

# Aviva With-Profits

## End of year 2013 update

### February 2014



This update provides a summary of the key with-profits bonus rate changes made on 1 January 2014.

#### What's changed?

##### Regular bonus rates

Regular bonus rates have increased for current and recently marketed products

- Bond rates have increased by 0.5%,
- Pension rates have increased by 0.75%

Product:	Rates 2013	Rates 2014
Bonds	2.50%	3.00%
Pensions	3.00%	3.75%
Stakeholder Pensions	2.75%	3.50%

*Note:* The bonus rate is before management charges.

##### With-Profit Income bonus rates

- Regular Bonus rates for income bonds have increased by 0.5%.
- However, if you invested in the With-Profit Income bond in 1998 you will not see any change in your overall income rate due to the combined effect of the regular and additional bonus rate changes.

##### Final bonus rates

- Final bonus rate changes have increased average payouts for **unitised** life business by 2.7% and for pensions by 3%.
- **Conventional** final bonus rate changes have increased average payouts by around 6% for life business and around 4% for pension business.

##### Market value reductions (MVRs)

Market value reductions (MVRs) apply to **unitised** investments only:

- We have removed some market value reductions (MVRs) across a range of products and years of investments. These changes will be reflected in your annual statement.
- Where MVR rates for bonds and pensions still apply (i.e. to investments in specific months of 1998, 1999, 2000, & 2007) these have reduced by 1.5% on average.

If you are unsure what type of policy you have please see your annual statement or call us on 0800 068 6800.

#### How will these changes affect payouts?

- The change to rates will be reflected in your annual statement.

To give you an idea of the impact of the changes, below we've shown the payout value and annual growth for a With-Profit Bond, Pension and Endowment, compared to an average savings account.

Product (term):	Investment details (started on):	Total investment:	Payout value 1 Jan 2014 + annual yield:	Increase in payout value over last year (excluding premiums):	Average savings account payout + annual yield:
Unitised Bond (5 years)	£10,000 single premium (1 Jan 2009)	£10,000	£13,567 6.3% p.a.	£1,320 10.8%	£10,450 0.9% p.a.
Unitised Bond (10 years)	£10,000 single premium (1 Jan 2004)	£10,000	£17,248 5.6% p.a.	£1,243 7.8%	£12,077 1.9% p.a.
Unitised Pension (20 years)	£200 month from 1 January 1994 (based on male, policy maturing at age 65)	£48,000	£84,921 5.4% p.a.	£7,558 10.1%	£63,304 2.7% p.a.
Conventional Endowment (25 years)	£50 month from 1 January 1989 (based on male, non smoker, age 29)	£15,000	£28,869 4.9% p.a.	£2,932 11.6%	£20,945 2.5% p.a.

Figures in the table are net of tax and after charges

The table above shows typical changes in policy value over the last 12 months for with-profits products invested in the Aviva Life & Pensions UK Limited Old and New With-Profits Sub Funds. They do not necessarily reflect the changes to an individual policy. All values are after charges and tax where appropriate. The 20 year pension value at 1 January 2014 assumes retirement at selected retirement age and therefore benefits from the market value reduction (MVR)-free guarantee (Source: Aviva).

The table also details the equivalent payout value from an average savings account available from a bank or building society. The average savings account used is the Moneyfacts Average up to 90 days notice (Source: Lipper IM).

Money in a savings account is accessible and safe, and interest, once earned, is guaranteed. In comparison, with-profits investments are for the medium to long-term, and the value could fall. It is possible that you may not get back the amount invested.

Past performance is not a guide to the future. The value of investment-linked funds can go down as well as up and is not guaranteed.

## Glossary

### Bonuses

*What are bonuses?*

We add your share of the returns which the with-profits funds earn to your investment, through a system of bonuses.

There are two main types of bonus:

- Regular bonus.
- Final bonus.

*What's the difference between regular and final bonuses?*

- Regular bonuses are designed to provide steady growth in the value of your guaranteed benefits over the lifetime of your policy. They are not intended to fully reflect the performance of the fund.
- Final bonuses aim to pay any balance between the regular bonuses which we have already added to your policy and the performance of the fund over the whole period of your investment.

- Final bonuses do reflect the performance of the fund. They are payable when you cash in or switch your investment out of the With-Profit Fund, but they are not guaranteed.
- Our aim is to use regular and final bonuses together to provide a balance between the guaranteed and non-guaranteed policy benefits. The guarantees provided protect your benefits from adverse conditions such as investment market falls or poor investment returns.

#### Unitised with-profits policies

Unitised with-profit policies are split into units – when you invest you buy a certain number of units at the current price. Unit prices increase in line with declared regular bonuses, and do not fall. If additional units have been added, these are not taken away (but market value reductions can be applied).

#### Conventional with-profits policies

An initial guaranteed amount is increased by the addition of regular bonuses. We may also add a final bonus when a claim is made. We don't guarantee to add a regular bonus every year or to add a final bonus. However, once added, regular bonuses are guaranteed to be paid at the end of your investment or on death.

#### Market value reductions (MVRs)

This is a reduction that may be made when customers leave unitised with-profits funds to make sure that customers remaining in with-profits are not disadvantaged. A market value reduction is most likely to apply following a large or sustained fall in the stock market or when investment returns are below the level we normally expect.

How it works:

Suppose there are three investors in a with-profits fund, who each pay in £10,000, so the total with-profits fund is worth £30,000. Stock markets fall by 20% so that the total with-profits fund drops to £24,000. A fair share for each of the investors would be £8,000. If one investor then withdraws his original £10,000, without an MVR being introduced, this would leave only £14,000 in the fund to be shared between the remaining two investors, only £7,000 each. The investor who encashed his policy early would take more than his fair share of the fund at the expense of the remaining two.

### **Further information**

You can find out more about with-profits at [aviva.co.uk/with-profits](https://www.aviva.co.uk/with-profits).

If you have any questions about your investment in with-profits you should talk to your financial adviser. They will be able to consider your current circumstances and financial goals. If you don't have a financial adviser you can find one in your area at [unbiased.co.uk](https://www.unbiased.co.uk). Where advice is provided, there may be an additional cost to you.

The Money Advice Service also has a website dedicated to financial education, which includes information about with-profits investments, [moneyadviceservice.org.uk](https://www.moneyadviceservice.org.uk).