keyfacts®

Scottish Friendly

Key Features of the Investment Plan

The Key Features supplied below apply to the Tax-Free & Friendly UK Select Investment 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 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 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 2 to 10.

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 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.
- 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 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 Investment Plan?

The 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 invest 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).

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 invest?

You can invest from £15 a month.

There is no limit to the amount you can invest.

If you are currently saving or investing 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 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. You can only invest in one 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 or the fund manager change then we will inform you in writing.

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 with the intention of outperforming 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 its 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 we will inform you in writing.

What are the charges?

Investments on a tax-free and tax paid basis both have a 1.5% annual management fee (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.

All premiums have an initial charge of 5% of the premium.

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 £0.04 per month over the life of the plan.

For a 50 year old investor this is estimated to be £0.28 per month over the life of the plan.

Charges may vary in the future.

Can I cash in my plan?

There are no cash in penalties and you can exit and cash-in your plan whenever you require.

However your plan has been set up as a 10 year plan to maximise its tax efficiency. Therefore under current legislation should you decide to cash in before seven and a half years, you may be liable to pay a personal tax charge at your highest marginal rate on any profit you may have made on your plan.

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

If you cash in your plan after you have paid seven and a half years' worth of premiums, there will be no tax charge on cashing in your plan.

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 £3,250 If investments grow at 7% per year, you would get back £3,610 If investments grow at 9% per year, you would get back £4,000
Tax paid investment projected maturity values If investments grow at 4% per year, you would get back £1,930 If investments grow at 6% per year, you would get back £2,140 If investments grow at 8% per year, you would get back £2,380
Total UK Select Investment Plan projected maturity values If investments grow at the lower rate, you would get back £5,180 If investments grow at the middle rate, you would get back £5,750 If investments grow at the higher rate, you would get back £6,380
• 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 equal to the maximum projection rates permissable by the Financial Services Authority. All the figures include the deduction of the actual charges, which can change in the future, 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 below 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: You could get back less than you have paid in, especially if you cash in before the end of the life of the plan.

Tax-free basis

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	31	31	279
2	600	67	69	575
3	900	106	113	886
4	1,200	151	166	1,210
5	1,500	200	226	1,560
10	3,000	526	689	3,610

Tax paid basis

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	180	11	11	174
2	360	25	26	356
3	540	41	44	547
4	720	61	66	746
5	900	83	92	955
10	1,800	242	300	2,140

UK Select Investment Plan (tax-free plus tax paid)

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	480	42	42	453
2	960	92	95	931
3	1,440	147	157	1,430
4	1,920	212	232	1,950
5	2,400	283	318	2,510
10	4,800	768	989	5,750

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 £989.

This figure is split between the tax-free basis (£689) and tax paid basis (£300).

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 3.7% and in the tax paid basis from 6% to 3.5%.

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. If you do not cancel, your plan will continue as described in this document.

What happens if Scottish Friendly becomes insolvent?

If you buy a Scottish Friendly Investment 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 0800 678 1100. 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. 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 seperately.

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. Telephone 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 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 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 31/12/11).

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.

Scottish Friendly Assurance Society Limited,
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www.scottishfriendly.co.uk

Scottish Friendly

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