

TO: All Saunderson House Clients with Equitable Life With Profits holdings

Equitable Life Update – 25th October 2001

Holders of Equitable Life pension policies invested in the with profits fund, whether retirement annuities where there are guaranteed annuity rates (GARs) or personal pensions where there are none, should seek advice on action to be taken whether before or after the vote is taken on the proposed compromise and the result known.

In broad terms our recommendations are as follows:

Personal Pension Policyholders

The proposed uplift for such policyholders is 2.5% of the fund. Policyholders are strongly recommended to take one of the following courses of action **before the vote is taken**:

1. Transfer to another provider, accepting the current 10% exit penalty.
2. Transfer and take benefits if eligible avoiding the current 10% exit penalty.
3. Switch out of the with profits fund and remain with Equitable Life in a unit linked fund accepting the current 10% exit penalty.

Retirement Annuity Policyholders

The proposed uplift for the majority of these policyholders where the inception is after September 1975 varies between 16.3% and 20.4% of the fund depending on the inception date of the policy. For those with policies taken out prior to October 1975 the proposed uplift is between 3.5% and 7.2% of the fund. In all cases the uplift is governed by the age of the policyholder at 31st December 2001.

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The following courses of action should be considered:

1. Prior to the vote (giving up any uplift):

- (a) Switch into an Equitable Life unit linked fund or transfer to another provider accepting the current 10% exit penalty;
- (b) Take benefits if eligible (avoiding the 10% penalty)
 - (i) if 60 or over using the Equitable Life GAR (caveat emptor) or transferring to another provider;
 - (ii) if between 50 and 60 transferring to another provider.

2. After the Vote

- (a) If the compromise is accepted once the uplift accrues:
 - (i) switch into an Equitable Life unit linked fund or transfer to another provider accepting the exit penalty applicable at the time;
 - (ii) take benefits if eligible (see 1(b) above) hopefully avoiding any exit penalty.
- (b) If the compromise is turned down:

Decide on what action to take at the time. The prospects for investors in the with profits fund will not be bright. Further reductions in policy values and/or an increase in the exit penalty cannot be ruled out.

Taking action prior to the vote is the low risk option. Awaiting the outcome of the vote is the higher risk option.

The action to be taken will depend inter alia on individual circumstances, the policyholder's attitude to risk, the proportion of the individual's pension fund represented by the holding in the Equitable Life with profits fund and the number of RAPs held.

This note is for general guidance only. We cannot assume legal liability for any errors or omissions and detailed advice should be taken before entering into any transaction. The value of investments and any income from them can go down as well as up and you may not get back the full amount you invested. Past performance is not a guide to the future.