



Key Features of the Scottish Bond

HELPING YOU DECIDE

What is the purpose of this document?

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Friendly, to give you this important information to help you to decide whether our Scottish Bond is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

What questions should I ask before I invest?

- In this document we have given you the answers to some important questions. You'll find these on pages 3 to 6.

What should I do now?

- Please read:
 - this Key Features document
 - the separate guide 'How we invest your money'.
- Please keep this document with your policy document which we will send you.



KEY FEATURES OF THE SCOTTISH BOND

Its aims

- To provide you with a tax-free lump sum after 10 years. This means any growth will be free of income and capital gains tax and at the end of 10 years, your payout is free of tax.
- To allow you to take advantage of your friendly society tax-free savings allowance.
- To provide a tax-free lump sum for your dependants should you die during the life of the bond.

Your commitment

- You agree to pay your chosen regular savings amount for 10 years.

Risks

- Your circumstances may change forcing you to cash in your Scottish Bond early, in which case you may not get back as much as you have paid in. This is particularly true in the early years where you will get back nothing if you cash in within the first 23 months.
- Your initial guaranteed minimum cash sum will protect some but not all of your total payments into the bond. This means, depending on future bonus rates, you could get back less than you have paid in.
- Future bonus rates will depend on investment performance and actual expenses and are not guaranteed.
- The levels and basis of taxation may change in the future.

QUESTIONS & ANSWERS

Who should consider this bond?

- You should consider this bond if you want to save regular premiums over 10 years and you are aged between 16 and 55 and a UK resident.

What is the Scottish Bond?

- The Scottish Bond is a 10 year tax-free with-profits savings plan, which means that it grows tax efficiently and your final lump sum payout is free of tax.

How does it work?

- When you take out a Scottish Bond we will provide you with a guaranteed minimum cash sum to be paid at the end of 10 years, provided you pay all your premiums. Over the life of your bond, depending on our investment performance, we may add bonuses to this guaranteed minimum cash sum.
- The guaranteed minimum cash sum will be less for older applicants.
- Your Scottish Bond comes into force when your policy document is issued and your first premium is collected.

How much can I save?

- You can pay monthly or yearly premiums. The maximum monthly premium is £25 and the maximum yearly premium is £270. If you are currently saving with another friendly society, you should make sure that the amount you start saving with your new bond does not take you above the tax-exempt limits.

How is my money invested?

- Your savings are invested in the Scottish Friendly With-Profits fund and you can find out more about this in the 'How we invest your money' guide. Please read this carefully.

What are the charges?

- As a traditional with-profits bond, the guaranteed minimum cash sum and all bonus rates are calculated after the deduction of all charges. This means that the bond does not have any fixed or explicit charges. An example of the expected deductions over the life of the bond is given in the table in the illustration on page 5. These are best estimates, based on recent experience. They could be higher or lower than this in the future which will have an effect on your final payout.

Payment of commission

- Scottish Friendly will pay Stuart Harvey Insurance Brokers Limited t/as Forces Financial a commission for introducing a Scottish Bond. The amount of commission will be 85% of the first year's premiums. For example, on a £25 per month investment, the total commission payable will be £255. Commission is paid out of policy charges. The payments do not affect the money paid into a given Scottish Bond.

Can I cash in my Scottish Bond?

- You may cash in your Scottish Bond at any time. However if you cash in within the first 23 months, you will get nothing back. If you cash in after the first 2 years, any return you get back may be less than the amount you have paid in. To cash in your Scottish Bond, you should write to Scottish Friendly at the address on page 7.

Can I stop paying the premiums?

- If you stop paying the premiums, we will tell you that your life cover will stop. This means we won't pay anything if you die before the end of the bond's life.
- However you do have the flexibility to stop and miss payments for up to 12 months. Provided you restart your payments, and also pay back any of the payments you have missed, within a 12 month period your bond benefits will not be affected.
- If you stop premiums for more than 12 months then we will reduce the payout you will receive at the end of your bond's life and not add any more bonuses.
- Alternatively you can cash in your bond.
- If you don't pay premiums for more than 12 months, you cannot start paying again and if you stop paying in the first 23 months, the bond will end and you won't get anything back.

What if I die during the life of the bond?

- If you die during the life of your bond your estate, which may be liable to inheritance tax, will receive a tax-free payout equal to the bond's value at death.
- The bond's value at death consists of the guaranteed minimum cash sum plus any bonuses that we have added.
- If you die before the end of the life of your bond, we may need to contact your doctor for medical information.

What you might get back after 10 years

Investor (age next birthday)	30	50
Monthly premium (total invested £3,000)	£25	£25
Guaranteed minimum cash sum	£2,614	£2,534
What you could get back		
If investments grew at 4.75% per year	£3,140	£3,030
If investments grew at 5.75% per year	£3,290	£3,160
If investments grew at 6.75% per year	£3,430	£3,300

- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What you get back depends on how your investment grows and on the tax treatment of the investment.
- You could get back more or less than this.
- The annual rates of growth have been based on our reasonable estimate of potential returns and are lower than the maximum allowable investment assumptions. All the figures include the deduction of the actual charges assumed on the bond.
- Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

How could the charges affect my investment?

- The illustration below is based on a £25 monthly investment in the Scottish Bond for an investor aged 30 next birthday. The last two columns assume that investments will grow at 5.75% a year.
- Warning: If you cash in before the end of the bond's life, you could get back less than you have paid in.

At end of year	Total paid in to date	Total actual deductions to date	Effect of deductions to date	What you might get back
	£	£	£	£
1	300	300	309	0
2	600	366	393	243
3	900	377	427	554
4	1,200	389	463	884
5	1,500	401	502	1,230
10	3,000	467	737	3,290

What are the deductions for?

- The deductions include the cost of setting up your bond, expenses, life cover, any cash in charges and any other adjustments.
- The last line in the table shows that, over the full duration of the bond, the effect of the total deductions could amount to £737.
- Putting it another way, leaving out the cost of life cover, this would have the same effect as bringing the investment growth used down from 5.75% to 1.95% a year.
- The deductions shown in this guide are best estimates and are based on current experience. They could vary in the future.

Can I change my mind?

- Within your welcome pack, you'll receive notice of your right to change your mind and how to cancel. You'll then have 30 days to cancel your investment and we'll provide instructions letting you know how to do this. If you decide to cancel within the period, we'll give you your money back.

What happens if Scottish Friendly becomes insolvent?

- If you buy a Scottish Friendly Scottish Bond and we cannot pay the full amount due, you may be entitled to compensation under the Financial Services Compensation Scheme. The first £2,000 of a claim in relation to the bond value is protected in full. Above this, the scheme covers up to 90% of the remaining bond value. You can get further information from the Financial Services Compensation Scheme at: Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, Portsoken Street, London E1 8BN. Tel 020 7892 7300. www.fscs.org.uk

What about tax?

- Your payments are invested in the Scottish Friendly With-Profits fund which does not pay income or corporation tax on any gains (other than tax on dividends from UK shares). When your bond comes to an end, your payout is normally free of income and capital gains tax. However, you may have to pay tax if you stop paying premiums (see page 4) and/or you subsequently cash in your bond before the end of your bond's life.
- All references to taxation are to UK taxation and are issued on the basis of Scottish Friendly's understanding of current tax law and practice. The levels and basis of taxation may change.

HOW TO CONTACT US

- Here are our contact details if you need to ask us anything: Scottish Friendly Assurance Society Limited, Scottish Friendly House, 16 Blythwood Square, Glasgow G2 4HJ. Tel: 08456 00 54 33.

OTHER INFORMATION

Your client category

- We are required to categorise our clients and this determines the level of detail and information that you will receive. We will treat you as a 'Retail Client' in respect of the services we will provide you, which means that you will benefit from the highest level of consumer protection.

How to complain

- If you wish to complain about any aspect of the service you have received, please contact us. Details can be found in the 'How to contact us' section.
- If you are not satisfied with our response to your complaint, you can contact the Financial Ombudsman Service at: Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. Tel: 0845 080 1800.
- Making a complaint won't affect your legal rights.

Language and law

- The contractual terms and conditions and all communications in relation to this bond will be supplied in English.
- In legal disputes, the law of Scotland will apply.
- This booklet is a brief guide to the key features of the product. Full details are contained in the policy document which is evidence of the legally binding contract between you and Scottish Friendly Assurance Society Limited.

The society

- Scottish Friendly was founded in 1862 (formerly The City of Glasgow Friendly Society) and is an incorporated friendly society under the Friendly Societies Act 1992, registered in the United Kingdom at the address on the back of this booklet. Scottish Friendly's total funds under management are over £704 million (as at 31/12/08).

Rules of the society

- You can ask Scottish Friendly for a copy of the rules of the society.

The Direct Debit Guarantee



- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits.
- If there are any changes to the amount, date or frequency of your Direct Debit Scottish Friendly will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Scottish Friendly to collect a payment, confirmation of the amount and date will be given to you at the time of the request.
- If an error is made in the payment of your Direct Debit, by Scottish Friendly or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society.
- If you receive a refund you are not entitled to, you must pay it back when Scottish Friendly asks you to.
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

No advice has been provided by Scottish Friendly in relation to this bond. If you are in any doubt as to whether this bond is suitable for you, you should contact a financial adviser for advice. If you do not have a financial adviser, you can get details of local financial advisers by visiting www.unbiased.co.uk. Advisers may charge for providing such advice and should confirm any cost beforehand.