Group Additional Voluntary Contributions from Standard Life – Your Personal Guide

What can you look forward to in the future?

STANDARD LIFE

Contents

Facing up to the future

Your retirement – one more thing to worry about or one less thing to worry about? It's all about making the right decisions now to suit your needs later.

We've all thought about the future and what our retirement will be like.

Maybe we'll finally tackle those projects we've always put off, travel to places we've always wanted to see or indulge in new hobbies that we've often fancied trying.

And while you already have arrangements to provide a pension in place, how much practical thinking and planning have you really done?

After you retire the amount of leisure time you'll have increases considerably – so you have to ensure you're able to enjoy the kind of lifestyle you're used to. Then there's the rising cost of living, improved life expectancy, and the trend towards early retirement.

But many of us are still making too little provision for our retirement.
Now is the time to ensure you have the income you'll need to be able to stop working and enjoy your retirement.

This might mean looking at improving your pension by topping up company schemes and personal pensions, or using the tax system to your best advantage. In other words generally bridging the gap between what you might expect to receive from your existing arrangements for your retirement, and what you'll realistically need to maintain your standard of living in the future.

Throughout this guide, when mentioned, the following information applies:

- If you are a member of your employer's occupational pension scheme, your employer will deduct pension payments from your pay before tax is calculated. This means you get tax relief on these payments automatically at your highest marginal rate of tax.
- Tax relief may be altered and the value to the investor depends on their financial circumstances.
- Tax and legislation are likely to change. The information given in this guide is based on Standard Life's understanding of law and HM Revenue & Customs practice at the date of publication.

What will you be relying on?

Your future income, what the state provides and the cost of maintaining your lifestyle in retirement.

The time has long since passed when anyone could maintain a reasonable lifestyle in retirement relying on the Basic State Pension from the Government.

Currently the Basic State Pension is paid to women over 60 and men over 65 who have made sufficient National Insurance Contributions. For the tax year 2008/09 the maximum payment for a single person is £90.70 per week and £145.05 per week for a pensioner couple.

Although there are currently the maximum Basic State Pension Payments, Pension Credit may also be payable. This guarantees an income of £124.05 a week for a single person or £189.35 a week for a couple. Further details can be found at the website mentioned.

To find out how much Basic State Pension you have earned so far and how much you expect to have earned when you reach State Retirement Age, you can contact the Future Pension Centre by telephoning them on 0845 3000 168. Or you can write to: Future Pension Centre, The Pension Service, Tyneview Park, Whitley Road, Newcastle Upon Tyne, NE19 1BA for a forecast form (BR19) and a return envelope. You can also get form BR19 from your local social security office, or you can fill in the form on The Pension Service website at www.thepensionservice.gov.uk

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Planning for the future has never been so important. It's not whether you can afford to – it's whether you can afford not to.

Currently, in order to receive the full Basic State Pension you must have paid 44 'qualifying years' if you are a man, or 39 'qualifying years' if you are a woman who will reach the age of 60 before 2010. However, when the State retirement age for women becomes 65 the number of 'qualifying years' that a woman needs will increase to 44.

However, as the Basic State Pension only increases in line with inflation, its value as a percentage of national average earnings is falling. Therefore it is more important than ever that you make additional provision for your retirement.

Although you have made a good start by being a member of your employer's occupational pension scheme (from here on referred to as 'your Company scheme'), your pension when you retire might not be enough to meet your needs.

Here's why:

- The shorter the time you are in your Company scheme, the less you will receive when you retire.
- Your Company scheme might not take into account non-pensionable earnings, such as company car, overtime, commission or bonuses.
- You might not qualify for maximum benefits if you are planning early retirement.
- If you take some benefits from your Company scheme, such as tax-free lump sum, your pension may be reduced.

The pension gap

Don't leave it until it's too late – a little extra now might mean all the difference in bridging the pension gap.

Ask someone why they haven't sorted out their financial future yet, and they'll probably say they can't afford it, that they'll wait a few years yet or the whole issue of pensions is just too complicated and confusing.

But if you end up having to rely on the State Pension and your Company scheme alone, you could find that you don't have the money you thought you would, to do all the things you want to.

The cost of delay

No-one knows exactly how much things will cost in the future, but one thing that seems certain is that the cost of living is on the increase.

For example, today a new family car might cost £12,000, but what would it cost in say 30 years time? The table below gives an indication of what costs may be in the future based on inflation of 2.5% a year. The average rate of inflation over the past 10 years (up to 30 September 2007) has been 2.76%. The sooner you act, the easier life in the future will be. The good news is that your financial future is in your hands.

You can take responsibility to help ensure you have the lifestyle you want in later life. You're already a member of a Company scheme, but you can supplement the overall amount you'll receive when you retire through 'Additional Voluntary Contributions' (AVCs).

	Today's prices	10 yrs	20 yrs	30 yrs
Newspaper	£0.50	£0.64	£0.82	£1.05
TV licence	£135.50	£173.45	£222.03	£284.22
Family Car	£12,000	£15,361	£19,663	£25,171

Group Additional Voluntary Contributions (GAVCs)

What are GAVCs?

They are extra payments you can choose to make to build up an additional fund.

Why should I join?

To boost the pension you're already set to receive, and provide you with a regular income to maintain your standard of living when you retire. The Group AVC Plan that your employer has set up in association with Standard Life offers you:

- the opportunity to make your own payments to increase your pension
- the chance to use part of your payments to purchase life cover and provide your dependants with a pension payable in the event of your death
- tax relief on your payments and no Capital Gains Tax on your investment. Once you begin to take your pension benefits, they will be taxed as earned income (PAYE)
- your own personal fund, enabling you to monitor the progress of your additional pension provision
- a range of professionally managed funds in which to invest
- the option of using your investment to buy a pension from Standard Life, another pension provider or registered pension scheme of your choice.

Before buying a product, you need to be aware of the risks and commitment involved. Details can be found in the Key Features Documents.

Boost your pension fund and secure your retirement – you can't put off the future but you can prepare for it.

How do they work?

Your payments are invested to build up an additional fund. When you retire, the fund is typically used to buy an extra pension. Normally you have to take the proceeds of this additional fund at the same time as you take your Company pension, but it is possible to defer buying a pension with your AVC fund up to the age of 75.

Can I make flexible payments?

This is your scheme – you choose how much you want to pay, when you make payments and if you want you can change your payments at any time.

Payments are deducted from your salary by your employer and forwarded to us.

Alternatives to AVCs

You may find that a Free Standing Additional Voluntary Contribution (FSAVC) better meets your needs. FSAVCs are individual arrangements, completely independent of your employer's pension scheme and as such, may offer you greater control over how your funds are invested. FSAVCs can offer greater portability and the privacy from having an arrangement which is independent of your employer's scheme.

However, FSAVCs are individual insurance contracts and the associated charges could mean that making AVCs under your employer's scheme is more cost effective. Also, under some AVC arrangements, employers match your payments up to a given level. We do not offer a FSAVC product.

Which type of arrangement is most suitable for you depends on your individual requirements and financial circumstances, and Standard Life strongly recommends that you consult your financial adviser who will be able to advise which option is better for you. Please note that there may be be a cost associated with this.

How much more should you save?

Affordable payments

For most people, this is the biggest question raised when they think about their pension.

We encourage you to put aside as much as you can reasonably afford without over-stretching yourself: the long-term rewards can be well worth it.

You might want to think about how much income you'll need in retirement; you may even have an amount in mind. The first thing to do is find out what your existing pension benefits will be at retirement. For this information, please see your annual benefits statement. By doing this, you'll see if there is a gap between what you'll receive from your Company pension scheme and the amount you think you will need.

How is it tax efficient?

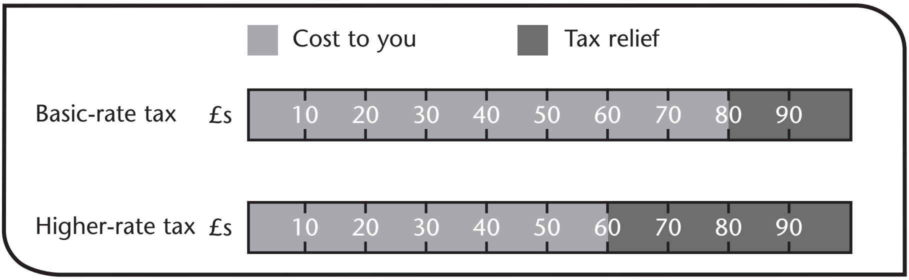
Your Group AVC Plan is a tax efficient way to boost your existing pension.

You'll get tax relief on the payments you make to all your pension plans, up to 100% of your relevant UK earnings for that tax year. This relief is normally at your highest Income Tax rate. So for every £1 you want to invest in your pension, this will cost you 80p if you are a basic-rate taxpayer, or just 60p if you are a higher-rate taxpayer.

Your employer will deduct the payments from your gross salary before tax has been calculated.

Your investment will also grow free of UK Capital Gains Tax.

Tax relief may be altered and the value to the investor depends on their financial circumstances. Tax and legislation are likely to change. The information given throughout this guide is based on Standard Life's understanding of law and HM Revenue & Customs practice at the date of publication.



The sooner the better

Many people would rather not think about topping up their pension – after all, retirement seems such a long way off. But every day you put it off makes a difference to your income when you do eventually retire. And by then it will be too late to do anything about it. In the simplest terms, the sooner you start the better.

HM Revenue & Customs has an Annual Allowance for the total payments that you, your employer and any third party can make to all your pension arrangements. This allowance is £235,000 for the 2008/09 tax year. You will pay a tax charge on any payments that exceed this limit. If you think the Annual Allowance will affect you, you may wish to seek financial advice.

HM Revenue & Customs has a Lifetime Allowance on the total funds in pension arrangements that can be used to provide benefits to you. This allowance is £1.65 million for the tax year 2008/09. Any funds over this allowance will be liable to a tax charge of 55% for a lump sum, or 25% if taken as a pension. There are circumstances where you can apply for a personal Lifetime Allowance that's higher, speak to your financial adviser for more details.

How will my payments be invested?

Your Group AVC Plan payments will be invested in one or more of Standard Life's range of investment funds. You'll find a full description of the funds available to you in your Group AVC Plan pack.

How much will I get when I retire?

How much you can expect depends on how much you have paid in and how long you have been making payments.

It also depends on investment performance during the time your money was invested, our charges and annuity rates at the time you retire.

Past performance is not a guide to future performance.

How are the proceeds calculated?

Your Group AVC Plan payments are used to purchase units in your chosen fund(s). The value of your proceeds depends on the size of your AVC fund, which in turn depends on the units you hold and their value. The price of the units in an investment-linked fund reflects the current value of the fund assets and can go down as well as up.

We reserve the right to vary how we calculate the unit prices for the pension investment-linked funds.

How can I take the proceeds?

You decide how you take the proceeds, but they are usually taken as a pension, for which your Company scheme may already have arrangements in place. Standard Life offers the following pension options:

- you can receive a regular income for the rest of your life, or
- you may be able to take part of the benefits as a tax-free lump sum and use the rest of the benefits to provide a smaller regular income,
- you cannot cash in your plan at anytime,
- you can also use part of your benefits to provide a pension for your husband, wife, civil partner or other dependant(s), when you die.

Alternatively it may be possible for you to use your proceeds to purchase a pension from another pension provider or registered pension scheme.

What happens if I die before I retire?

It's not something any of us like to consider but the value of your fund will be paid out as a tax-free lump sum to your spouse/civil partner or your dependants. This will still be subject to a 55% tax charge according to the Lifetime Allowance regulations as explained on page 12.

If you have purchased additional life cover, then a higher amount and/or a dependant's pension may be payable.

What happens if my circumstances change?

If you leave or lose your job, or opt out of your Company scheme, the benefits you receive are governed by the rules of your Company scheme.

If you stop making payments, your Plan remains invested and its value is determined by the investment performance of your chosen funds and by our charges. You can take the proceeds when you reach retirement age.

If you change jobs and transfer your Company scheme benefits, the benefits built up in your Group AVC Plan may also be transferred.

What are the charges?

We charge for managing the Plan and investments. We take the charges from the fund as an annual percentage.

A description of charges can be found in your Group AVC Plan pack.

Our charges are not guaranteed. They are reviewed regularly and may be altered to take into account changes to our costs.

What do I do now?

You should contact your company's pensions administrator to discuss your Group AVC Plan.

It may be appropriate for you to consider alternative methods of increasing your retirement benefits. We recommend that you speak to your financial adviser. Please note that there may be a cost associated with this.

After you have joined

First we'll send you an important information document which sets out your details. You can then start to make payments. Then you can simply sit back and relax, while we aim to make your money work harder for you. Every year you'll receive a statement from us, to help you keep track of your pension. Each statement will provide an illustration indicating what you can expect at retirement, so this can be a good time to renew your payments in line with your hopes for the future.

A pension provider you can trust

About Standard Life

Standard Life has been looking after its customers for over 180 years, and currently approximately 7 million people worldwide rely on us for their financial needs.

Like most people, you want to know that your financial future is in good hands. Standard Life places a great deal of importance on getting your money to work hard for you; that's why we believe you can have confidence in us.

YOUR NOTES

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