PRUretirement early income plan

20 years of monthly retirement income after 1 year with just a single premium payment

Retirement Insurance

PRUDENTIAL
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Listening. Understanding. Delivering.

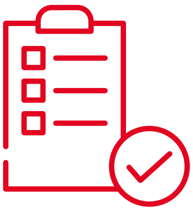
PRUretirement early income plan

When you plan to retire soon and need a secure income in retirement, we can help you achieve your goals. By paying a single premium into the **PRU**retirement early income plan and leaving it to accumulate for 1 year, you are guaranteed a monthly stream of income for 20 years once you have retired. The plan offers financial protection in the event of death to your loved ones.

Plan highlights

20 years of monthly retirement income with just a single payment

Financial protection against death



Sign and go – no need for health information

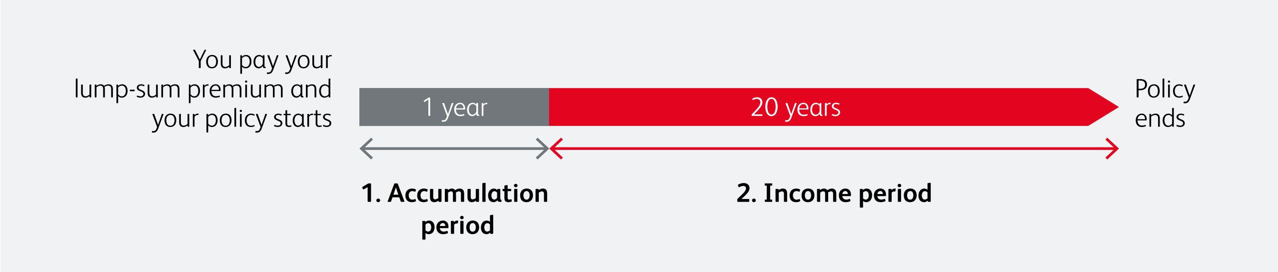
The benefits

Secure 20 years of monthly retirement income with just a single payment

By paying a single lump-sum premium and leaving it to accumulate for 1 year, the plan will pay you a monthly income for 20 years. Your monthly income consists of both **guaranteed** and **non-guaranteed portions**.

Your plan has 2 periods:

1. The accumulation period – your premium grows in your plan
2. The income period – we pay you a monthly income from your plan



Financial protection against death

To safeguard your loved ones, the plan offers a **death benefit** if the person covered by the policy (the "life assured") passes away while the policy is still in force. You can choose how you would like us to pay the plan's death benefit while the life assured is still alive.

If the life assured passes away **before** we start paying the monthly income, we will pay your beneficiary a death benefit in a **lump sum** or in **monthly instalments** or a **mix of both**.

If the life assured passes away **once** we start paying the monthly income, we can either pay your beneficiary a **lump sum** or the **remaining monthly income** as a death benefit.

Sign and go – no need for health information

You do not need to give us any health information to take out your plan. The only exception is if the total premiums to be paid over the premium payment period exceed HKD 6,000,000 / USD 750,000 for all your selected plans (including **PRU**Retirement Deferred Annuity Plan, **PRU**life monthly income plan, **PRU**retirement early income plan, **PRU**retirement enriched income plan and **PRU**myretirement wealth income plan) taken out under the same life assured in the past 24 months.

Retirement income and protection in one plan

PRUretirement early income plan is a Shareholder-backed Participating Plan that gives you a monthly stream of income together with life cover.

We will pay a guaranteed cash value when you surrender the policy. We may also pay a non-guaranteed one-off bonus – the Terminal Bonus – when your income period ends, you surrender your policy or a claim is made for the death benefit.

Please also refer to our brochure on Shareholder-backed Participating Plans available at https://pruhk.co/shareholderpar-en for more information (such as investment philosophy and bonus philosophy) on your Shareholder-backed Participating Plan and the operation of the Shareholder-backed Participating Fund.

How does the plan work for you? *

Case 1 – Mr. Lee

At age 50 (age next birthday [ANB]), Mr. Lee enrolled in a **PRU**retirement early income plan and let his premium accumulate in the plan for 1 year to secure a monthly income stream for his retirement at age 51 (ANB).

Mr. Lee's policy details			
Accumulation period	1 year	Guaranteed monthly income	USD 276
		Non-guaranteed monthly income	USD 31
Single premium paid in as a lump sum	USD 64,120	Guaranteed and non-guaranteed monthly income	USD 307

Total income Mr. Lee can get	
Total guaranteed monthly income received in these 20 years	USD 66,240
Total non-guaranteed monthly income received in these 20 years	USD 7,440
Non-guaranteed Terminal Bonus	USD 7,508
TOTAL	**USD 81,188. That is 127% of the premium he paid**

* We have assumed in this example that Mr. Lee does not take out any policy loans. The figures in this example are for illustrative purposes only. **The Terminal Bonus and the non-guaranteed monthly income we pay are not guaranteed and we may review and adjust them at our discretion.** The actual amount of Terminal Bonus and the non-guaranteed monthly income may be higher or lower than the values currently presented in this example. There is more information in "Factors affecting the Terminal Bonus and the non-guaranteed monthly income" in the "More about the plan" section below. We have rounded the figures to the nearest whole number for easy reference.

More about the plan

Plan type

Basic plan
(When this plan is a basic plan, it means you can choose to take out this plan as a standalone plan without enrolling with other type(s) of insurance product at the same time.)

Premium payment period/Benefit term/Issue age/Currency

Premium payment period	Accumulation period	Income period	Benefit term	Issue age (ANB)	Currency
Single	1 year	20 years	21 years	1–75	USD

- The life assured must be at least 15 days old when the proposal document is signed.

Premium structure

The same premium rate is applicable across all issue ages (regardless of gender, nationality and smoking status).

Accumulation period

The premium will accumulate in the plan during this period once the policy starts, until we begin to pay the monthly income.

Income period

We will pay the monthly income for 20 years, starting from the 2nd policy year.

Monthly income

- We will pay the monthly income which consists of both guaranteed monthly income and non-guaranteed monthly income for 20 years until the benefit term ends.
- The amount of guaranteed monthly income is fixed throughout the whole income period.
- We normally determine the amount of non-guaranteed monthly income annually. The actual amount of non-guaranteed monthly income may vary during the income period.
- The non-guaranteed monthly income is based on the actual experience and projection of the plan (including but not limited to investment returns, claims and persistency experience).
- We will directly credit your monthly income to your Hong Kong Dollar bank account in Hong Kong; or pay your monthly income with a cheque in either HKD or USD depending on your preference.
- If we pay your monthly income in HKD, we will determine the exchange rate which may vary from time to time.

Terminal Bonus

- The Terminal Bonus is a one-off non-guaranteed bonus.
- We normally declare the bonus annually and according to our declared bonus rates. We may change the bonus rates from time to time. The bonus is not guaranteed.
- We will declare the bonus for your plan from its 1st policy anniversary.
- After each declaration of Terminal Bonus, the value may be adjusted and could be reduced comparing to previous declarations. As a result, the maturity benefit, death benefit and surrender value may be lower than in previous years as well.
- The declared bonus may rise and fall and does not accumulate within the policy or form a permanent addition to the policy's value.
- The declared bonus has a face value which we may pay out if the life assured passes away; or at the end of the income period.
- The bonus also has a non-guaranteed cash value which we determine by a variable cash value discount factor. If you surrender or terminate your policy (other than when the life assured passes away or because the policy has matured), we will pay the bonus's non-guaranteed cash value – not its face value.
- We have the right to determine bonus rates, cash values and frequency of declaration at our sole discretion.

Death benefit and its payment options

- If the life assured passes away while the policy is still in force, we will pay the beneficiary a death benefit.
- Before the life assured passes away, you can choose how we pay the beneficiary the death benefit.
- The beneficiary cannot make any changes to the way we pay the benefits at any time.

Death **before** we start paying a monthly income

- We will pay the beneficiary a death benefit equal to:
  - The higher of:
    > 101% of the premium you paid. We will adjust the premium paid for calculating this benefit if you reduce your guaranteed monthly income or you partially surrender your policy; and
    > 105% of the guaranteed cash value **plus** 100% of the face value of the non-guaranteed Terminal Bonus (if any);
  - **less** any outstanding loans and interest.
- You can choose to pay your beneficiary the death benefit in a **lump sum** or as **a series of monthly instalments** or **a mix of the 2**.

1. **Lump sum payment:**
   - We will pay the above death benefit in a **lump sum** to the beneficiary.

2. **Monthly instalment payment:**
   - If the death benefit amount you opt to settle by monthly instalments is less than a certain amount, as determined by us, we will only pay the death benefit in a lump sum.
   - You can choose to settle the monthly instalment in a certain number of year options provided by us.
   - If you choose the monthly instalment option, your beneficiary will receive the death benefit of a fixed amount on a monthly basis and earn an interest on the remaining death benefit amount. We will pay the accumulated interest in the last instalment. We will determine the interest rate from time to time. This means the rate is not guaranteed and it depends on several factors including investment performance and the yields available in the market.
   - The remaining balance of the death benefit, which we pay by monthly instalments, will not participate in the Shareholder-backed Participating Fund or benefit from its profits.

3. **A combination of lump sum and monthly instalment payments:**
   - You can choose to pay your beneficiary part of the death benefit in a **lump sum** and the **remaining amount in monthly instalments**.
   - The details and arrangements of paying the remaining amount in monthly instalments are the same as those in "Monthly instalment payment" above.

Death **once** we start paying a monthly income

- You can choose to pay your beneficiary a **lump sum** or the **remaining monthly income** as a death benefit.

1. **Lump sum payment:**
   We will pay the following death benefit in a **lump sum** to the beneficiary:
   - The higher of:
     > 101% of the amount equal to the premium you paid **less** any total monthly income paid (if the life assured passes away **before** the 5th policy anniversary) **or** 105% of the amount equal to the premium you paid **less** any total monthly income paid (if the life assured passes away **on or after** the 5th policy anniversary). We will adjust the premium paid and total monthly income paid for calculating this benefit if you reduce your guaranteed monthly income or you partially surrender your policy; and
     > 105% of the guaranteed cash value **plus** 100% of the face value of the non-guaranteed Terminal Bonus (if any);
   - **less** any outstanding loans and interest.

2. **Paying the remaining monthly income:**
   - The beneficiary will continue to receive the remaining monthly income, which will participate in the Shareholder-backed Participating Fund and may benefit from its profits, as cash payments until the end of the income period;
   - **plus** the face value of Terminal Bonus (if any) at the end of income period in a lump sum;
   - **less** any outstanding loans and interest.

Maturity benefit

When your plan reaches the end of its benefit term, we will pay a maturity benefit equal to:

- the face value of the Terminal Bonus (if any);
- **less** any outstanding loans and interest.

Surrender value

When you surrender your policy, we will pay a surrender value equal to:

- the guaranteed cash value;
- **plus** the cash value of the Terminal Bonus (if any);
- **less** any outstanding loans and interest.

Policy loan

- To offer you extra financial flexibility in times of need, before we start paying a monthly income, you can borrow up to 80% of your policy's guaranteed cash value, while keeping the policy in force, as a policy loan.
- We will charge interest on policy loans from the dates you take them out until they are fully repaid.
- We calculate interest at a rate we determine, which we may change from time to time, and it is compounded annually (in other words, generating "interest on interest").
- If you have taken out a loan on your policy, we will deduct any outstanding loans and interest from all applicable insurance benefits before we pass the remaining money to you. This means your insurance benefits may be lower than the amounts available without taking out a policy loan.
- If at any time the total outstanding amount (including interest) you owe us under the policy exceeds 90% of the guaranteed cash value of the policy, we will terminate the policy immediately and pay you the surrender value less any outstanding loans and interest, you may receive an amount considerably less than the premiums you paid, as well as losing the policy's coverage.
- There is more information on the policy loan and the interest rate we charge at https://pruhk.co/cs-policy-payment-en.

Termination of this plan

We will terminate this plan when the first of these happens:

- the death of the life assured (unless we have started paying the monthly income when the life assured passes away, and you choose to pay the beneficiary the remaining monthly income as a death benefit while the life assured is still alive, in which case we will terminate this plan when we have paid all the remaining monthly income and the Terminal Bonus); or
- the plan reaches the end of its benefit term; or
- you surrender the policy; or
- once the total outstanding loans and interest are more than 90% of the guaranteed cash value.

Bonus philosophy

Policyholders of the Shareholder-backed Participating Plans shall enjoy a fair share of the relevant experience of the Shareholder-backed Participating Fund (the "Fund") through the addition of non-guaranteed bonus. We aim to protect all policyholders' respective rights and reasonable expectations by providing payments that are fair across different groups of policyholders. While the value of the plan is mostly affected by the overall performance of the Fund, smoothing may be applied to produce more stable returns over the long-term.

Factors affecting the Terminal Bonus and the non-guaranteed monthly income

- The non-guaranteed bonus of the plan includes a Terminal Bonus. The Terminal Bonus and the non-guaranteed monthly income we pay are not guaranteed and are subject to review and adjustment at our discretion. Factors that may affect them include (but not limited to):

  i. Investment performance factors – Your plan's performance will be affected by the return on its underlying investment portfolio. This could be driven by:
     – interest earnings from fixed-income securities and dividend from equity-type securities (if any);
     – capital gains and losses from investment assets;
     – counterparty default risk of fixed-income securities (such as bonds);
     – investment outlook; and
     – external market risk factors such as recessions and changes in monetary policies and foreign exchange rates.

  ii. Claims factors – Our historical claims experience on death and/or other covered benefits, and projected future costs of providing death benefit and other covered benefits.

  iii. Expense factors – These include direct expenses associated with issuing and maintaining your policy, such as commissions, overrides, underwriting and policy administration expenses. They may also include indirect expenses (such as general overheads) allocated to your policy.

  iv. Persistency factors – Policy persistency (a measure of how long policyholders keep their policies) and any cash value withdrawal of a group of policies may impact the bonus or non-guaranteed monthly income we pay to the continuing policies.

- The actual future amounts of benefits and/or returns may be higher or lower than the values currently presented in the marketing materials. Our website at https://pruhk.co/bonushistory-SHPAR-en explains the bonus history and the non-guaranteed monthly income history.

Investment philosophy

Investment strategy

We aim to protect the rights and manage the reasonable expectations of all Shareholder-backed Participating policyholders. Our investment objective is to maximise policyholders' returns with an acceptable level of risk. We do this through a broad mix of investments.

The Shareholder-backed Participating Fund invests in various types of assets, such as equity-type securities and fixed-income securities to diversify investment risks. The equity-type securities aim to provide policyholders with the potential for a higher long-term return.

We adopt an actively managed investment strategy, which we adjust in response to changing market conditions. Under normal circumstances, our experts allocate a smaller proportion of higher-risk assets, such as equities, to insurance plans with a higher guarantee and a larger proportion of higher-risk assets to insurance plans with lower guarantees. In doing so, we aim to match the level of risk to the risk profiles of our products. We may utilise derivatives to manage risks or improve returns. We may also make use of securities-lending to enhance returns.

The following paragraphs explain the current investment mix according to our investment strategy. Should there be any material changes in the investment strategy, we will inform you afterwards and explain the reasons behind and their implications.

The investment mix of your plan

The current long-term target asset allocation is as follows:

Asset type	Allocation (%) USD-denominated policies
Fixed-income securities	80%
Equity-type securities	20%

Our guaranteed liabilities to the policyholders are mainly supported by fixed-income securities. The proportion of equity-type securities is also adjusted with reference to market environment. For example, the proportion of equities is generally lower when the interest rate level is low, and higher when interest rates rise (subject to the long-term target equity allocation).

We primarily invest in fixed-income securities rated at least investment-grade. A small portion of high-yield and emerging-market bonds may be included to improve yield and diversification.

For equity-type securities, most of the investments are in stocks listed on major international exchanges.

Our currency strategy is to broadly match the fixed-income securities to the underlying policy denomination, while we allow more flexibility for equity-type securities for diversification. Subject to market availability and opportunity, we may invest fixed-income securities in a currency other than the underlying policy denomination and currency hedging will be used to reduce the currency risk.

We invest globally to achieve diversification benefits and we currently have a higher relative allocation in the US and Asia which will be reviewed regularly.

We actively manage and adjust actual exposure in response to changing market conditions and opportunities. Given asset values may vary due to changes in the economic environment and investment performance, the actual allocation may vary from the target allocation above. On a regular basis, we review the investment mix to be in line with our investment objectives and risk appetite. For more information on the investment mix, please refer to https://pruhk.co/investmentmix-en.

Key risks

How may our credit risk affect your policy?

The guaranteed cash value (if applicable) and insurance benefit of your plan are subject to our credit risk. If we become insolvent, you may lose the value of your policy and its coverage.

How may currency exchange rate risk affect your return?

Foreign currency exchange rates may fluctuate. As a result, you may incur a substantial loss when you choose to convert your benefits to other currencies. Additionally, the conversion of your benefits to other currencies is subject to exchange restrictions applicable at the time when the benefits are paid. You have the sole responsibility to decide if you want to convert your benefits to other currencies.

What are the risks of surrendering your plan or withdrawing money from your plan?

The liquidity of an insurance policy is limited. You are strongly advised to reserve adequate liquid assets for emergencies. For any surrender/withdrawal especially at the early stage upon policy inception, you may receive an amount considerably less than the premiums you paid.

How may inflation affect the value of your plan?

We expect the cost of living to rise in the future because of inflation. That means the insurance you take out today will not have the same buying power in the future (i.e., the benefit payouts might not be able to cover your future needs), even if the plan offers increasing benefit intended to offset inflation.

Important information

Suicide clause
If the life assured commits suicide regardless of sane or insane within 1 year from the effective date of the policy or from the date of any reinstatement, whichever is later, the death benefit will be limited to a refund of the premiums paid without interest subject to the deduction of any amounts we have already paid and any indebtedness you owe us under the policy.

Cancellation right
A customer who has bought the life insurance plans has a right to cancel the policy within the cooling-off period and obtain a refund of any premium(s) and levy(ies) paid less any withdrawals. Provided that no claim has been made, the customer may cancel the policy by giving written notice to us within 21 calendar days immediately following either the day of delivery of (1) the policy or (2) the notice (informing the availability of the policy and expiry date of the cooling-off period) to the customer or his/her nominated representative, whichever is earlier. Such notice must be signed by the customer and received directly by Prudential Hong Kong Limited at 8/F, Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong within the cooling-off period.

The premium and levy will be refunded in the currency of premium and levy payment at the time of application for this policy. If the currency of premium and levy payment is not the same as the plan currency, the refundable premium and levy amount in plan currency under this policy will be converted to the currency of premium and levy payment at the prevailing currency exchange rate as determined by us in our absolute discretion from time to time upon payment. After the cooling-off period expires, if a customer cancels the policy before the end of benefit term, the actual cash value (if applicable) may be substantially less than the total amount of premiums paid.

Automatic Exchange of Financial Account Information
Over 100 countries and jurisdictions around the world have committed to adopt new rules for automatic exchange of financial account information ("AEOI"). Under the new rules, financial institutions are required to identify account holders who are foreign tax residents and report certain information regarding their investment income and account balance to the local tax authority where the financial institution operates. When countries or jurisdictions start exchanging information on an automatic basis, the relevant local tax authority where the financial account is maintained will then provide this information to the tax authority of the account holder's country of tax residence. This information exchange will be conducted on a regular, annual basis.

Hong Kong has adopted the new rules into its legislation (please see the Inland Revenue (Amendment) (No. 3) Ordinance 2016 ("the Amendment Ordinance") which came into effect on 30 June 2016). Therefore, the above requirements will be applicable to financial institutions in Hong Kong including Prudential. Under these rules, certain policyholders of Prudential are considered as "account holders". Financial institutions in Hong Kong including Prudential are required to implement due diligence procedures to identify account holders (i.e. policyholders in case where the financial institution is an insurance company) and in the case where the account holder is an entity, its "controlling persons", who are foreign tax residents, and report this information to the Inland Revenue Department ("IRD") if required. The IRD may transfer this information to the country of tax residence of such account holders.

In order to comply with the law, Prudential may require you, the account holder, to:
(1) complete and provide us with a self-certification form with information regarding your tax residence status, your tax identification number in your country or countries of tax residence, your date of birth, and in the case where the policyholder is an entity (for example, a trust or a company), the classification of the entity that holds the policy and information regarding "controlling persons" of such entities;
(2) provide us all required information and documentation for complying with Prudential's due diligence procedures; and
(3) advise us of any change in circumstances which affect your tax residence status and provide us with a suitably updated self-certification form within 30 days of such change in circumstances.

According to the due diligence procedures set out in the Amendment Ordinance, self-certifications are required from account holders for all new accounts. As for pre-existing accounts, if a reporting financial institution has doubts about the tax residence of an account holder, it may require a self-certification from the account holder to verify its tax residence.

Prudential cannot provide you with any tax or legal advice. If you have doubts about your tax residence you should seek professional advice. You should seek independent professional advice on the impact that AEOI may have on you or your policy.

An account holder who knowingly or recklessly provides a statement that is misleading, false or incorrect in a material particular in making a self-certification to a reporting financial institution is liable on conviction to a fine at level 3 (HKD 10,000).

For further information on the implementation of the Common Reporting Standard and AEOI in Hong Kong, please refer to the IRD website: www.ird.gov.hk/eng/tax/dta_aeoi.htm.

Need more details? Get in touch

Please contact your consultant or call our Customer Service Hotline at 2281 1333 for more details.

Notes

PRUretirement early income plan **is underwritten by Prudential Hong Kong Limited ("Prudential"). It is not a Qualifying Deferred Annuity Policy certified by Insurance Authority and your premiums paid for this plan is not eligible for tax deduction benefits. You can always choose to take out this plan as a standalone plan without enrolling with other type(s) of insurance product at the same time, unless such plan is only available as a supplementary benefit which needs to be attached to a basic plan. This brochure does not contain the full terms and conditions of this plan and is for reference only. It does not represent a contract between Prudential and anyone else. You should read carefully the risk disclosures and key exclusions (if any) contained in this brochure. For further details and the full terms and conditions of this plan, please ask Prudential for a sample of the policy document.**

Prudential has the right to accept or decline any application based on the information provided by the policyholder and/or life assured in the application.

Please cross your cheque and make it payable to "Prudential Hong Kong Limited".

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PRUDENTIAL
保誠保險

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