

Lifetime Flexible Annuity - Key Features

The company

Praxis PES Guernsey PCC Limited (“Praxis PES Guernsey”) is regulated by the Guernsey Financial Services Commission and is licensed as a fiduciary services company under the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2020 (the “Law”) and is part of the Praxis Group.

Praxis PES Guernsey is a Protected Cell Company registered in Guernsey. It is a specialist company offering a range of flexible pension and annuity contracts.

At a glance

The Lifetime Flexible Annuity (“LFA”) is only available to be purchased as a decumulation solution from non-UK pension schemes. It is not an insurance product and the annuity payments are not guaranteed, but does offer the following benefits:

- > Assets are held in a segregated cell
- > Clear and simple fee structure
- > Actuarially calculated with a view to providing benefits for the lifetime of the Contract Holder, although this is not guaranteed and payments will cease if funds are insufficient
- > Flexibility to change the level of annuity on an annual basis
- > Visibility and ability to recommend how the funds underlying the Contract are invested
- > Death benefits payable from the residual value of fund on death.

Who can purchase a Praxis annuity?

Praxis annuities are available to non-UK pension schemes and cannot be purchased directly by individuals. We can assist with the establishment of a non-UK pension scheme where required.

In this summary:

Contract means the Lifetime Flexible Annuity contract purchased

Contract Holder refers to the annuitant entitled to payments under the Contract.

This document provides a summary only. In the event of any discrepancy, the provisions of the Contract and our Terms and Conditions are overriding.

Summary of benefits payable

The LFA makes payments to the Contract Holder at a rate calculated by Praxis PES Guernsey’s appointed actuary.

In summary, the calculation is designed to permit payment throughout the Contract-Holder’s lifetime, taking into consideration an assumed rate of return, fees and age of the Contract Holder, but this is not guaranteed, and the payments will cease when there are no longer any available funds. The payments are recalculated at regular intervals. No less than every three years and more frequently where this is appropriate, for example, if there has been a significant change in the underlying fund value or upon changes to the health of the Contract Holder.

Annuity payments can be made on a quarterly, six monthly or annual basis. The taxation of such annuity will vary depending on the country of residence of the Contract Holder but is paid without any withholding tax unless the Contract Holder is resident in Guernsey, or the annuity derives from Guernsey tax-relieved pension funds.

On death, all remaining funds less outstanding expenses and fees can provide death benefits either as a lump sum or they may be used to purchase a new annuity for a beneficiary.

Investments

In keeping with Guernsey Pension Rules, Praxis provide three options on how the assets in the Cell can be managed. Any assets allocated for payment in the forthcoming period (up to three years) will be held at Praxis' discretion and usually placed on fixed deposits or money market investment funds with a regulated financial institution, or held in cash. This is described in the Guernsey pension rules as 'Licensee directed'. The residual assets can be invested in a wide range of investments including cash, gilts, funds and equities. It may be possible to hold more bespoke assets such as private company shares or real estate, however it is important that the appointed advisor or discretionary manager is aware of the requirement to hold a suitable level of liquidity in order to satisfy the annuity payments. Contract Holders can choose from one of the follow options, and this can be changed upon giving notice:

- > **Member Directed – Advised.** This option permits the Contract Holder to appoint an independent financial advisor to provide the Contract Holder with ongoing investment advice. The Contract Holder remains responsible for the Contracts investments, guided by the advice given by the financial advisor. Praxis remain responsible for overall governance and compliance and will undertake reviews of the Cell's investments from time to time. The Financial Advisor should be duly qualified and regulated in order to provide the advice and will be required to sign Praxis' Statement of Investment Principals.
- > **Member Directed – Discretionary Managed.** This option permits the Contract Holder to appoint a Discretionary Fund Manager who will retain full discretion over the residual investments of Contract. The Contract Holder and the Discretionary Manager will agree the risk appetite for the portfolio. Praxis will not review or approve individual trades or portfolios. The Discretionary Manager should be duly qualified and regulated to provide discretionary management services in order to provide the services and will be required to sign Praxis' Statement of Investment Principals.
- > **Member Directed – Self Managed.** The option permits the Contract Holder to self-mange the investments of the Contract. This includes making, changing and reviewing investments and the Contract Holder retains full responsibility for all investments. All investments must be in accordance with Praxis' Statement of Investment Principals but Praxis will not review trades prior to purchase.

Praxis reserves the right to remove any appointed Advisor or Discretionary Manager or the Contract Holder from self-managing the Contract investments should Praxis become aware that the investments are falling outside of the Statement Of Investment Principals or for any other reasons, such as the Advisor or Manager no longer being qualified to provide the services, or due to any incapacity. In this case, Praxis may appoint a new interim manager or advisor making the whole Contract Licensee Directed.

Segregation of assets

When a new annuity arrangement is set up, Praxis PES Guernsey will issue a Contract between itself and the Contract Holder, which governs the annuity, the Contract Holder's rights to benefits and Praxis PES Guernsey's obligations. All assets held for the purposes of the Contract are designated (or to use the legal term "appropriated") to a cell of Praxis PES Guernsey that relates solely to that Contract, therefore providing 100% segregation of assets.

The particular cell's assets will initially comprise of the funds used to purchase the Contract, less any expenses.

Thereafter, the assets will comprise a cash account and any underlying investments.

Asset statements

Praxis PES Guernsey will issue an asset statement showing the value of the annuity assets held under the Contract on an annual basis within six months of the end of the Scheme year, or more regularly by request of the Contract Holder subject to a nominal charge by the Company.

Charges

All agreed charges are generally deducted from the Cell's assets, but Praxis PES Guernsey reserves the right to bill the Contract Holder directly where appropriate. A full statement of costs and charges incurred is included in the annual asset statement.

Taxation

Any income or gains arising in the Cell and any benefit payments made to the Contract Holder, will generally not be subject to Guernsey tax for non-Guernsey resident Contract Holders.

The taxation of payments received by the Contract Holder will depend on their country of residence upon receipt, and specific advice should be taken on the taxation implications of the jurisdiction in which the Contract Holder is resident.

Governing law

Each Contract is governed and constructed in accordance with the laws of Guernsey.

More information

Please contact PES.Guernsey@praxisgroup.com for further information.

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Registered office: PO Box 296, Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 4NA. Registered number 48974. Praxis PES Guernsey PCC Limited does not provide any tax or investment advice. This factsheet is for information only and is based on our understanding of the current position. You should always ensure that you obtain full relevant advice from someone qualified to provide it, prior to acting on any of the information provided.