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### **Suitability report paragraphs for the Prudential Investment Plan**

We appreciate that you'll have carefully considered their personal and financial circumstances, financial needs, priorities and risk profile when giving your clients a personal recommendation.

These paragraphs are designed to help you prepare your suitability report for your client. They're not intended to form the full content of the suitability report. It's your responsibility to ensure that the report includes your client's demands and needs, why you consider the product is suitable on the basis of the information that they've provided to you and makes clear any disadvantages that the product has.

Please note that if you use these paragraphs, or similar text for any reason, you're responsible for ensuring that they're compliant. While every care has been taken to ensure the accuracy of the following information, Prudential can accept no liability if you decide to use it.

Please ensure that you are using the latest version of this document available at:  
[www.pruadviser.co.uk/INVM10960.pdf](http://www.pruadviser.co.uk/INVM10960.pdf)

### **Product Information**

#### **What is the Prudential Investment Plan?**

It's important for your client to decide whether this product is right for them. They should read the Prudential Investment Plan Key Information Document and the relevant Investment Option Document(s). These include important information they will need to help them make up their mind.

The Prudential Investment Plan is a single premium investment bond allowing investment into a wide range of funds with the potential for capital growth. The aim of the plan is to grow the value of the investment over the medium to long term, by this Prudential mean at least 5-10 years or more.

The Prudential Investment Plan provides access to:

- Prudential's Multi-Asset Fund range
- Full, partial, regular and tax-efficient withdrawals
- Free fund switching
- Annual management charge discounts
- Optional investment security with guarantees

The plan is started with a single lump sum payment worth at least £10,000 after any set-up adviser charge is deducted.

#### **Eligibility**

Investment into the bond is available for those aged 18 or over and a UK resident. The plan can be taken out in single (plan holder) or joint names with another person, either of which can be the life assured. The minimum age for any lives assured is 3 months and the maximum age at outset is 85 years (next birthday).

### Risks associated with the Prudential Investment Plan

The value of an investment can fall as well as rise and you may get back less than the original amount invested. Different investments have different levels of risk; the Prudential Investment Plan Key Investor Information Documents (links below) will give more information on this:

Key Information Documents:

UK/Guernsey/Jersey/Isle of Man

- If the total charges taken from the Prudential Investment Plan are more than any investment growth, the investment will fall in value.
- The funds invest in stocks, shares and other investments, which can rise and fall in value.
- Charges will reduce the value of the investment plan and they may increase in the future.
- Inflation will affect the buying power of the money that is received.
- The investors' personal tax situation or the way the investment is taxed could change, reducing the amount that is received or increasing the tax that is to be paid.
- Withdrawals can exhaust the investment plan. Therefore it's important to try to ensure that invested money lasts for as long as is intended.
- There may be a delay in the buying, switching or selling of any investment. Prudential will notify the investor if this applies.

### How are contributions paid in?

The minimum amount that can be invested into the Prudential Investment Plan each time is £10,000 after any set up adviser charges are taken. In most circumstances the plan maximum limit on investing is £500,000.

### Which Fund choices are available

An extensive range of investment choices are available for the Prudential Investment Plan from Prudential and many other fund managers:

- Prudential's PruFund range of funds which invest in Prudential's With-Profits Fund and offer capital guarantees on selected funds. There is a charge for this guarantee. **The PruFund Protected Funds are currently unavailable to new investments.**

Access to the Prudential With-Profits Optimum Return and Optimum Bonus Funds is no longer available to new customers investing in the Prudential Investment Plan on or after 11/09/2017. However if you're an existing customer pre 11/09/2017, you'll still be able to top-up or switch into the Prudential With-Profits Optimum Return and Optimum Bonus Funds.

It's important to note that Prudential are not closing the Prudential With-Profits Fund. The underlying fund and ongoing management of the fund will remain the same; access will continue to be available to the With-Profits Fund through the PruFund range of funds.

- Prudential's Risk Managed Active range. A choice of five risk-managed multi-asset collective funds each with its own risk profile, investing at least 70% in active collective investments. M&G Investment Management Ltd, part of the M&G Group, are the investment managers for the Risk Managed Active funds. They make the relevant adjustments to the portfolio based on T&IO recommendations.
- Prudential's Risk Managed Passive range. A choice of five risk-managed multi-asset collective funds each with its own risk profile, investing at least 70% in passive collective investments. M&G Investment Management Ltd, part of the M&G Group, are the investment managers for the Risk Managed Passive funds. They make the relevant adjustments to the portfolio based on T&IO recommendations.
- Additional fund choices, covering a range of different assets and types of funds. Some of the funds are managed by Prudential whilst others are managed by external managers. These funds offer additional choice.

**Prudential's PruFund Range Of Funds.**

PruFund funds aim to grow your money while giving you a smoothed investment experience.

The PruFund range of funds all invest in Prudential's With-Profits Fund, which is one of the largest with-profits funds in the UK. However, there are differences across the range of PruFund funds in their objectives and mix of assets, and how PruFund delivers returns to investors when compared to other With-Profits business, which means the returns received by investors will vary by fund choice. As a with-profits investment, PruFund funds are designed to spread risk by investing in a range of different asset types.

The PruFund funds have an established smoothing process which aims to provide you with some protection from the extreme short term ups and downs of the markets.

**Expected Growth Rates (EGRs)**

Prudential sets EGRs, these are the annualized rates the investment would normally grow at. The EGRs reflect Prudential's view of how they think each PruFund fund will perform over the long term (up to 15 years). Each PruFund fund has its own EGR and investments into a PruFund will normally grow daily by the relevant EGR. EGRs are reviewed every three months, when they could rise or fall.

**Unit Price Adjustments (UPAs)**

Although Prudential use a long-term view of performance to set EGRs, they also have to take into account shorter-term performance. On a daily basis, if the shorter term performance differs too much from the current Expected Growth Rate, they would have to amend the value of the fund up or down to ensure they are not returning too much or too little. These are known as Unit Price Adjustments.

We may decide to reset the unit price of a PruFund fund to the unsmoothed price on a particular day, to protect the With-Profits Fund. There may also be occasions where we have to suspend the smoothing process for one or more of the PruFund funds for a period of consecutive days, to protect our With-Profits Fund.

**Range of funds**

There is a range of PruFund funds designed to suit different attitudes to risk and reward. They are designed for those wishing to invest for up to 5 to 10 years or more. There are five Risk Managed PruFund funds and also the PruFund Growth and Cautious funds, the latter two include some guarantee options (at an additional charge).

**Prudential's Risk Managed Active/Passive Range**

The multi-asset range includes five Risk Managed Active funds and five Risk Managed Passive funds. Each of these is a "fund of funds", which means that it invests in a collection of funds.

The Risk Managed Active funds offer a choice of five risk-managed multi-asset collective funds each with its own risk profile, investing at least 70% in active collective investments.

The Risk Managed Passive funds offer a choice of five risk-managed multi-asset collective funds each with its own risk profile, investing at least 70% in passive collective investments.

Funds included on the Prudential Investment Plan are:

- Prudential Risk Managed Active 1 Fund/Prudential Risk Managed Passive 1 Fund
- Prudential Risk Managed Active 2 Fund/Prudential Risk Managed Passive 2 Fund
- Prudential Risk Managed Active 3 Fund/Prudential Risk Managed Passive 3 Fund
- Prudential Risk Managed Active 4 Fund/Prudential Risk Managed Passive 4 Fund
- Prudential Risk Managed Active 5 Fund/Prudential Risk Managed Passive 5 Fund

The possible impact on your investment if you invest in the Risk Managed Active/Passive Fund range

- The costs of buying and selling assets are expenses that your fund pays, and will reduce the fund performance for a while after the change.
- We estimate that this impact on fund performance will last for approximately five to nine months (the transition period), depending on the fund you're in.
- The transition period will end when the expenses of buying and selling assets are offset by the new lower fund charge.
- If you leave your fund before the transition period finishes you'll get a lower return than you would have if the investment objective hadn't changed.

### **Additional Fund Choices**

For the externally managed funds the Prudential fund will invest in the fund managers' own fund or collective investment scheme.

Additional fund choices - Distribution Income Funds.

These funds can pay out a natural "income" based on what the underlying assets in the fund have earned (this can include dividends from shares, lease payments from properties and interest from fixed interest holdings). Please see the Key Features document for further information on withdrawing money from the plan.

The list of funds that you can select on this product can be found in the '[Prudential Investment Plan Fund Guide](#)'.

### **Who is T&IO?**

Prudential's multi-asset team, which forms part of M&G plc's Treasury & Investment Office (T&IO) is one of the largest and most well-resourced in the UK. The team manages more than £175 billion, across a growing range of highly competitive multi-asset investment solutions and annuities, on behalf of Prudential's UK and European businesses.

The team has access to more than 800 investment professionals worldwide, including specialists in capital market research, investment strategy design, liability management, alternative investments and portfolio management.

\*As at 30 June 2019 .

**The value of an investment may go down as well as up and you may not get back the amount originally invested.**

### **Taking money out of the Prudential Investment Plan**

Single and regular withdrawals can be taken from the plan at any time, as long as each withdrawal is over £50. If all of the investment isn't withdrawn from a particular fund, a minimum of £500 must be left invested in the fund.

5% of the investment can be taken as a tax-deferred withdrawal each year. Anything above this may be liable to immediate tax. The maximum regular withdrawal over a rolling 12 month period cannot be over 7.5% of the full value of the plan or 7.5% of the total amount paid in, whichever is greater.

Any ongoing adviser charges paid from the plan will count towards both these limits.

### **Cashing in the plan**

The plan can be cashed in at any point, but please note that it is designed to be a medium to long term investment, by which we mean at least 5-10 years. Cashing in the plan may make investors liable to additional tax.

The value of your investment can go down as well as up so you might get back less than you put in. If you take more money from the plan than the amount your investment has grown by, the value of your investment will be less than you've put in.

### Annual Management Charges

Prudential take an Annual Management Charge from each of the funds you invest in. This is the charge you pay to invest in a fund. In addition to these annual charges, there are further costs which impact the overall performance of the funds. Further information on these can be found in the Key Information Document and Investment Option Documents.

The management charges described above may vary in the future and be higher than they are now. If this happens, Prudential will let those invested know. Your personal illustration shows what charges you will pay.

Discounts are available on the Annual Management Charge depending on the value of the investment (shown below).

#### Fund Size Discounts

#### Assets Under Management Discount

Assets under management (£)	Fund size discount (%)
<24,999	0.30
25,000 - 49,999	0.35
50,000-99,999	0.40
100,000 - 249,999	0.45
250,000 - 499,999	0.475
500,000 - 999,999	0.50
1,000,000 – 1,749,999	0.525
1,749,999 – 2,999,999	0.55
3,000,000+	0.575

**Adviser Charges**

There are different types or levels of charges that may be deducted from the Prudential Investment Plan.

Set-up Adviser Charge

An agreed Adviser Set-Up Charge of £ amount or % of payment. This adviser charge is deducted from the initial investment before the plan is set up, so the premium is the initial investment less the Adviser Set-up AC.

Ongoing Adviser Charge

Ongoing Adviser Charges are treated as a regular withdrawal for income limits and taxation purposes.

The type, rate and frequency of Ongoing Adviser Charges on the plan can be changed at any time. Any addition of or increases in Ongoing Adviser Charges needs your authorisation.

An agreed Ongoing Adviser Charge of £ amount or % of the fund value each year or % of total investment can be paid out monthly, quarterly, half- yearly or yearly.

Adhoc Adviser Charge

At any time after the initial plan is set up, you can request an Adhoc payment be made to the adviser. The request will be treated as a partial surrender.

Minimum Limits

There is no minimum limit for Set-Up, Ongoing or Adhoc Adviser charging.

Maximum Limits

Combinations of Ongoing and Ad hoc Adviser Charges can be taken together subject to an overall maximum of 2% of the total investment remaining in a policy year. Set-Up Adviser Charges are excluded from the limit as they are paid before the plan is set up.

## Death Benefits / Investment Guarantees

### Return of Premium Death Benefit Option:

This option guarantees that the minimum amount that Prudential payout as life cover is the same as the premium, minus any withdrawals and adviser charges that have been taken. This option can only be chosen when first taking out the plan and there may be a charge for this option. For more information, please see the Prudential Investment Plan leaflet '[Return of Premium Death Benefit Option](#)', reference INVS10628.

Inheritance tax may be payable for the plan on death.

### Death Benefit

The plan comes with a small amount of life cover and Prudential will pay out a lump sum equal to 100.1% (basic death benefit) of the plan value on the death of those covered.

The life of one person or two people together can be covered. Either covering the plan holder's life or the lives of other people, they must be aged from 3 months old but not yet have reached their 85 birthday, at the time the cover is taken out.

The plan will end when the death benefit is paid.

## Why Prudential?

### Financial Strength

Prudential is one of the companies in the UK savings market with an established track record and well respected brand. Prudential is a financially strong company, demonstrated by the A+ rating for financial strength from Standard & Poor's, an independent rating company. (Source: Standard & Poor's as at December 2019).

### Prudential Investment Plan – Defaqto 5 star rating

Prudential's Investment Plan was awarded 5 stars for the seventh year in a row by independent research and software company Defaqto in 2018. Defaqto announce their ratings annually after benchmarking propositions against similar products across the UK.

The above is based on our understanding of current taxation, legislation and Revenue practice, all of which are liable to change without notice. The impact of taxation and any tax reliefs depends on individual circumstances.

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