

# The investment bond's key features

## Important info you need to read

Before applying for the Investment Bond, please read the Key Features, which you'll find on the next few pages.

The Key Features explain how the Bond works, its aims, terms and conditions and will help you decide if it's suitable for you. It also includes information on bonuses and how we aim to grow your money.

This section is full of really important information and will hopefully answer any questions you might have.



# Foresters Friendly Society Investment Bond Key Features

The Financial Conduct Authority (FCA) is a financial services regulator. It requires us, Foresters Friendly Society, to give you this important information to help you to decide whether our Investment 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

### The Investment Bond aims:

- To achieve long-term capital growth.
- To provide you with more than you could reasonably expect to get back over the long-term from a deposit backed savings account.
- To add to the value of your investment by way of the addition of bonuses, which are intended to be added on a yearly basis, with a possible final bonus being paid when you cash in your Investment Bond.
- To provide you with the option of taking regular or one-off tax-efficient withdrawals

## Your commitment

- Your initial investment must be between £1,000 and £150,000.
- There are no restrictions on the amount of time you keep your money invested in the Foresters Friendly Society Investment Bond, however, you should view your Investment Bond as a medium to long-term investment of at least five years or more.

## Risks

- In adverse investment conditions we may apply a Market Value Reduction (MVR). This could mean you get back less than you have paid in.
- Bonuses will depend on the future investment performance of the Order Insurance Fund, as well as any deductions and how Foresters Friendly Society decide to distribute any profit.
- The addition of bonuses is not guaranteed and therefore it is possible that the Investment Bond might not receive any annual and/or final bonus.
- Our deductions may turn out to be higher than expected.
- Legislation may change, to affect the tax status of the Investment Bond.
- Your circumstances may change forcing you to cash-in your Investment Bond.
- You should be aware that inflation will reduce what you can buy in the future when you cash in your Investment Bond.

## Lump sum savings

Once an investment is made into a Foresters Friendly Society Investment Bond, we will allow a direct transfer of funds from the Investment Bond into a Foresters Friendly Society NISA without any loss to the policyholder, subject to the full conditions of both policies being met. This transfer could trigger a Chargeable Event for taxation purposes, or any active Market Value Reduction that may apply at that time. (See 'What happens if I cash-in my Investment Bond?' and 'What is a Market Value Reduction?').

# Your Questions Answered

## Who can take out a Foresters Friendly Society Investment Bond?

Providing you are aged between 18 and 80 and a UK resident for tax purposes you can take out an Investment Bond. The Investment Bond should be viewed as a medium to long term investment of at least five years or more. You should think carefully about the risks before deciding whether the Investment Bond is right for you.

You can take out the Foresters Friendly Society Investment Bond in single or joint names. If the Bond is taken on a joint names basis both policyholders are automatically treated as holding equal shares in the value of the Investment Bond. If one policyholder dies, the other automatically becomes the sole policyholder of the whole Investment Bond. If an Investment Bond is set up in joint names this will be on a second death basis. The death claim value is not paid out until the death of the second of the two lives. The Bond comes to an end at this stage.

The annual statement and other correspondence will be sent to the address given by the first named policyholder.

## How much can I invest in the Investment Bond?

You can invest a lump sum of between £1,000 and £150,000 into the Investment Bond. If you re-invest the maturity benefits of an existing Foresters Friendly Society plan the minimum amount you can invest is £500. You can take out more than one Investment Bond, although you should be aware that different terms may apply depending on when you take out your subsequent Bond and the total investment when all Bonds are added together cannot exceed £150,000.

## Can I make partial or regular withdrawals from my Investment Bond?

Partial withdrawals can be taken at any time subject to a minimum withdrawal of £250 and that the remaining value of your Investment Bond does not fall below £500.

You can take regular withdrawals from your Investment Bond, if the value of your Investment Bond is in excess of £5,000 at the time of starting withdrawals. If you wish to take regular withdrawals on a monthly, quarterly, half yearly, or yearly basis you may choose to do so by ticking the appropriate box on the Application Form.

If the value of your Investment Bond falls below £5,000 at any time the regular withdrawals will cease. The maximum regular withdrawal that can be taken at any time is 5% per annum of your initial investment, not including any bonuses allocated to your Investment Bond. The minimum regular withdrawal is £50.

With partial or regular withdrawals, there is always the risk that your chosen amount of withdrawal could reduce the value of your Investment Bond to an amount less than you originally invested. For instance, if you choose to withdraw 5% per annum and the bonuses allocated are less than 5% per annum, your initial investment would fall.

### **Placing your Investment Bond in Trust**

You can place your Investment Bond in Trust. You may want to take advice from a solicitor before doing this.

### **Taxation implications of partial, regular and full withdrawals**

#### **Partial withdrawals and regular withdrawals -**

there are no immediate taxation implications for any partial withdrawals as long as no more than an annual allowance of 5% of the initial investment paid into your Bond is withdrawn each year. Any part of the 5% allowance not used in a given year is carried over to the following year until you have used up the total allowance which equals the initial investment made.

This means, for example, that if you have not made a withdrawal from your Investment Bond in the first five full years since issue, you could take up to 25% as a partial withdrawal without any immediate taxation implications. If you choose to make a partial withdrawal in excess of the 5% annual limit this would bring about a Chargeable Event that we would have to inform HM Revenue and Customs of. For higher or additional rate taxpayers this means that there may be an amount of tax to pay.

**Full withdrawal** - full withdrawal is always considered to be a Chargeable Event, so Foresters Friendly Society would have to inform HM Revenue and Customs. As growth in the Investment Bond is considered to be basic rate tax paid, there are currently no taxation implications for basic rate taxpayers.

If you are a higher rate or additional rate taxpayer you will have to pay tax on a gain arising in the tax-year of full withdrawal. The rate of tax payable is the difference between the basic rate of tax and your current rate of tax. This will be 20% if you are a higher rate taxpayer and 25% if you are an additional rate taxpayer (2016/2017 tax year). If you are

currently a basic rate taxpayer but the chargeable gain when added to your income takes your income into the next tax bracket, 'top-slicing relief' is available which can reduce the tax payable.

If the Investment Bond has been taken out by joint policyholders, each of them is treated as being liable for income tax in respect of half of the total chargeable gain.

It is recommended that if you are a higher or additional rate taxpayer or close to the next tax bracket, you should obtain advice before making a withdrawal in excess of 5% in any year. Any tax payable depends on personal circumstances and tax rules may change.

If you receive age related personal allowance or working or child tax credit, these could be reduced when you take the proceeds from your Investment Bond.

### **What happens if I cash-in my Investment Bond?**

You can cash-in your Investment Bond whenever you want, but you may get back less than you have paid in. The cash-in value of your Bond will depend upon the initial amount invested, the amounts you have withdrawn and any annual bonuses that have been added. Depending on the investment returns that have been achieved and our costs, in favourable investment conditions we may also add a final bonus to the Bond's value. Conversely, in adverse investment conditions we may apply a Market Value Reduction (MVR) to reduce the Bond's value.

### **What is a Market Value Reduction (MVR)?**

This is a deduction we may make when you fully or partially cash-in your Investment Bond. Its purpose is to be fair to both policyholders leaving the fund and those staying by ensuring that the cash-in value is not unfairly higher than the market value of the Bond's assets and that a fair share is left for the remaining policyholders. This adjustment could have the effect of reducing the value of your Investment Bond at that time and in some circumstances could mean that you get back less than you have paid in. We will not apply an MVR on the death of the single policyholder or the death of the second policyholder for joint life Bonds.

### **Where is the money invested?**

Your money is invested in Foresters Friendly Society's with profits Order Insurance Fund. By spreading the money paid into the fund across a number of different types of investments you benefit from the exposure to a range of asset classes which may include equities (company shares), fixed interest bonds (government and company), property and cash. An advantage of this approach is that if the return of any one particular asset type is poor, your investment may be protected from the full impact of this fall as the other assets forming part of the overall investment may perform better. Thus the fall in value of one asset class (e.g. shares) may be cushioned by the potential better performance in another asset class (e.g. property).

## How are bonuses decided?

Depending on how the underlying assets in the fund perform, and the costs incurred, at the end of each year we aim to declare an annual bonus. In addition when you decide to cash-in your Foresters Investment Bond we may add a final bonus depending on the overall investment growth that has been achieved and expenses incurred.

This is different from a Bank or Building Society account where interest is added, because any growth on the investment with Foresters depends on the performance of the underlying fund.

Although in some investment conditions the growth in the Bond might not be as much as that on an interest-paying account, investing in this way means there is the potential for growth over and above the level which might be achieved on interest-paying accounts.

The addition of bonuses is not guaranteed and therefore it is possible that your Investment Bond might not receive any annual and/or final bonus.

## A typical example:

### What you might get back after 10 years

Initial investment of £10,000.	If cashed in?	On death?
If your investment grew at 1.5% a year you might get back	£9,510	£10,100
If your investment grew at 4.5% a year you might get back	£12,800	£12,900
If your investment grew at 7.5% a year you might get back	£17,000	£17,200

- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What you could get back depends on how much is actually invested and for how long, how the investment grows and on the tax treatment of your investment.
- You could get back more or less than this.
- The yearly growth rates are our reasonable estimate of what the investment returns could be but are subject to the maximum rates specified by the Financial Conduct Authority.
- Do not forget that inflation will reduce what you can buy in the future with the amounts shown.

## How will the charges affect my investment?

There is an Annual Management Charge which is initially set at 2% of the value of your Investment Bond, which will be taken into account when applying bonuses. This may change but it will never exceed 3% of the value of your Investment Bond in any one year. The charges are designed to cover our costs for administering the Investment Bond on your behalf. The effect of the charges on an initial investment of £10,000 assuming growth of 4.5% a year is as follows:

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£10,000	£200	£10,200
2	£10,000	£414	£10,500
3	£10,000	£642	£10,700
4	£10,000	£887	£11,000
5	£10,000	£1,140	£11,300
10	£10,000	£2,720	£12,800

When you cash-in you could get back less than you have paid in.

## What are the deductions for?

- The deductions include the cost of expenses, charges, any surrender penalties and other adjustments.
- The charges, expenses and other deductions used in this guide are best estimates based on current experience. They could vary in the future.
- The bottom line in the table shows that over 10 years the effect of the total deductions could amount to £2,720.
- Putting it another way, this would have the same effect as bringing investment growth from 4.5% to 2.5% a year.

If you would like an illustration specific to your own circumstances or to see the effect of regular withdrawals, please contact us.

## How is the money taxed within the fund?

Foresters Friendly Society pays tax on Income and Capital Gains within the fund.

For personal taxation issues please see the section entitled 'Taxation implications of partial, regular and full withdrawals' and 'What happens if I die?'

## What happens if I die?

The amount payable on death of the single policyholder or the death of the second policyholder for joint life Bonds is 101% of the amount you have paid in plus any attaching bonuses, less any withdrawals.

On death, the proceeds from your Investment Bond will form part of your estate for Inheritance Tax purposes. However, you can nominate a beneficiary to receive up to £5,000 following your death without having to wait for probate. You can request a beneficiary nomination form at any time from the Member Services Department on 0800 783 4162 or [memberservices@forestersfriendlysociety.co.uk](mailto:memberservices@forestersfriendlysociety.co.uk).

If the Investment Bond has been taken out by joint policyholders, in the event of death of the first of the joint policyholders, half the value as at the date of death is included in the valuation of the deceased's Inheritance Tax estate.

## Further Information

### Making changes to your Bond

Changes to the Investment Bond will require the signature of the Bondholder or in the case of a joint life Bond the signatures of both Bondholders.

### Cancellation rights

After your application is accepted you will receive a statutory notice of your right to cancel. You will then have 30 days from the commencement date of the Bond, or the date the notice is received whichever is later, in which to change your mind.

- If this was a non-advised sale a full refund of all monies will be paid
- If this was an advised sale where an adviser fee was paid from your investment, all the money invested into the Investment Bond will be returned, which excludes any fee which will have already been paid to your financial adviser.

You can cancel your Bond by completing and returning the cancellation form to Foresters Friendly Society, Foresters House, 29-33 Shirley Road, Southampton, SO15 3EW.

### Financial advice

We do not offer financial advice. You should contact a Financial Adviser if you have any doubts about this Bond's suitability. You may have to pay a fee for this advice.

### Law

This contract is governed by English Law. We will communicate with you in English.

### Legislation

Any of the plan conditions may be adjusted as deemed appropriate:

- If there is any change in law or taxation affecting the Bond.
- If any levy is imposed on Foresters Friendly Society under statute or statutory authority.

Three months notice would be given of any such adjustment.

### Queries and complaints

For further information or queries on Foresters Friendly Society products or services please contact the Member Services Department, by Tel: 0800 783 4162, email: [memberservices@forestersfriendlysociety.co.uk](mailto:memberservices@forestersfriendlysociety.co.uk) or at the address at the back of this document.

If you wish to complain about any aspect of the service you have received, please contact Foresters Friendly Society. If a complaint is not dealt with to your satisfaction you can then complain to the Financial Ombudsman Service, Exchange Tower, Harbour Exchange Square, London, E14 9SR. Tel: 0800 023 4567, email: [info@financial-ombudsman.org.uk](mailto:info@financial-ombudsman.org.uk). Making a complaint will not prejudice your right to take legal proceedings.

### Compensation

The Financial Services Compensation Scheme (FSCS) covers this plan. You may qualify for compensation from the Scheme if we are unable to meet our obligations. You can get further information from us or from the FSCS ([www.fscs.org.uk](http://www.fscs.org.uk)).

### Client categorisation

We are required under the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) rules to categorise our clients. All of our clients are categorised as 'Retail Clients', which affords our clients the highest level of protection under the FCA and PRA rules.

# Apply now to take care of your future

## Send your completed application form to:

Foresters Friendly Society  
FREEPOST RLST-SJZE-BACC  
29-33 Shirley Road  
Southampton  
SO15 3EW

**Telephone: 0800 783 4162**

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

**Email: [memberservices@forestersfriendlysociety.co.uk](mailto:memberservices@forestersfriendlysociety.co.uk)**

Monday - Friday, 9am - 5pm (excluding Bank Holidays)

Information, including a copy of this document, is available in large print, audio and Braille upon request.

Foresters Friendly Society is the trading name of The Ancient Order of Foresters Friendly Society Limited which is an Incorporated Friendly Society (Registration No. 511F) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Registration No. 110029).