

## Solutions available to UK individuals looking for regular income payments.

	Flexible Pension Annuity	Conventional Pension (Lifetime) Annuity	Flexi Access Pension Drawdown
<b>Overview</b>	A unit-linked lifetime pension annuity	A guaranteed pension annuity	A unit-linked retirement policy
<b>Underwriting</b>	No underwriting required	Typically, underwriting required	No underwriting required
<b>Investment</b>	Investment linked. A wide range of investments are available including links to a range of Discretionary Fund/Investment Managers <sup>1</sup>	Not linked to investments	Investment linked. A wide range of investments are available
<b>Investment Risk</b>	Investments could fall in value as well as grow. Can choose investments to match their individual risk profile. Individuals can benefit from market growth	No investment risk but individuals could miss out on a future market upswing	Investments could fall in value as well as grow. Can choose investments to match their individual risk profile. Individuals can benefit from market growth.
<b>Income payments</b>	Initial income payments calculated at outset but can be varied.	Fixed at outset	Can be varied
<b>Income Flexibility</b>	Flexibility between 0% and 90% of fund value	If selected can increase yearly to protect against inflation or at a fixed rate <sup>2</sup>	Flexibility to choose regular income or as and when income is required
<b>Control</b>	During lifetime, the individual has control to increase/decrease/stop or restart income payments. The frequency of income payments can also change.	During lifetime, no control to vary the income payments	During lifetime, the individual can control the level of income and when they take it.
<b>Additional investments</b>	Allowed	Not allowed	Can choose to “phase” into drawdown
<b>Taxation of Income</b>	Taxed as pension income	Taxed as pension income	Taxed as pension income

<sup>1</sup> Overseas jurisdictions can benefit from gross roll up due to no/low tax environment except for non-reclaimable withholding taxes.

<sup>2</sup> Pension Annuities offer a variety of optional features. The more optional features that are built into the annuity, the lower the initial income will be.

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<b>Taxation at time of death</b>	<p>There is no death benefit payable under the Flexible Pension Annuity.</p> <p>Currently and up to 05 April 2026, if a Preference Share has also been bought in London &amp; Colonial Assurance PCC Plc (LCA) irrespective of whether death occurs before or after the age of 75 there is no inheritance tax ('IHT') on the proceeds from the Preference Share as long as the share was held on death and purchased at least two years previously.</p>	<p>If death occurs before age 75 and a lump sum death benefit was selected, at outset, tested against the deceased's lump sum and death benefit allowance. Any excess taxed at beneficiary's marginal rate of income tax.<sup>3</sup></p> <p>If death occurs after age 75 the lump sum death benefit is taxed at beneficiary's marginal rate of income tax.</p>	<p>If death occurs before age 75 any lump sum death benefit is tested against the deceased's lump sum and death benefit allowance. Any excess taxed at beneficiary's marginal rate of income tax.<sup>3</sup></p> <p>If death occurs after age 75 the lump sum death benefit is taxed at beneficiary's marginal rate of income tax.</p>
<b>Inheritance Tax</b>	<p>Currently (and up to 05 April 2026): the proceeds from the Preference Share are tax-free after two years of owning the LCA Preference Share. This is because the Preference Share qualifies for 100% Business Relief as LCA is an unlisted trading company. Nevertheless, from 06 April 2026, the proceeds of the Preference Share, up to £1m, are 100% exempt from IHT. Any proceeds that exceed the £1m allowance will benefit from 50% Business Relief and IHT will be payable on the excess.</p>	<p>If a guaranteed period has been chosen there may be an IHT liability.</p>	<p>Tax-free provided scheme is established under a discretionary trust and benefit paid within two years of the date of death or the date the scheme administrator became aware of the death</p>

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<b>Investor Protection</b>	Covered by Financial Services Compensation Scheme and LCA's Protected Cell structure	Covered by Financial Services Compensation Scheme	Covered by Financial Services Compensation Scheme

<sup>3</sup> If the death benefit is paid out more than two years after death (or the date the scheme administrator became aware of the death) income tax would be payable.

This guide is based on London & Colonial Assurance PCC Plc's ('LCA') understanding of applicable UK tax legislation and current HM Revenue & Custom's practice, as at January 2025, which could be subject to change in the future. This information does not constitute investment, tax, legal, medical or any other form of advice. It is not a substitute for such professional advice or services. LCA, including any companies of STM Group of companies and their officers and employees, cannot accept responsibility for any loss caused by any action taken or refrained from being taken upon the contents of this guide. It is the responsibility of readers to satisfy themselves as to whether any product and/or service is suitable for recommendation to their client(s)



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