

24 June 2009

## **AEGON LAUNCHES A NEW THIRD-WAY INCOME SOLUTION FOR CUSTOMERS AT RETIREMENT**

### **AEGON SECURE LIFETIME INCOME**

- **AEGON Secure Lifetime Income meets the income needs of customers in a volatile market**
- **Guarantees a minimum age-related income of between 3.5% and 5% of original investment each year for life**
- **Annual 'income escalator' feature that has the potential to increase the guaranteed lifetime income**
- **Valuable guaranteed minimum inheritance benefit**
- **Control of assets – customer has access to remaining capital at any time**
- **Supported by AEGON's global expertise in the variable annuity market**

AEGON is launching a new variable annuity investment product aimed at the pre- and at-retirement market which represents a new development in the UK variable annuity market.

Customers approaching retirement in the UK now have a 'third-way' option of securing a competitive guaranteed income that can rise over time, whilst also benefiting from investment flexibility, access to capital and potential inheritance benefits they can pass on to their estate.

Due to current high equity volatility and historically low interest rates, people are increasingly looking for products that will provide absolute guarantees on income in their retirement years.

Research recently undertaken by AEGON\* clearly shows that there is a considerable appetite for variable annuities, and the valuable guarantees they provide. 90% of people approaching retirement said they value guarantees. Nearly 60% of respondents said they were most likely to choose a product that provides a minimum guaranteed income for life. 35% of those surveyed said they were more likely to consider a variable annuity type product in the current financial climate.

AEGON Secure Lifetime Income, available from 29 June 2009 aims to meet these customer needs. It offers customers a guaranteed minimum income of between 3.5% and 5% of their original investment from age 60, with the added benefit of allowing them to easily access their remaining capital at any time, should they require this. At the initial levels, the income will be tax-free for life.

The income level is dependent on the age of the customer when they start taking income. Those taking income from age 60 will receive a guaranteed minimum lifetime income of 3.5% of original investment. Customers taking income from age 65 will receive 4%. Those taking income from age 70 will receive 4.5% and customers who start taking income at 75 will receive a guaranteed minimum income of 5% of their original investment for the remainder of their life. These guarantees are absolute minimums and have the potential to grow in line with underlying investment performance.

AEGON Secure Lifetime Income bridges the gap between the guaranteed income of a purchased life annuity and the flexibility of an investment bond. AEGON believes this type of product should be a key component of people's retirement portfolios, alongside annuities and investments.

In addition to the lifetime income guarantees, AEGON Secure Lifetime Income also provides the potential for growth in both income and capital. At each policy anniversary, any investment growth is measured. If the cash-in value is greater than that measured at a previous policy anniversary, this will increase the guaranteed income for the customer, in line with the growth achieved. There is no cap on the growth potential. If, on the other hand, the cash-in value has fallen from a previous anniversary, the guaranteed income will not reduce. AEGON Secure Lifetime Income also offers an inheritance benefit of 100.1% of the cash-in value or the original premium less any withdrawals – whichever is the greater.

There is a wide range of investments available from nearly 70 funds, covering all asset classes from some of the leading fund managers. The annual management charge starts at 0.75% a year.

Gordon Greig, Head of Individual Marketing at AEGON says:

"A guaranteed income is more important than ever for people as they approach retirement, given current low interest rates and stockmarket volatility. But the next generation of retirees are looking for more. AEGON Secure Lifetime Income also offers control over where money is invested, the potential to benefit from stockmarket growth, and access to capital.

"This is a powerful combination and our new approach represents an important development in the UK variable annuity market. Our research shows that increasing numbers of advisers and their customers are recognising the benefits of the new 'third way' products. AEGON has led the way in this market since 2006, and we believe our new product will be an attractive choice for customers approaching retirement in the current environment."

**-Ends-**

For further information:

Mark Locke  
Personal Finance PR Manager  
AEGON Press Office  
0131 5493766  
07740 897986

#### **Notes to Editor**

- \* AEGON commissioned Tickbox.net and Opinion Matters to ask people over the age of 45 their opinions and attitudes towards guarantees. The research surveyed 1,008 people between 27 May 2009 and 9 June 2009.
- AEGON Secure Lifetime Income is a guaranteed minimum lifetime withdrawal benefit. Income paid is created from the initial investment made. If additional withdrawals are taken this will reduce future income payments and death benefits.

- Income can only be taken from AEGON Secure Lifetime Income at or after age 60
- Minimum age at entry is 45 and the maximum is 79.
- Minimum single premium investment is £15,000. Maximum investment is £1m.
- The guaranteed income payable from AEGON Secure Lifetime Income is within PLA "Capital Content" limits. Therefore if the income levels do not breach these limits, income will remain tax-free for life. If the income exceeds the capital content levels due to the income escalator feature, customers may be subject to tax at their nominal rate on the amount in excess of the capital content limit. For instance, the capital content limit for a 60 year old male is 4.1%. If the guaranteed income increases to 5% for example, the customer would be liable to tax at their nominal rate on 0.9% of their income. The capital content levels vary depending on the age of the customer when income payments commence and their gender.
- The guaranteed minimum inheritance benefit is the higher of
  - The total contributions paid less the total withdrawals taken or
  - 100.1% of the surrender value of your plan
- There is an explicit charge for the guarantees. This is dependent on the equity content of the investment. For:
  - 20% equity content, there is a guarantee charge of 0.4% a year
  - 30% equity content, there is a guarantee charge of 0.7% a year
  - 40% equity content, there is a guarantee charge of 1.0% a year
  - 50% equity content, there is a guarantee charge of 1.3% a year
- The only circumstance in which the guarantee wouldn't apply is if AEGON Scottish Equitable International plc failed. In this unlikely event, the benefits from the plan may be affected.
- There is an establishment charge which is applied to pay for commission taken. The maximum establishment charge is 6.25%. Assuming full commission is taken, and a customer cashes in their plan in the first year, a cash-in penalty of 6.25% will apply. This reduces by 1.25% to zero over five years.
- The annual management charge depends on the investment chosen by the customer and the adviser. The minimum annual management charge is 0.75% a year.
- AEGON is one of the world's leading insurance groups with approximately 31 thousand employees world-wide and 40 million customers in the Americas, Europe and Asia. AEGON's revenue generating assets totalled EUR 334 billion at 31 March, 2009.
- In the UK AEGON offers pensions, life insurance, asset management and financial advice to around 2 million customers. AEGON UK has assets under administration of £44.2 billion and employs over 4,900 staff.