



# Key Features of the Tax-Free Flexible Plan

The Key Features supplied below apply to the Tax-Free Flexible Plan, My Kids Flexible Plan and the adult investment element of the Family Flexible Plan.

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.

## 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 Tax-Free Flexible 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 2 to 7.

### 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 Tax-free Flexible Plan

### Its aims

- To enable you to take advantage of your friendly society tax-free savings allowance.
- To allow your monthly premium to grow free of income and capital gains tax (other than tax on UK dividend income) with no final tax charge when you cash in your plan after 10 years.
- To provide a small 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 at least 15 years. You have the flexibility to leave the plan early.

### 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.
- Your circumstances may change forcing you to cash in the plan before the end of 10 years which may result in a tax charge.
- The tax treatment of your plan depends on your individual circumstances and the levels and basis of taxation may change in the future. This may reduce the amount you get back or increase the amount of tax you pay.

## Questions & answers

### Who should consider this plan?

You should consider this plan if:

- you're aged between 16 and 64, and living in the UK
- you can pay regular premiums over a 15 to 18 year period but want the flexibility to exit earlier;
- you want an investment that is linked to the performance of stocks and shares.

### What is the Tax-Free Flexible Plan?

The Tax-Free Flexible Plan is a 15 to 18 year unit linked investment plan which will invest your premiums in the Scottish Friendly UK Tracker Fund.

You have the flexibility to exit the plan before your selected term if you need to. There are no extra fees from Scottish Friendly to do so, but you may have to pay tax on any profits if you cash in before the 10 years. Please see page 6 on potential tax implications for cashing in.

Anyone who is a UK resident between the ages of 16 and 64 can pay into a Tax-Free Flexible Plan.

Whilst you can only take out one Tax-Free Flexible Plan in your own name, you can pay into as many as you like provided each one is taken out in the name of different family members or friends. You may take out a Child Flexible Plan in the name of a child under the age of 16 that you care for.

### How does it work?

You select at outset how much you want to invest regularly throughout the term of your plan.

Your regular premiums will then be invested in the UK Tracker Fund.

Each full premium buys units in the UK Tracker Fund which will then rise and fall as a result of the performance of the investment in the underlying fund on a daily basis and plan charges.

You will be able to track the performance of your fund on the Scottish Friendly website [www.scottishfriendly.co.uk/fundprices](http://www.scottishfriendly.co.uk/fundprices) In addition, each year we will send you a statement showing your plan's current value.

At the end of your 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 invest?**

You can invest from £15 up to £25 a month.

If you are currently saving or investing with another friendly society into a tax exempt savings plan then you cannot take out the Tax Free Flexible Plan.

### **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/tracker](http://www.scottishfriendly.co.uk/tracker) additionally we will contact you by email or in writing to inform you of the change.

### **What are the charges?**

This investment has an annual management fee of 1.5%. 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.

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.

Charges may vary in the future.

### **Can I cash in my plan?**

The Tax-Free Flexible Plan is a 15 to 18 year investment but you have the flexibility to cash in earlier. Whilst there are no charges from Scottish Friendly for exiting early if you cash in your plan before 10 years you may be subject to a tax charge based on any profits you may have made. Please read page 7 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 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.

The life cover will be equal to 75% of the premiums to be paid into your plan. So a £25 monthly premium invested over 18 years would generate life cover of £4,050.

For a 30 year old investor paying £25 a month, the cost of life cover 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.

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 18 years

An example:

Investor – aged 30 next birthday

Duration of plan – 18 years

Monthly premium – £25

Total invested – £5,400

Projected maturity values

If investments grow at 5% per year, you would get back £7,460

If investments grow at 7% per year, you would get back £9,070

If investments grow at 9% per year, you would get back £11,000

- 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 the figures projected above and the total amount invested.
- The annual rates of growth for the illustration have been based on our reasonable estimate of potential returns and are the maximum projection rates permissible 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 illustration below is based on a £25 monthly investment for an investor aged 30 next birthday at outset investing for 18 years. The last two columns assume that investments grow by 7% each year.

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

At the 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	4	4	306
2	600	13	14	630
3	900	27	29	971
4	1,200	46	50	1,330
5	1,500	70	77	1,710
10	3,000	279	344	3,950
15	4,500	671	927	6,890
18	5,400	1,020	1,500	9,070

### What are the deductions for?

The charges include the cost of life cover and annual 1.5% management fee.

The last line of the table shows that over the full 18 year life of the plan, the effect of total deductions could amount to £1,500.

Putting it another way, leaving out the cost of life cover, this would have the same effect as bringing the investment growth down from 7% to 5.5%.

### 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 Scottish Friendly Tax-Free Flexible Plan and we cannot pay the full amount due, you may be entitled to compensation under the Financial Services Compensation Scheme. The maximum level of compensation for claims against firms declared in default is 90% of the claim with no upper limit.

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](http://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 and is subsequently cashed in. In such circumstances, tax payers may have to pay tax at their highest marginal rate on the difference between premiums paid in and the cash in value.

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. The tax treatment of your plan depends on your individual circumstances and the levels and basis of taxation may change in the future.

## **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: 0333 323 5433\*.

\*Calls cost no more than calls to numbers starting with 01 or 02 and if you are calling from a mobile phone, calls will count towards any inclusive minutes you have rather than being charged separately.

## **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: 0800 023 4567 (free from a UK landline) or 0300 123 9123 (free for mobile users who pay a monthly charge for calls to numbers starting 01 or 02).

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 on the back of this booklet. The total funds under management are over £800 million (as at 31/12/10).

## 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.

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**[www.scottishfriendly.co.uk](http://www.scottishfriendly.co.uk)**

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Services Authority. Details can be found on  
the FSA register – Registration No. 110002.  
Member of ABI and AFM.

