



Prosperity Savings Plan Key Features

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

ITS AIMS

- To provide you with a cash sum payable at the end of 10 or 15 years.
- To pay a cash sum if you die early.

YOUR COMMITMENT

- To pay regular monthly premiums for your chosen 10 or 15 year term.

RISK FACTORS

- Future bonus rates will depend on investment proceeds and are not guaranteed.
- Your circumstances may change, forcing you to cash in the policy early.
- If you cash in within the first few years, you are unlikely to get back as much as you have paid in. You will get nothing back if you cash in within the first 2 years.
- Our deductions may turn out to be higher than expected.

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 calling IFA Promotion on 0800 085 3250 or visiting www.unbiased.co.uk. Advisers may charge for providing such advice and should confirm any cost beforehand.



What You Might Get Back

If we achieve an investment return each year of 4%, 6% or 8%, the amount a typical individual could get back is indicated in the tables below.

At the end of 10 years

Illustration of a maturity value based on a monthly premium of £50 paid over 10 years, a total investment of £6,000, based on a person aged 40 next birthday at outset.

Growth Rate			
Guaranteed Amount (Sum Assured)	4%	6%	8%
£5,292	£6,380	£7,000	£7,670

At the end of 15 years

Illustration of a maturity value based on a monthly premium of £50 paid over 15 years, a total investment of £9,000, based on a person aged 40 next birthday at outset.

Growth Rate			
Guaranteed Amount (Sum Assured)	4%	6%	8%
£7,692	£10,400	£12,100	£13,900

- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What you get back depends on how your investments grow.
- You could get back more or less than this.
- All friendly societies and insurance companies use the same rates of growth for illustrations but their charges vary.
- Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

What is the Prosperity Savings Plan?

- The Prosperity Savings Plan is a 10 or 15 year traditional with profits endowment savings plan.
- Anyone between the ages of 18 and 59 can start one.

How is my money invested?

- Your savings are invested in Scottish Friendly's main With Profits Fund. This aims to combine security with good long-term growth.
- Regular bonuses are added each year to the sum assured shown in the illustration. In addition a final bonus may be payable if you continue to make payments to your Plan to the agreed maturity date. Our policy is one of fairness to all policyholders, and of paying bonuses which reflect our performance in terms of investment returns, mortality experience and costs. The effects of short-term fluctuations in stockmarket levels are partially smoothed out.

What if I were to die during the term?

- If you should die during the term of the plan your estate will receive a tax-free cash payout equal to the death benefit at that time.
- The death benefit consists of the sum assured plus any bonuses added. Once a bonus has been added it cannot be taken away.

What happens if I stop paying the premiums?

- You will be notified that the life cover will cease. The policy may be reinstated within 12 months from the date of the lapse subject to satisfactory evidence of health and payment of the outstanding premiums. After 12 months the policy cannot be reinstated.
- If you stop paying the premiums in the first two years the policy will lapse with no value.
- If you stop paying the premiums after the first two years a surrender value may be available.

The early years

The illustrations below are based on a person aged 40 next birthday investing £50 a month in the Prosperity Savings Plan over 10 and 15 years. The last two columns assume that investments will grow at 6% a year.

WARNING: If you cash in during the early years, 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	619	0
2	1,200	546	602	673
3	1,800	564	657	1,310
4	2,400	584	716	1,990
5	3,000	605	780	2,710
10	6,000	708	1,160	7,000

What are the deductions for?

- The deductions include the cost of setting up the policy, life cover, expenses, any surrender penalties and other adjustments.
- The last line in the tables show that over the full terms of the policies in the two examples given, the effect of the total deductions could amount to £1,160 for a 10 year plan and £2,300 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 6% to 3.3% for a 10 year plan and from 6% to 4.1% for a 15 year plan.

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	619	0
2	1,200	759	815	459
3	1,800	783	888	1,080
4	2,400	808	967	1,740
5	3,000	835	1,050	2,430
10	6,000	992	1,580	6,570
15	9,000	1,160	2,300	12,100

FURTHER INFORMATION

Cancellation Rights

- After your application is accepted, you will receive notice of your right to cancel the policy. By law, you then have 30 days in which to change your mind. To cancel, you simply need to follow the instructions contained within your welcome pack. If you cancel within this time, you will receive back any premiums paid.

Paid Up Value

- If the policy has been in force more than two years you can cease paying the premiums and receive a paid up policy if you do not take the surrender value. If your policy is lapsed with more than two years' premiums, it will not be eligible to participate in future bonus declarations.

Investments

- Your premiums will be invested in the Society's main With Profits Fund. As the fund grows the value of the bonuses to be added may increase. The main fund invests in a wide range of shares, government stocks and commercial property.

Charges

- The charges, expenses and other deductions shown in this guide are best estimates and are based on current experience. They could vary in the future.

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 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 Assurance Society's understanding of current tax law and practice. In particular it must be remembered that the levels and basis of taxation may change.

Cashing in

- You may cash in at any time; however, in the first two years there will be no return. After the first two years the return may be less than the amount paid in. Applications for termination or surrender should be made in writing to Scottish Friendly.

Language

- The contractual terms and conditions and all communications in relation to this Plan will be supplied in English.

Law

- In legal disputes the law of Scotland will apply.

The Society

- Scottish Friendly Assurance Society Limited 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 below. The total funds under management are over £800 million (as at 31/12/07).

Queries and Complaints

- For further information or if you wish to complain about any aspect of the service you have received, please contact Scottish Friendly Assurance Society Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ. If your complaint is not dealt with to your satisfaction you can complain to the Financial Ombudsman Service (South Quay Plaza, 183 Marsh Wall, London E14 9SR, Tel: 0845 080 1800). Making a complaint will not prejudice your right to take legal proceedings.

Direct Debit Guarantee

- This guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the Scheme is monitored and protected by your own Bank or Building Society. If the amounts to be paid or the payment dates change, Scottish Friendly will notify you 5 working days in advance of your account being debited or as otherwise agreed. If an error is made by Scottish Friendly or your Bank or Building Society, you are guaranteed a full and immediate refund from your branch of the amount paid. You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to Scottish Friendly.

Rules of the Society

- A copy of the Rules of the Society is available on request from the Society.

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.

Compensation

- If Scottish Friendly is unable to meet its liabilities, compensation may be payable by the Financial Services Compensation Scheme. The first £2,000 of a claim in relation to the value of the Plan is protected in full. Above this, the Scheme covers up to 90% of the remaining Plan value. Further information on the Scheme can be obtained from the Financial Services Compensation Scheme. Tel: 020 7892 7300 www.fscs.org.uk

A GUIDE TO HOW WE MANAGE OUR WITH PROFITS FUND

The premiums you pay into the Prosperity Savings Plan are invested in Scottish Friendly's With Profits Fund. This guide tells you how we manage the fund and explains what you can expect to get back from the Prosperity Savings Plan.

Please read this guide – it gives important information about how with profits policies work.

Introduction

We manage our With Profits Fund by following a set of principles. These principles and how we follow them in practice are explained in a document called the 'Principles and Practices of Financial Management' (PPFM). PPFM is a long and detailed document. This guide is a summary of the contents of the PPFM. If there is any conflict in interpretation as between this document and the PPFM then the PPFM takes precedence.

What is a 'with profits' policy?

A with profits policy guarantees to pay a minimum cash sum (the basic sum assured) at a certain date in the future (the maturity date). Regular bonuses are added which increase the guaranteed minimum cash sum. These bonuses may increase or decrease or may not be added at all. A final bonus called a 'terminal bonus' may be added at the maturity date. The amount of terminal bonus added will depend on how the investments in the With Profits Fund have performed while you have been paying premiums into it. The amount of terminal bonus will also depend on the allowance we make for the expenses of setting up and running the policy.

The bonuses added to with profits policies depend on the way we manage the With Profits Fund.

What are the main principles we follow?

- We manage the With Profits Fund and determine bonus payments in a lawful, sound and prudent manner.
- We aim to treat all policyholders fairly.
- We aim to ensure that we can pay all guaranteed benefits as and when they become due.

How do we decide regular bonuses?

- Regular bonuses are set by taking into account what the fund can afford now and in the future.
- We normally set regular bonus rates once a year.
- We aim not to vary too much the amount of regular bonuses from year to year.
- We take into account the interest rate payable on risk free government bonds when setting the regular bonus rate.

When regular bonuses are added to the guaranteed cash sum at maturity they cannot be taken away.

How do we decide terminal bonuses?

Terminal bonuses are paid to make sure that you get back an amount that fairly reflects the performance of the With Profits Fund investments if the regular bonuses we have added have not already done this. We call this amount your 'asset share' or 'fair share'.

When we calculate your fair share we take into account the premiums you have paid, the investment performance of the With Profits Fund while the premiums have been invested and the charges we make to cover our expenses.

We aim to pay out on average the full fair share to policyholders but we ignore day to day movements in the value of the fund. We also use a method called smoothing, outlined below, to make sure payouts from one year to the next do not change significantly.

Terminal bonuses may not be added at all if the value of the With Profits Fund falls to a level where there may be a risk that otherwise other policyholders' guaranteed benefits may not be paid.

What are the charges?

The charges cover the expense of selling and setting up the policy, the expense of investing the premiums, the cost of ongoing administration and the cost of providing life insurance. We aim to charge these expenses to the With Profits Fund at cost.

We aim to apply charges and allocate expenses to achieve fairness between different policies and classes of policies.

What is “smoothing”?

We aim to target policy payouts so that policyholders receive their full fair share. However, with profits policies smooth out the peaks and troughs in the value of investments. The target range for maturity payments is 75% to 150% of the full fair share.

We will regularly review the payouts to policyholders. These reviews will occur annually and when market conditions change significantly. We use smoothing to ensure that payouts do not change by more than 10% between successive reviews. This means that if the value of investments falls at the end of the term of the policy the payout may be protected from the full fall. If the value of investments rises at the end of the term the payout may also not reflect the full value of the rise.

What happens if you leave the fund early?

We also use a ‘fair share’ approach when we work out how much to pay if you decide not to pay premiums until the maturity date. The target range for surrender payments is also 75% to 150% of the full fair share.

To reflect the cost of setting up your policy, there will be no payment if you stop paying premiums within the first two years.

What happens if you die before the end of the policy term?

The guaranteed basic sum assured plus all regular bonuses added up until the time of death are paid out. Terminal bonus may also be paid but this will depend on the number of years the policy was in force before the time of death.

What does the With Profits Fund invest in?

The With Profits Fund invests in a range of assets including stocks and shares, government bonds, property and cash. We aim to maximise the investment returns while ensuring the fund can meet its commitments to policyholders.

We formally review the assets in the fund every year and more frequently when market values are volatile. We closely monitor the amount of shares and property invested in the fund as returns from these investments are generally more volatile than those from government bonds and cash. We would expect this to generally be in the range 40% to 70%.

Why does the fund have more assets than it needs?

At all times the With Profits Fund needs to hold enough assets to pay policyholders the benefits promised to them i.e. their fair share. In addition, the fund needs to hold extra assets to pay for any guarantees it has promised e.g. the minimum cash sum at maturity. We hold reserves to cover these amounts.

Over the history of the Society, the With Profits Fund has built up more assets than the reserves needed. The extra assets are called the ‘inherited estate’. The inherited estate gives the fund working capital and supports the way the With Profits Fund works e.g. the inherited estate supports the cost of smoothing payouts.

What risks are the With Profits Fund exposed to?

The Society does not have any shareholders so the with profits policyholders ultimately receive the benefits but bear the risks of all business activity carried out.

There is a risk associated with selling new policies. There are currently no limits on the amount of new business that may be accepted into the With Profits Fund. However, we review our business plans each year to ensure that the costs of selling and maintaining the policies can be supported by the fund without damaging the interests of existing policyholders.

There is a risk that the cost of maintaining existing policies rises. Increases in expenses cannot be passed on to policyholders who hold policies which are not 'with profits' policies. The With Profits Fund currently meets the cost of any expense overruns for these 'non profit' policies. The non profit policies make up around 10 to 15% of the society's liabilities.

Any other business ventures undertaken by the Society must be approved by the Board of Directors. These ventures might include launching new products or wider strategic developments such as changing the way products are distributed and sold. The Board will act on the advice of the With Profits Actuary who looks after the interests of the with profits policyholders. To be approved a venture must be expected to achieve appropriate returns given the risks involved and the returns should be comparable with other available investments.

Any profits or losses arising from business risks are met by the inherited estate and are not taken into account when determining the fair share payable for maturing policies. However, if the level of the inherited estate falls below the level needed to support the fund losses may be deducted from fair shares.

Where can I find out more?

The full PPFM is available on our website www.scottishfriendly.co.uk/about or you can request a copy by calling 08456 00 54 33.

This leaflet 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.

If you have any queries, call us on:

08456 00 54 33

(Lines are open 8.30am to 5.30pm Monday to Friday.

The maximum call charge from a BT landline is 4p per minute. Calls from other networks may vary.

We may record and monitor calls to help us to improve our service.)



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Authorised and regulated by the Financial Services Authority.
Details can be found on the FSA register – Registration No. 110002.
Member of ABI and AFS.