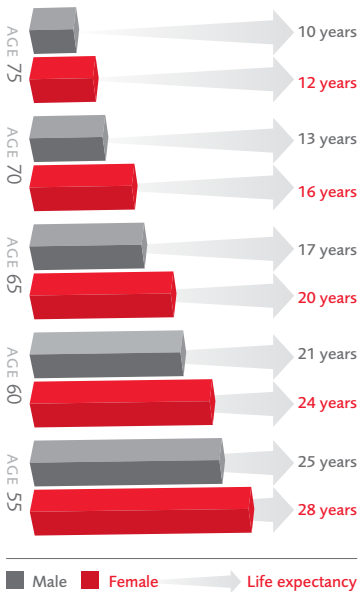


oracle

Your retirement could last decades.
It's time to start looking into the future.



Life expectancy after retirement



Source: Office for National Statistics, October 2009

Retirement could last longer than you imagine...

People often think of their pensions as a bit like savings accounts. So they pay money in while they're working, and when they retire they think they can take that money out, as and when they need it. But that's not actually how pensions work. Unless you have a "Defined Benefit" or "Final Salary" pension scheme, the reality is that you will have to purchase a retirement income using your pension savings.

There are a range of retirement income options available. Choosing the right retirement income is one of the most important decisions you'll make, especially as once set up, the majority of retirement income options cannot be changed. There are many important factors to consider and to discuss with your financial adviser to ensure the option you take is right for you. It's a fact that people are living longer than they used to. Someone aged 60 retiring today can typically expect to live more than 20 years.

...and prices keep going up, up, up!

Over time inflation can reduce the buying power of your money as the price of the things you buy increases. For example, today the average price of a loaf of bread in Britain is £1.19. It was a mere 65p five years ago.

Imagine 20 years without a pay rise.

Some retirement income options pay out an income that stays at the same level from the day you buy it. Think back to 1990 and what you were paid 20 years ago – could you live on that today? When choosing a retirement income, it's important to consider inflation, especially as you could spend over 20 years in retirement. Will the income you first retire on at age 65 still meet your needs 10, 15 or even 25 years on?

Spending Power of £5 over 10 years



In September 2000 you would have gotten all of these items in your shopping basket for £5.40.



In September 2010 you would have a lot less in your basket – no sugar or coffee, half the milk and a smaller loaf of bread – and it would have cost you £5.10.

Source: Office for National Statistics, 2010

What are my family's needs?

It's important to think about the future of your loved ones. You may have a partner who has been dependent on you for many things over the years and this isn't likely to stop after you die. You may want a retirement income that's able to provide for a loved one after you pass away. This needn't be complicated and there are different options available. Some may continue to provide a regular income after you have gone and others may provide a lump sum. You could also start passing on your assets now which could be more tax efficient.

Your financial adviser will be able to talk you through your options.

...and what about my health?

Often ill health can cost you more, such as when buying travel insurance. However with some retirement income options, if you have a health and/or lifestyle condition, you could get a higher income. Even a relatively minor condition such as high blood pressure or cholesterol may qualify you to get this extra money, which could make a significant difference. It's called an enhanced income.

Some things that could qualify are: Cancer; heart, liver or kidney disease; Diabetes; stroke; Multiple Sclerosis; Alzheimer's or Parkinson's disease. Conditions associated with your lifestyle such as smoking, high Body Mass Index (BMI), raised cholesterol and high blood pressure could also be taken into account.



Some of the retirement options available to you?

We understand that everyone has different needs in retirement. The following table may help you to choose the option which might suit you best. Speak with your financial adviser for help on deciding.

	Some of the most common retirement income solutions					
	Fixed Annuity	Inflation-linked Annuity	Escalating Annuity	With-profits Annuity	Unit-linked Annuity	Income Drawdown
You want a guaranteed income for the rest of your life that is fixed and will not increase.	★					
You want a guaranteed income for life that will change each year in line with inflation.		★				
You want a guaranteed income for the rest of your life that will increase by a set amount each year, which you decide.			★			
You want to benefit from potential investment growth, giving you the chance for your income to increase.				★	★	★
You want to benefit from potential investment growth, giving you the chance				★	★	

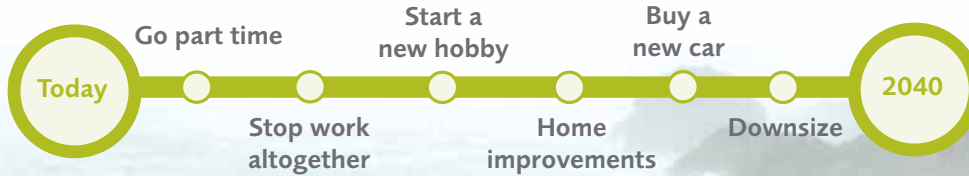
for your income to increase – and want an underlying guaranteed minimum level that it will not fall below.				★	★	
You want to be able to change the level of your income to suit your needs during retirement.				★	★	★
You want a wide range of investment options to choose from.					★	★
Having built up your pension fund you want to keep some or all of it invested so that you can benefit from potential growth in the future.					★	★
You want your plan to remain invested in the markets and allow you to withdraw specific amounts as and when you need them (including the ability to withdraw nothing if you don't need it).						★
You want to take your tax free cash without having to take any income immediately.						★

	Fixed Annuity	Inflation-linked Annuity	Escalating Annuity	With-profits Annuity	Unit-linked Annuity	Income Drawdown
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Considerations	Over time, the buying power of your fixed income could fall due to the effects of inflation.	If inflation falls your income will fall unless you choose to protect against this.	The buying power of your income will fall if the rate of inflation is higher than the rate of increase chosen.	Your income from a with-profits annuity can fall as well as rise at an annual review.	The value of your fund may go down, especially if investment returns are poor and a high level of income is taken. This could result in a lower income in the future. When maximum withdrawals are taken, high levels of income may not be sustainable.
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Retirement is a journey.

Your retirement will no doubt go through different phases, as your life has always done. So it could be important for your retirement income to be flexible if you want it to adjust to future changes. You'll have different income demands at different points. You may want to gradually cut down your hours or retire completely. You might want to take the trip of a lifetime when you first retire or buy a new car, or you may want to start a business.



Do you know where all of your pension savings are?

You may have worked for a variety of employers and been a member of a number of different pension schemes. If you have lost track of any of these the Pension Tracing Service can help you track down your pension scheme details.

Pension Tracing Service, The Pension Service,
Tyneview Park, Whitley Road, Newcastle upon Tyne NE98 1BA

0845 6002 537

www.direct.gov.uk/en/Pensionsandretirementplanning

You can also get a State Pension forecast from The Pension Service, which will tell you how much State Pension you are entitled to.

Your financial adviser will be able to help you choose the retirement income that's most suitable for you. Whether you want an income with the potential to beat inflation, or can change at different stages of your retirement, or can provide for a loved one after you pass away – or all of these – your adviser will be able to help.

**Talk to your
Financial
Adviser**

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www.pru.co.uk

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