

# Key Features of the Tax-Free Savings Plan

**The Financial Services Authority is the independent financial services regulator. It requires us, National Friendly, to give you this important information to help you decide whether our Tax-Free Savings 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.**

In addition to this Key Features document, we strongly recommend that you take time to read "A guide to how we manage our with-profits fund". This Key Features document contains useful information to help you understand how your money is invested.

You will receive a personal illustration with your plan documents, which you should read carefully. An example illustration is provided at the end of this booklet. If you would like a personalised illustration before applying, please call us on **0800 195 9245** (calls are recorded for quality purposes).

# Tax-Free Savings Plan

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## Its aims

- To build up a lump sum to spend as you wish.
- To provide a cash sum should you die before the end of the agreed term.
- To guarantee, at the end of the plan term, a return of at least what you pay in – irrespective of market conditions.

## Your commitment

- To pay a regular premium for a set period of at least 10 years.

## Risks

- Your money is invested in a fund which invests predominantly in stock market investments so you are not certain to make a profit.
- You may get back less than you have invested if you cancel your plan before the maturity date or stop paying your premiums. If you decide to cancel in the first year you will get nothing back. A change in your circumstances may force you to do this.
- You should also consider that:
  - over time, inflation will reduce what you can buy with your investment.
  - our charges might be higher, or investment growth lower, than the figures shown in the example illustration.
- If the Government changes the way the plan is treated for tax purposes, this could reduce the amount you get back or increase any tax payable.

# Questions and answers

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## What is the Tax-Free Savings Plan?

The Tax-Free Savings Plan is a with-profits endowment plan where you make fixed payments for a set period of time. At the end of your chosen term the plan pays you an amount of money which is guaranteed not to be less than you paid in. You do not have to pay any income tax or capital gains tax on the amount you get back at maturity.

The plan also has built-in life cover, so if you die before your plan matures we will pay out a lump sum.

## How long does the plan last?

You can choose a set term of between 10 and 45 years, but your plan must mature after your 16th birthday and before your 80th.

## Is this investment for me?

This plan might be suitable for someone who:

- Wishes to take advantage of a tax efficient investment.
- Expects to be able to afford the payments for the full term of the plan.
- Would like to invest in a stocks and shares related investment and is not prepared to take the risk of investing directly onto the stock market, but will accept the risks of investing in a fund that invests in the stock market, commercial property and fixed interest securities.

## Who can apply?

You can invest in a Tax-Free Savings Plan:

### ■ In your own name

You have two options:

- You can apply for a plan in your own name if you are a UK resident aged 16-64. In this case, you would be the life assured and the plan holder.
- If your partner is a UK resident aged 16-64 you can apply for a plan in your own name, but with your partner as the life assured. In this case you would be the plan holder and we will pay a lump sum to you when the plan matures or if your partner dies.

## ■ For a child

Anyone over the age of 16 can invest for a child under 16, but the child's parent or guardian must sign the application form. In this case, the child would be the life assured and the plan holder but the child's parent or guardian will act on their behalf until the child turns 16.

**Please note:** If the person paying the premium is not the life assured or the plan holder, that person will **only** have access to information about the payments they make.

## How much can I invest?

There is a set allowance for each plan holder. If you are acting on a child's behalf until they turn 16, you can still take out your own plan.

If you'd like to invest monthly, the investment is £25 per month and if you'd like to invest annually, the investment is £270 per year.

Please let us know if you make payments to any other friendly society tax-free plans, as the set allowance applies to the total of all the plans you have per life assured.

## How is my money invested?

We combine your money with that from other investors into our with-profits fund. The fund invests in a wide range of long-term investments such as fixed interest securities, commercial property and company shares. This diverse portfolio helps to reduce the impact on the fund should any one category of investment underperform.

To find out more please read 'A guide to how we manage our with-profits fund'.

## How much can I expect to get back when the plan ends?

The plan is given a sum assured that depends on the term of the plan and the age of the life assured when you apply for the plan. Each year we aim to add a bonus to your sum assured based on how the with-profits fund has performed. As long as you hold your plan until the end of the agreed term, we guarantee to pay the sum assured and any bonuses added when the plan ends. We may also add a final bonus to the plan at the end of the term.

There is an example illustration at the end of this booklet based on 3 different assumed growth rates. Please call us if you would like a personalised illustration.

We will send you an annual statement that will show you if we have awarded you any bonuses.

National Friendly cannot guarantee to award bonuses.

## **What happens if I die?**

The amount that will be paid on death – the sum assured – depends on the age, sex and health of the life assured and the term of the plan.

When you apply for a plan we ask you about your health and use this information to decide how much we will pay in the event of death before maturity. The amount that will be paid on death will be the sum assured plus any bonuses that have already been added. If your health is such that we offer you a reduced death benefit we will let you know before we set up the plan and give you the option of whether to go ahead or withdraw your application.

If the life assured commits suicide within the first 24 months of the plan it becomes invalid and we will not pay the life cover. In this circumstance we will refund premiums paid to date less any plan charges.

Any life cover will be paid to the plan holder or the plan holder's estate unless a nomination is in place (please see below).

If we pay out the life cover the plan will end and have no further cash value.

## **Who will receive the benefit payable on death?**

Plan holders have the right to nominate one or more people to receive the combined value of your National Friendly policies if you die. This is currently limited to a total of £5,000 and would be paid to your nominated beneficiaries, allowing for quicker payment. Any sum which is not covered by a nomination will be paid once we have received the appropriate documents that we need to verify entitlement.

The sum payable on death forms part of the plan holder's estate and may be liable to inheritance tax.

## **What are the charges?**

As the Tax-Free Savings Plan is a traditional with-profits plan, we do not deduct charges directly from your investment. Instead we collect them by reducing the bonus rates payable. We also take into account our administration and other costs before awarding any bonuses.

The example illustration at the end of the booklet shows the effect charges may have on your investment.

## **Can I take out a loan against the plan?**

Yes, if you are over 18 and you have paid all your premiums to date.

You'll be entitled to borrow either 90% of your plan value or 50% of your sum assured, whichever is the lowest amount.

The interest rate will be advised at the time you request a loan.

Please contact us if you require further information.

## **Can I sell my plan?**

No, our membership terms do not allow you to sell the plan.

## **Can I end my plan early?**

Yes, but if you end your plan in the first year you will get nothing back. After the first year you may still get back less than you have invested. When you end the plan before maturity you will also lose the life cover benefit and may have to pay income tax on any profit you receive (please see page 7, What about tax?).

If you want to cash in your plan early you can contact us at any time to find out how much you can expect to receive.

## **Can I change my mind?**

When you receive your plan documents you will also receive a notice reminding you of your legal right to change your mind. You have the right to cancel your plan within 30 days of receiving the notice. You can do this by signing and returning the cancellation form and policy schedule or by writing to us at National Friendly, 4-5 Worcester Road, Clifton, Bristol BS8 3JL.

If you cancel your plan within 30 days we will refund any premiums you have paid. You can cancel your plan at any time after this, but you may receive less than you have paid in (please see above, Can I end my plan early?) or nothing at all.

## **What happens if I stop paying the premiums?**

If you stop making regular payments for 3 months, we will temporarily close the plan and the life cover will stop.

Within 13 months from the due date of the first unpaid premium, you may either pay all premiums you have missed and restart the plan or cancel it. After 13 months of non-payment, we will cancel the plan and you will not be able to re-open it.

If you don't claim the value of your cancelled plan within 28 days, it will be placed in a suspense account and will not attract any interest.

## **What about tax?**

All premiums invested in our with-profits fund are invested free of personal liability to income tax and capital gains tax. The only tax liability on the fund is the income tax paid on your behalf by National Friendly on share dividend income which you cannot reclaim. You will not pay income tax or capital gains tax on any money you get when your plan matures or if the life assured dies.

However, if you cancel the plan before 10 years or three quarters of the agreed term is complete – whichever is shorter – you may have to pay income tax on any profit you receive. If this happens then we will give you a chargeable event certificate, which HM Revenue & Customs may ask to see.

Any proceeds paid out from the plan form part of your estate and may be liable to inheritance tax when you die.

If you die and the beneficiary (the person receiving the payout) is not your spouse or civil partner, they may have to pay inheritance tax on the payout.

This information is based on our understanding of current tax law and practice. However, law and practice may change. The value of any tax treatment depends on individual circumstances.

# Extra information

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## Further information

If you require any further information about this Tax-Free Savings Plan please call us on **0800 195 9245**. If you are unsure of the suitability of this plan please contact a financial adviser.

## How to pay

Payments are made by direct debit.

## If you have a complaint

We are a mutual association that exists to support our customers and we aim to provide the highest standards of service.

If we fall short at any time and you wish to make a complaint, please contact us on:

- **0808 168 7775** (8am-6pm weekdays, calls may be recorded for quality purposes)
- Email [compliance@nationalfriendly.co.uk](mailto:compliance@nationalfriendly.co.uk)
- Fax 0117 980 9358
- Or write to Compliance Department, National Friendly, 4-5 Worcester Road, Clifton, Bristol BS8 3JL.

If you make a complaint and are dissatisfied with our response, you can ask the Financial Ombudsman Service for an independent review:

- Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR
- Telephone 08000 234 567 (free from landlines) or 0300 123 9123 (free for mobile phone users who pay a monthly charge for calls to numbers starting starting 01 or 02)
- Email [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)
- Website [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

Please remember the Financial Ombudsman Service cannot deal with your complaint until you have first raised it with us. In making any complaint, your right to take legal proceedings is not affected.

## The Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) protects consumers of virtually all financial services in the UK.

Depending on your policy and the circumstances of any claim, you may be entitled to compensation from the FSCS if we were unable to meet our obligations to pay what we owe. If you are entitled to claim, most insurance policies are covered for 90% of the claim with no upper limit. You can ask for more information from the FSCS on 020 7892 7300 or at [www.fscs.org.uk](http://www.fscs.org.uk).

## Retail clients

We are required by our regulator, the Financial Services Authority, to categorise our customers to determine the level of protection they will receive. If you invest in our Tax-Free Savings Plan, we will treat you as a retail client. This gives you the highest level of protection available under the Financial Services Authority rules.

## Our right to cancel your plan

We have the right to cancel any plan where the plan holder, in connection with this or any other National Friendly plan has:

- Provided false information with the aim of gaining money from us.
- Not acted in a fair and reasonable way.

If we intend to cancel a plan, we will first explain what will happen and the plan holder's right to appeal. If a plan is cancelled this way, we may end the plan at any date after that and will seek the return of any money obtained fraudulently and all reasonable expenses incurred in doing so.

## Applicable law

If there is a legal dispute, English law will apply.

## Alterations to the policy terms

We may change these terms and conditions to make sure that they comply with law or regulation. We may also change the terms and conditions at any time where it is reasonable to do so:

- (a) as a result of product or system development
- (b) because of changes in the cost of providing a service to you  
(for example where there is an increase in tax rates)
- (c) to allow us to administer the policy more efficiently, or
- (d) to change anything which is unclear or incorrect.

We will write to you and let you know of any changes as soon as we can.

If you tell us within 30 days that you do not agree to the changes we will cancel your policy without charge.

## Language and currency

All correspondence will be in English and all currency used will be in £ sterling.

# Example illustration

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Age: 35  
Policy Term: 10 years  
Monthly Premium: £25  
Guaranteed Sum Assured: £2,522

## The maturity value

As we cannot predict how the fund will perform or what bonuses will be allocated, we provide three examples based on different rates of growth. All firms are subject to the same rules governing the rates of growth used for projections but their charges vary. Firms may choose between using standard rates of growth or lower rates where this better reflects the prospective returns from the assets backing the policy. National Friendly has used rates of growth that it believes reflect the prospective returns on the assets that National Friendly holds in respect of this policy.

If the investment grows at	4.5% a year	6.5% a year	8.5% a year
You will get back	£3,230	£3,560	£3,930

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### Please note:

- These figures are only examples and are not guaranteed, they are not minimum or maximum amounts. What you will 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.
- Inflation will reduce what you can buy in the future with the amount shown.

The absolute guarantee is that you will get back at least £3,000, i.e. the greater of the sum assured (£2,522) and the total premiums payable (£3,000).

## How deductions affect your plan

The tables below show how our deductions might affect the value of your plan if you cancel it. The last two columns assume that investments will grow at 6.5% a year.

The Early Years				
End of year	Total paid to date	Total actual deductions to date	Effect of deductions to date	What you might get back
1	£300	£203	£203	£107
2	£600	£242	£256	£384
3	£900	£281	£311	£681
4	£1,200	£319	£369	£998
5	£1,500	£356	£430	£1,330

Warning: if you cash in your policy before maturity you may get back less than you paid in. If you decide to cancel in the first year you will get nothing back.

The Later Years				
End of year	Total paid to date	Total actual deductions to date	Effect of deductions to date	What you might get back
6	£1,800	£392	£494	£1,690
7	£2,100	£427	£561	£2,080
8	£2,400	£461	£632	£2,490
9	£2,700	£495	£706	£2,930
10	£3,000	£367	£625	£3,560

## What are the deductions for?

The deductions are only taken into account if you cancel or when the plan pays out. They include the cost of life cover, salaries, expenses, charges, commissions, any cancellation penalties and any other adjustments.

The effects of these deductions are shown in the tables above. These figures are best estimates based on current experience and they may vary in the future. The last line shows that, over the full 10-year term of the plan, the effect of the total deductions could be £625. Putting it another way, leaving out the cost of life cover, this would reduce investment growth of 6.5% a year to 3.4% a year.

# Other products available

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## Investments

- Investment ISA
- With-Profits Bond

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**For extra information on this product or to request a copy in Braille, large print or audio please call us on:**

# 0800 195 9245

(8am-6pm weekdays, calls are recorded for quality purposes)

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National Friendly

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National Friendly is the trading name of National Deposit Friendly Society Limited.

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Authorised and regulated by the Financial Services Authority. Registration no. 110008.

[www.nationalfriendly.co.uk](http://www.nationalfriendly.co.uk)



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