

# A guide to the differences between Secure Withdrawals and Non-secure Withdrawals.

Secure Withdrawals are available from our Investment Bonds using the Secure Capital Option<sup>1</sup> which provide Secure (guaranteed) Withdrawals over the term of the Secure Capital Option. The table below will show you:

- The differences between taking Secure Withdrawals and non-guaranteed withdrawals; and
- How the different withdrawal types affect the Secure Capital Review process.

<sup>1</sup>Not available when the Secure Capital Option is provided through Active Asset Allocation.

Secure Withdrawals	Non-secure Withdrawals
<p><b>What is a Secure Withdrawal?</b></p> <p>The Secure Capital Option can provide guaranteed withdrawals (Secure Withdrawals) of 5% p.a. of the initial investment for a maximum 20 years, regardless of investment performance. This means that even if the investment fund runs out (exhausted) the guaranteed withdrawals will continue until the maturity of the Secure Capital Option or payment of an earlier claim.</p> <p><b>How do Secure Capital Reviews work if I make a withdrawal?</b></p> <p>Secure Withdrawals impact the Secure Capital Value. The following example will show you how the process will work.</p> <p>An initial investment of £100,000 is made with a maximum Secure Withdrawal of £5,000. Before the Secure Withdrawal started, the Secure Capital Value had increased to £105,000 and the fund value had increased to £102,000.</p> <p><b>A Secure Withdrawal of £5,000 will reduce your Secure Capital Value, on a £ for £ basis, to £100,000 (£105,000 - £5,000 = £100,000). The fund value will also be reduced by £5,000 to £97,000.</b></p> <p>At the next Secure Capital Review, the Secure Capital Value will be compared to the investment value less all the Secure Withdrawals that have been paid. In this example if the investment value has increased to £106,000, we will deduct all Secure Withdrawals that have been paid, giving a value of £101,000 (£106,000 less £5,000) for Secure Capital Review purposes.</p> <p>Because £101,000 is higher than the previous Secure Capital Value of £100,000 we will increase the Secure Capital Value to £101,000.</p>	<p><b>What is a non-secure Withdrawal?</b></p> <p>This is a non-guaranteed withdrawal from the Bond.</p> <p>There is no 5% limit from a policy perspective, but withdrawals over 5% p.a. may be treated as a chargeable event in the tax year that the withdrawal was made.</p> <p>If the investment value runs out, withdrawals will stop.</p> <p>For each payment made, the withdrawal will proportionately reduce the Secure Capital value.</p> <p>For example, if the investment value was £102,000; the Secure Capital Value was £105,000 with a £5,000 withdrawal, the Secure Capital value would reduce as follows:</p> <p>Withdrawal as a % of the investment value</p> <ul style="list-style-type: none"> <li>• <math>£5,000 / £102,000 = 4.9\%</math> (withdrawal is 4.9% of the investment value).</li> </ul> <p>Secure Capital Value reducing by the withdrawal %</p> <ul style="list-style-type: none"> <li>• <math>£105,000 \times 95.1\% = £99,855</math> (£105,000 Secure Capital Value reduced by 4.9%).</li> </ul> <p><b>The reduced Secure Capital Value is £99,855.</b> <b>The investment value is reduced by £5,000 to £97,000.</b></p> <p>In this example, at the next Secure Capital Review, the investment value has increased to £106,000. Because £106,000 is higher than the previous Secure Capital value of £99,750, we will increase your Secure Capital Value to £106,000.</p>

The comparison below shows how taking Secure Withdrawals or non-secure withdrawals can impact the Secure Capital Values for a policy, over 1, 5 and 10 years. The example is based on:

- Initial investment value: £100,000
- A Secure Capital Value when starting withdrawals: £110,000
- Fund value when starting withdrawals: £105,000
- Withdrawals of: £5,000 per year
- Investment value growth after charges: 2% per year

*No adviser charges are paid from the policy*

Secure Withdrawals					
Year	Fund Value (start of year)	SCV (start of year)	Fund Value (end of year)	SCV reduced £:£ by Withdrawals	SCV after Secure Capital Review
1	£105,000	£110,000	£102,000	£105,000	£105,000
5	£92,635	£90,000	£89,388	£85,000	£85,000
10	£75,736	£65,000	£72,151	£60,000	£60,000

Non-secure Withdrawals					
Year	Fund Value (start of year)	SCV (start of year)	Fund Value (end of year)	SCV reduced £:£ by Withdrawals	SCV after Secure Capital Review
1	£105,000	£110,000	£102,000	£104,762	£104,762
5	£92,635	£92,635	£89,388	£87,635	£89,388
10	£75,736	£75,736	£72,151	£70,736	£72,151

## Summary

- Secure Withdrawals are guaranteed and will continue even if the investment value runs out.
- During periods of positive performance, non-guaranteed withdrawals will normally provide higher Secure Capital Values than equivalent Secure Withdrawals.
- During periods of poor or negative fund value performance, Secure Withdrawals will provide higher Secure Capital Values than equivalent non-guaranteed withdrawals.
- Where the Secure Capital Value is significantly higher than the underlying fund value, Secure Withdrawals will potentially provide higher Secure Capital Values than equivalent non-guaranteed withdrawals.

Before withdrawing money, we would recommend you speak to your Financial Adviser, as once paid, it is not possible to change or reverse the withdrawal.

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