

## 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 Prosperity Plan 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 1 to 4.

### What should I do now?

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

## KEY FEATURES OF THE PROSPERITY PLAN

### Its aims

- To provide you with a lump sum after 10 or 15 years.
- To provide a lump sum for your dependants should you die during the life of the plan.

### Your commitment

- You agree to pay your chosen regular premium for your chosen 10 or 15 year plan life.

### Risks

- Your circumstances may change forcing you to cash in your Prosperity Plan 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 plan. 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 plan?

- You should consider this plan if you want to save regular premiums over 10 years or 15 years and you are aged between 18 and 55, and living in the UK.

### What is the Prosperity Plan?

- The Prosperity Plan is a 10 or 15 year with-profits plan.

### How does it work?

- When you take out a Prosperity Plan we will provide you with a guaranteed minimum cash sum to be paid at the end of your chosen 10 or 15 years, provided you pay all your premiums. Over the life of your plan, depending on our investment performance, we may add bonuses to this guaranteed minimum cash sum.

- Due to the higher cost of life cover for older age groups, the guaranteed minimum cash sum will be less for older applicants.

- Your plan starts when your policy document is issued and your first premium is collected.

### How much can I save?

- You pay by monthly premiums. The minimum monthly premium is £30.

### Where do you invest my premiums?

■ We invest your premiums in the Scottish Friendly With-Profits fund and you can find out more about this in the 'How we invest your money' guide contained within this pack. Please read this carefully.

### What are the charges?

■ As a traditional with-profits plan, the guaranteed minimum cash sum and all bonus rates are calculated after the deduction of all charges. This means that the plan does not have any fixed or explicit charges. An example of the expected deductions over the life of the plan is given in the illustration opposite. 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.

### Can I cash in my Prosperity Plan?

■ You may cash in your Prosperity Plan at any time by writing to us. 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 Prosperity Plan, you should write to Scottish Friendly at the address on the back of this booklet.

### 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 plan'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 plan 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 plan's life and not add any more bonuses.

■ Alternatively you can cash in your plan.

■ 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 plan will end and you won't get anything back.

### What if I die during the life of the plan?

■ If you die during the life of your plan, your estate, which may be liable to inheritance tax, will receive a tax-free payout equal to the plan's value at death.

■ The plan'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 plan, we may need to contact your doctor for medical information.

## What you might get back after 10 and 15 years

Investor (age next birthday)	40	
Duration of plan	10 years	15 years
Monthly premium	£50	£50
Total invested	£6,000	£9,000
Guaranteed minimum cash sum	£5,292	£7,692
What you would get back:		
if investments grew at 4% per year	£6,300	£10,300
if investments grew at 5% per year	£6,590	£11,100
if investments grew at 6% per year	£6,900	£11,900

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.

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 growth assumptions. All figures include the deduction of the actual charges assumed on the plan.

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 £50 monthly investment in the Prosperity Plan for an investor aged 40 next birthday over 10 years and 15 years. The last two columns assume that investments will grow at 5% a year.

Warning: If you cash in before the end of the plan's life, you could get back less than you have paid in.

### 10 year plan

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	600	600	616	0
2	1,200	613	660	602
3	1,800	631	711	1,230
4	2,400	649	764	1,890
5	3,000	668	821	2,580
10	6,000	767	1,150	6,590

### 15 year plan

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	600	600	616	0
2	1,200	848	895	367
3	1,800	870	962	980
4	2,400	893	1,030	1,620
5	3,000	919	1,110	2,290
10	6,000	1,060	1,570	6,170
15	9,000	1,220	2,180	11,100

## What are the deductions for?

■ The deductions include the cost of setting up your plan, expenses, life cover, any cash-in charges and any other adjustments.

■ The last line in the tables show that over the full duration of the plans in the two examples given, the effect of the total deductions could amount to £1,150 for a 10 year plan and £2,180 for a 15 year plan.

■ 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% to 2.1% for a 10 year plan and down from 5% to 3.1% for a 15 year plan.

■ 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 Prosperity Plan 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 plan value is protected in full. Above this, the scheme covers up to 90% of the remaining plan value. You can get further information from the Financial Services Compensation Scheme at: Financial Services Compensation Scheme, 7th Floor, Lloyd's Chambers, Portsofen Street, London E1 8BN. Tel 020 7892 7300. [www.fscs.org.uk](http://www.fscs.org.uk)

## What about tax?

■ The fund your money is invested in is subject to tax which is paid by us. If you keep your plan in full force, the benefits paid out will, under current rules, be free of personal income and capital gains tax. However, if the guaranteed minimum cash sum on death forms part of your estate, inheritance tax might have to be paid on it.

■ 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 Blythswood 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 plan will be supplied in English.

■ In legal disputes, the law of Scotland will apply.

■ This booklet is a guide to the key features of the product. Further 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 £750 million (as at 31/12/09).

## Rules of the society

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

No advice has been provided by Scottish Friendly in relation to this plan. If you are in any doubt as to whether this plan 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](http://www.unbiased.co.uk). Advisers may charge for providing such advice and should confirm any cost beforehand.