3, 4, 5 or 10 years (with a default one year guaranteed payment period as standard if one of the other options is not selected)
Overlap	Available on joint life annuities with 5 year Guaranteed Payment Periods
Payment frequency	Monthly or yearly

A commitment to quality service

Any enquiries or complaints regarding your policy should be in the first instance directed to our Pension Claims Department. We will try to deal with any matter you raise in a satisfactory manner. In the event that you are dissatisfied on any matter, you may refer your complaint to:

Financial Services and Pensions Ombudsman

Lincoln House, Lincoln Place, Dublin 2, D02 VH29
Tel: +353 1 567 7000
E-mail: info@fspo.ie
W ebsite: www.fspo.ie

Full details of the remit of the Financial Services and Pensions Ombudsman can be obtained directly from their office

Ensuring the policy meets your needs

We only want you to have an Aviva Annuity if you are satisfied that it is the right product for you. So, shortly after your Aviva Annuity has started, we will send you the full documentation governing your Aviva Annuity. You will then have a cancellation period of 30 days from the date on which your Aviva Annuity documentation is issued to change your mind.

Study the documents – and, if you would like to cancel your Aviva Annuity, simply return the documents and signed notice of cancellation to our registered office:

The Customer Services Manager, Aviva Life & Pensions Ireland DAC, One Park Place, Hatch Street, Dublin 2, D02 E651.

When we receive a written request to cancel your policy within 30 days from the contract date of your policy, all the benefits under your policy will stop immediately and the amount paid to Aviva Life & Pensions Ireland DAC will be refunded in full to its original source less (1) any pension income already paid and (2) any losses incurred as a result of fluctuations in the value of the assets invested during the time your policy was in force.

This guide has been produced by Aviva Life & Pensions Ireland DAC. Great care has been taken to ensure the accuracy of the information it contains. However, the company cannot accept responsibility for its interpretation, nor does it provide legal or tax advice. This guide is based on Aviva's understanding of current law, tax and Revenue practice March 2016.

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Aviva Life & Pensions Ireland Designated Activity Company, trading as Aviva Life & Pensions Ireland and Friends First, is regulated by the Central Bank of Ireland.
Tel (01) 898 7950 www.aviva.ie

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