keyfacts®

Key Features of the UK Select Investment Plan

Scottish Friendly Assurance

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 UK Select Investment 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 5.

What should I do now?

- Please read this Key Features document.
- Please keep this document with your policy document which we will send you.

KEY FEATURES OF THE UK SELECT INVESTMENT PLAN

Its aims

- To enable you to take advantage of your friendly society tax-free savings allowance.
- To allow the first £25 of your monthly premium to grow free of income and capital gains tax (other than tax on UK dividend income) with no final tax charge at the end of 10 years.
- To provide you with a tax paid investment on any monthly premium in excess of £25 per month, which will grow after the deduction of corporation tax by Scottish Friendly and shall have no final tax charge at the end of 10 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 level of premium for 10 years.

Risks

- Your investment will be linked to the performance of the stocks and shares in which this plan invests. The value of such investments can rise and fall and is not guaranteed. As such you may get back less than you invested.
- If you opt to invest in the UK Active Growth Fund then the selection of shares to which your investment is exposed is at the discretion of a fund manager. This means that your investment risk and growth potential will also be based on a combination of overall stock market performance and the manager's ability to select stocks and shares which out-perform the index.
- Your circumstances may change forcing you to cash in the plan before the end of the 10 years which may result in a tax charge and you may not get back as much as you have paid in, especially in the early years. Please see the table on page 5 to see an example of how this could work.
- 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 can pay regular premiums over a 10 year period and you're aged between 16 and 64, and living in the UK;
- you want an investment that is linked to the performance of stocks and shares.

What is the UK Select Investment Plan?

- The UK Select Investment Plan is a 10 year unit linked investment plan which will invest your premiums in the Scottish Friendly UK Tracker Fund or, if you prefer, the Scottish Friendly UK Active Growth Fund.
- The first £25 of each monthly premium will be invested in a tax-free policy with the balance invested in a tax paid policy.

How does it work?

- You select at outset how much you want to save regularly throughout the 10 years of your plan.
- Your regular premiums will then be invested in the tax-free, and where relevant, tax paid version of the UK Tracker Fund (or the UK Active Growth Fund if you have chosen this fund).
- After any initial charge, each premium buys units in your chosen fund which will then rise and fall as a result of the performance of the underlying investments on a daily basis and plan charges.

- You will be able to track the performance of your tax-free and tax paid versions of the fund on the Scottish Friendly website www.scottishfriendly.co.uk/fund-prices
In addition, each year we will send you a statement showing your plan's current value.

- At the end of your 10 year plan life, the units in your plan will be sold and their value will be paid to you free from any final tax charge.

- Your plan comes into force when your policy document is issued and your first premium is collected.

How much can I save?

- You can save from £15 a month.

- There is no limit on the amount you can save, although if you are currently saving with another friendly society into a tax-exempt savings plan then you cannot make payments on a tax-free basis.

What is the difference between tax-free and tax paid?

- The tax-free proportion of your investment is invested free from all taxes on growth, other than taxes on dividends on UK shares which can't be reclaimed, just like an ISA.

- Any investment you make above £25 a month will be invested on a tax paid basis. This means that Scottish Friendly will automatically deduct and then pay all the taxes due on any growth on this. In general this means that the premiums invested tax-free have the potential to grow faster than the premiums invested tax paid.

- However, no matter how much you invest, your final lump sum payout is free of tax whether you are a higher or basic rate taxpayer.

- Your plan has been set up as a 10 year plan to maximise its tax efficiency. Therefore should you decide to cash in before the end of 10 years then you may be liable to pay a personal tax charge in your self assessment return.

- If you cash in your plan before you have paid premiums for seven and a half years then you will usually be subject to a tax charge, which will depend on the amount of profit you have made.

- Profit is simply defined as the difference between your plan value and the total of your payments.

- On the tax paid basis, basic rate taxpayers have no charge for any gains. Higher rate taxpayers will need to pay a tax charge which is based on their profits and the difference between the higher and lower rate of tax.

- On the tax-free basis all taxpayers pay a charge based on their profits and the highest marginal rate of tax that they pay in the year they cash in.

- If you cash in your plan after you have paid seven and a half years worth of premiums, but before the 10 year maturity date, there will be no tax charge on cashing in your plan.

Your fund choice

- As a default your premiums will be invested in the UK Tracker Fund unless you specifically elect to opt for the UK Active Growth Fund.

- The UK Tracker Fund is regarded as the lower risk option of the two funds as it spreads risk across a wider selection of stocks and shares and does not rely on the decisions of any fund managers.

- The UK Active Growth Fund does have greater growth potential than the UK Tracker Fund, provided the fund manager selected by Scottish Friendly can choose those stocks and shares which outperform the market. On the other hand, it carries a greater degree of risk.

- To help you decide, additional details on both funds can be found at
www.scottishfriendly.co.uk/tffukselect/active or
www.scottishfriendly.co.uk/tffukselect/tracker

What is the UK Tracker Fund?

- The UK Tracker Fund is a daily priced unit linked fund. It is linked to the performance of an underlying fund which tracks and follows the performance of a UK stock market index.

- The selection of this underlying fund will be based on Scottish Friendly's assessment of the ability of the fund manager to track the selected index, the costs and the actual index which the fund tracks.

- Scottish Friendly reserves the right to change this underlying fund link whenever they believe it to be in the interests of its policyholders.

- The fund is currently linked to the Legal & General UK Index Trust, a UK authorised unit trust.

- Should this underlying fund link change then details of the new fund will be posted on the Scottish Friendly website at www.scottishfriendly.co.uk/tffukselect/tracker

What is the UK Active Growth Fund?

- The UK Active Growth Fund is a daily priced unit linked fund. It is linked to the performance of an underlying fund which is actively managed to outperform a UK stock market index.
- The selection of this underlying fund is based on Scottish Friendly's assessment of the ability of the fund manager to outperform the selected index, the costs, the actual index which the fund will be measured against and the risks that the manager is taking.
- Scottish Friendly reserves the right to change this underlying fund link whenever they believe it to be in the interests of it's policyholders.
- The fund is currently linked to the Scottish Friendly UK Growth OEIC which aims to outperform the FTSE All Share Index.
- The fund is currently managed by SVM Asset Management, but Scottish Friendly has the right to change the manager of this fund at any time.
- Should this underlying fund link or the fund manager change then details of the new fund will be posted on the Scottish Friendly website at www.scottishfriendly.co.uk/tffukselect/active

What are the charges?

- There is an initial charge of 50% of each premium paid in the first 12 months only. There will be no initial charge after this.
- All investments have an annual management fee of 1.5% (irrespective of whether you select the UK Tracker or UK Active Growth Fund). This annual management fee includes the cost of fund management for the underlying fund.
- The annual management fee is deducted on a daily basis and all fund prices are shown after the effect of this charge.
- There is an overall £1 per month plan charge deducted from the tax-free basis only.
- In addition there is a regular charge for the cost of life cover. This will vary with your age and the difference between the current value of your plan and the life cover provided. For a 30 year old investor paying £25 a month, this is estimated to be £0.05 per month over the life of the plan. For a 50 year old investor this is estimated to be £0.30 per month over the life of the plan.
- Charges may vary in the future.

Can I cash in my plan?

- The UK Select Investment Plan is a 10-year investment. If you cash in your plan before the end of 10 years, you may not get back as much as you have paid in, particularly in the early years since the plan set-up charges are taken over the first 12 months. Please read page 2 on potential tax implications for cashing in.

Can I stop paying the premiums?

- If you stop paying premiums your plan will be made 'paid up' if you do not decide to cash in your plan.
- When money stops being invested in your plan, no additional units will be purchased and the life cover will cease.
- The value of your plan will therefore depend on the number of units already purchased, before the plan was made 'paid up' and their growth up to the cash-in date.
- The monthly policy charge and annual management charge on your fund will continue to be deducted from your plan.
- Within 12 months of your plan being made 'paid up' (and provided you have not cashed in your plan) you can reinstate your plan provided you pay all outstanding premiums and subject to satisfactory evidence of health. After 12 months your plan cannot be reinstated.

What if I die during the life of the plan?

- If you die during the life of your plan your estate will receive a cash payout; the greater of your life cover or the current value of your plan, which is calculated by multiplying the units you own by the price of the relevant fund on the date of death.
- The amount of life cover you receive depends on the amount that you pay in and your age.
- For ages up to 55 the life cover will be equal to 75% of the premiums to be paid into your plan. So a £50 monthly premium would generate life cover of £4,500.
- For ages above 55 the amount of life cover compared to ages under 56, will be reduced by 2% for every complete year that the plan owner is above 55, such that for an investor aged 64

investing £50 a month, the maximum life cover would be £3,420.

- These reduced levels of life cover help to lower the overall cost of life assurance and ensure that the minimum required level of life cover is provided to maintain the tax status of your plan.
- 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 years

An example:
Investor – aged 30 next birthday
Duration of plan – 10 years

Monthly premium – £40 (£25 invested on a tax-free basis and £15 invested on a tax paid basis)

Total amount invested – £4,800

Tax-free investment projected maturity values	
If investments grow at 5% per year, you would get back	£3,220
If investments grow at 7% per year, you would get back	£3,550
If investments grow at 9% per year, you would get back	£3,920
Tax paid investment projected maturity values	
If investments grow at 4% per year, you would get back	£1,920
If investments grow at 6% per year, you would get back	£2,120
If investments grow at 8% per year, you would get back	£2,340
Total UK Select Investment Plan projected maturity values	
If investments grow at the lower rate, you would get back	£5,140
If investments grow at the middle rate, you would get back	£5,670
If investments grow at the higher rate, you would get back	£6,260

- The figures assume that your investments will grow each year by 5%, 7% and 9% for the lower, middle and higher rate for tax-free investments respectively. Tax paid investments are assumed to grow each year by 4%, 6% and 8% respectively.
- The difference between the growth rates on the tax-free and tax paid basis reflect the difference in the effect of tax.
- 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 for the illustration have been based on our reasonable estimate of potential returns and are the maximum projection rates permissable by the Financial Services Authority. All the 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 illustrations overleaf are based on a £40 monthly investment made up of £25 on a tax-free basis and £15 on a tax paid basis for an investor aged 30 next birthday at outset. The last two columns assume that investments grow by 7% each year on a tax-free basis and 6% each year on a tax paid basis.

WARNING: If you cash in during the early years of your plan, you could get back less than you have paid in.

Tax-free basis	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	170	170	140
	2	600	188	200	443
	3	900	210	236	763
	4	1,200	238	280	1,100
	5	1,500	269	332	1,450
	10	3,000	513	741	3,550

Tax paid basis	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	180	94	94	91
	2	360	97	103	279
	3	540	104	116	475
	4	720	113	132	680
	5	900	125	152	895
	10	1,800	235	324	2,120

UK Select Investment Plan (tax-free plus tax paid)	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	480	264	264	231
	2	960	285	303	722
	3	1,440	314	352	1,230
	4	1,920	351	412	1,780
	5	2,400	394	484	2,340
	10	4,800	748	1,060	5,670

What are the deductions for?

- The charges include the cost of setting up the plan, expenses, life cover and any other adjustments.
- The last line of the table shows that over the full 10 year life of the plan, the effect of total deductions could amount to £1,060.
- This figure is split between the tax-free basis (£741) and tax paid basis (£324).
- Putting it another way, leaving out the cost of life cover, this would have the same effect as bringing the investment growth down for the tax-free basis from 7% to 3.4% and in the tax paid basis from 6% to 3.3%.

Can I change my mind?

- After your application has been accepted, you will receive notice of your right to cancel. By law you have 30 days in which to change your mind. To cancel you simply need to follow the instructions contained within your welcome pack.

What happens if Scottish Friendly becomes insolvent?

- If you buy a UK Select Investment 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 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?

- All premiums invested on a tax-free basis are invested free of income tax and corporation tax. The fund in which you invest receives UK dividend income, net of corporation tax. Payouts are normally free of personal charges for income and capital gains tax. However, a tax debt can arise when the plan has been made 'paid up' within 10 years (or within the first three-quarters of the plan life) and is subsequently cashed in. In such circumstances, tax payers may have to pay tax on the difference between premiums paid in and the cash-in value.

- All premiums invested on a tax paid basis are subject to income and corporation tax which is paid by Scottish Friendly. Payouts are normally free of personal charges for income and capital gains tax. However, a tax debt can arise when the plan has been made 'paid up' within 10 years (or within the first three-quarters of the plan life) and is subsequently cashed in. In such circumstances, tax may be payable on the excess of the proceeds over the premiums paid in respect of higher rate taxpayers.
- You should note that if the guaranteed minimum cash sum on death forms part of your estate, inheritance tax may 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.

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 receive. We will treat you as a 'Retail Client' in respect of the services we will provide, 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 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 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 overleaf. The total funds under management are over £730 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 Advisers may charge for providing such advice and should confirm any cost beforehand.

tax-free & friendly

UK Select Investment Plan

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Scottish Friendly ASSURANCE

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