

# Podcast series With Profits Fund guarantees

## Podcast transcript

**Stephanie: When you're no longer actively selling a product, it can be hard to keep the important details front of mind. But if it's still relevant to your customer then it's important to know where you can get the information you need to support them with confidence.**

I'm Stephanie Garrigan from Standard Life's business services team and today I'm joined by John Herron from our Finance area to talk about With Profits and in particular some potentially valuable guarantees that our customers can benefit from.

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**Stephanie: John the term 'With Profits' can raise questions for some advisers. For those who have inherited or bought legacy business, they may not be something they have experience in selling. Remind us of the fundamentals.**

**John:** Thanks Stephanie I'd like to explain some important aspects of With Profits funds. For many brokers and their customers it's a long time since the original sale and a refresher on some of the details can be useful. So today I'd like to focus on the Pension With Profits Fund.

**Stephanie: How do you know if you're in this fund?**

**John:** The Pension With Profits Fund has code W3 or W7. This fund has two separate valuations:

- First; transfer value – which is like a low risk smoothed managed fund. This is based on the performance of underlying assets
- Second; the guaranteed unit value. This valuation has units times price. The price is guaranteed to increase at 4% per annum. This is potentially a valuable guarantee. The difference between these two independently calculated values is Final Bonus.

If final bonus is positive this means that the Transfer Value is higher than the guaranteed unit value. If final bonus is negative (also called Unit Price Adjustment), then this means that the guaranteed unit value is higher than the transfer value.

**Stephanie: So there's a potentially valuable guarantee. Can you give me a simple example?**

**John:** Let's say Transfer value is €90,000 and Unit Value is €100,000. In this case the customer and broker will see -€10,000 difference on the statement. This is a good thing for retiring pension customers.

**Stephanie: Why is that John?**

**John:** Well if the customer continues until retirement the higher guaranteed unit value is the amount they will receive. And remember, this guaranteed unit value will continue to rise based on the 4% guaranteed price increase.

**Stephanie: When you see a negative, the first instinct is that this is a penalty, but that's not the case here?**

**John:** Correct. The negative figure on the Pensions With Profit fund indicates a guaranteed benefit is available. The transfer value at any time is the fair value of the policy based on what the assets have done. The higher value is the benefit. In this example we are going to pay the customer €10,000 more than what the assets are actually worth. So you can see this is potentially a valuable guarantee.

At the time of demutualisation we ring fenced money in to the Heritage With Profits Fund to cover guarantee payments like this one. We are very happy for customers to receive guaranteed benefits. In fact, we feel we have a duty of care to ensure customers and advisers are aware of this.

**Stephanie: That is a good news message.**

**John:** Yes it is. I think many customers and advisers (who perhaps are revisiting their policy a long time after the initial advice) can perceive this negative final bonus or unit price adjustment to be a bad thing. Whereas in fact for pensions savings customers, it can be a very good thing. Once everyone understands that, I believe the conversations between customers and their advisers can be very positive.

**Stephanie: Is this scenario a common one – I mean would many customers have significant guarantees like the example you just gave.**

**John:** Yes there are a lot of customers in this scenario. Possibly more customers than people would think. We have thousands of policies invested in this fund.

**Stephanie: And how would an adviser know if this is the fund their client's policy is invested in?**

**John:** The Pension With Profits fund has code W3 or W7. And they can check Standardlife.ie in the My standard Life section. There is a useful guide there which shows which guarantees apply to which policy type. The policy type is listed by name and first few digits of the policy number are also listed.

**Stephanie: Thanks John. That's a quick guide to the Pension With Profits Fund guarantee. For more information visit [brokerzone.ie](http://brokerzone.ie) or talk to your business manager.**

**Thank you for listening. This podcast was recorded on the 30th of May 2019.**

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