

01 May 2007

## **SCOTTISH FRIENDLY TAKES ON THE TAX MAN**

### **New wrapped savings products first of their kind in the UK**

Scottish Friendly is taking on the tax man on behalf of savers – and it's all perfectly legal.

The Glasgow-based financial services group is capitalising on its friendly society status<sup>1</sup> and state of the art back-office technology to launch two pioneering new savings plans that maximise tax benefits - believed to be the first of their kind in the UK.

The *Friendly Tax-Free Family Savings Plan* allows a family of four to save up to £100 a month tax-free – on top of any tax-free savings via an ISA.

A second product – the *Tax Friendly Regular Savings Plan* - will offer a combination of tax-free and tax-paid savings. It is aimed at individuals who want to save larger amounts each month, but who wish to increase the tax efficiency of their longer-term savings.

To encourage saving into these new products Scottish Friendly will add a special bonus as soon as these plans are opened, based on the first year's premiums. Monthly savings of £50 or more will attract a bonus of 50% of the first year's premiums into the plan – worth £600 to a family of four paying £100 per month. Contributions below £50 each month will attract a 25% bonus. Both plans can be set up for as little as £30 per month.

In addition, customers who open plans will receive a gift of £25 worth of Marks & Spencer or iTunes vouchers.

Neil Lovatt, sales and marketing director of Scottish Friendly, said: “The Government allows anyone to save £25 a month - or £270 a year – tax-free within a friendly society with-profits savings plan - over and above any ISA savings. However, our research shows that some people would like to save a little bit more.

“These new products allow investors to take full advantage of their tax-free savings allowances. We have put our sophisticated technology to good use to allow families, or any group of individuals, to pool their allowances and then let them choose to save as much or as little as they like.”

Each ***Friendly Tax-Free Family Savings Plan*** will be set up as a collection of individual Tax Free Accounts for family members with a lead plan holder receiving the overall ‘family’ view of the collection of individual accounts.

The ***Tax Friendly Regular Savings Plan*** has no contribution limits and can be set up for as little as £30 per month. Investors have a single plan that consists of two accounts: a tax-***free*** element and tax-***paid*** account. The first £25 of the monthly contribution is invested in the tax-free account, with the balance invested in the tax-paid account. Investors in the tax-paid account will have to pay no tax on any gains even if they are a higher rate taxpayer.

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### **Notes to Editors**

- 1 Returns from friendly society plans are tax-free. Members invest up to £25 a month (or £270 a year) for at least ten years. Under current legislation, investments grow free of capital gains and income tax throughout the term and proceeds can be paid tax-free at any point after ten years. More information is available from the Association of Friendly Societies’ website – [www.afs.org.uk](http://www.afs.org.uk). This unique level of tax efficiency and access is impossible to find outside of an ISA allowance.
- 2 **The Friendly Tax Free Family Savings Plan** – key product features:
  - 10 year savings plan, invested in Scottish Friendly’s With Profits Fund
  - Contribution choices by direct debit only: from £30 per month, limited only by the number in the family.
  - Incentives on first opening:
    - monthly premium £30 to £40 - 25% bonus added to guaranteed cash sum
    - monthly premium £50+ - 50% bonus added to guaranteed cash sumThe starter bonus is designed to reduce the effect of charges on the plan
  - £25 of Marks & Spencer or iTunes vouchers
  - Life assurance included
  - Payment by direct debit from single or separate bank accounts
  - See [www.scottishfriendly.co.uk](http://www.scottishfriendly.co.uk) for full product features

3 **The Tax Friendly Regular Savings Plan** - key product features:

- 10 year savings plan, invested in Scottish Friendly's With Profits Fund
  - Contribution choices by direct debit only: £30 and upwards in £10 increments. No maximum investment
  - Incentives on first opening:
    - monthly premium £25 to £40 - 25% bonus added to guaranteed cash sum
    - monthly premium £50+ - 50% bonus added to guaranteed cash sum
- The starter bonus is designed to reduce the effect of charges on the plan
- £25 of M&S or iTunes vouchers
  - Life assurance included
  - Payment by direct debit from single or separate bank accounts
  - see [www.scottishfriendly.co.uk](http://www.scottishfriendly.co.uk) for full product features

Both plans for a set term of 10 years. If the plan is cashed in early, the amount returned may not be as much as that paid in. After 10 years plan holders will receive a guaranteed cash sum, which protects part of the total amount invested, from the plan. It's based on the amount paid each month over the term of the Regular Savings Plan as well as the age of the plan holder.

Premiums will be invested in Scottish Friendly's With-Profits Fund. It invests in stocks and shares, fixed interest funds, property and cash for long-term growth as well as a degree of security. This fund receives UK dividend income net of corporation tax.

The main long-term growth potential comes from bonuses which may be added to the guaranteed cash sum. The value of bonuses depends on how much profit the Fund makes and how Scottish Friendly decides to distribute it. At the end of the term, the value of an investment could receive a boost through the addition of a final bonus. Although future bonuses are not guaranteed, once added they cannot be taken away.

In addition plan holders may also receive a final bonus which could give a boost to payouts on maturity.

With profits bonuses are not guaranteed in advance, however, once paid cannot be taken away. If a regular savings with profits plan is cashed in before maturity, investors may not get back as much as has been paid in.

**Background Information**

Scottish Friendly operates as a financial services group dedicated to the efficient provision of a wide range of financial products and services to over 380,000 policyholders.

The group's back office capability, integrated with a well trained, experienced and scalable customer services operation has been critically acclaimed. An independent survey by the Association of British Insurers conducted during 2006, revealed that, Scottish Friendly was rated in the top 25% of providers in the industry on the areas that mattered most to customers.

As a mutual organisation, Scottish Friendly has no shareholders, so profits are distributed among with-profits policyholders in the form of bonuses.