Child Tax Exempt Savings Plan - Key Features

keyfacts®

What

- Outlines the Key Features and terms and conditions of our Child Tax Exempt Savings Plan

Why

- To help explain the Child Tax Exempt Savings Plan – how it works, its aims, terms and conditions
- To give you the main features of the product to help you decide if it is suitable for you
- Includes information on your bonuses and how we invest, manage, protect and grow your money

The Financial Services Authority is the independent financial services regulator. It requires us, Foresters Friendly Society, to give you this important information to help you to decide whether our Child Tax Exempt Savings Plan is right for the child. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Foresters Friendly Society Child Tax Exempt Savings Plan Key Features

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

Its Aims

Providing all the contributions are paid throughout the term, a Foresters Friendly Society Child Tax Exempt Savings Plan (Child TESP) aims to provide the named child with:

- A tax–free cash lump sum on maturity.
- At least the guaranteed maturity amount, with the aim of adding to this amount by way of annual bonuses, with a possible additional bonus being paid at maturity.

Your Commitment

- You agree to pay a regular monthly contribution on behalf of the child throughout the term. The Child TESP is unsuitable as a short term investment.
- Current legislation states that the total amount that can be contributed in to all Friendly Society Tax Exempt Savings Plan(s) cannot exceed £25 per month per child.
- Your contribution is £25 a month for the agreed term (minimum of 10 years, maximum of 25).

Risk Factors

- Bonuses will depend on the future investment performance of the with profits 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 Child TESP might not receive any annual and/or final bonus.
- Legislation may change, to affect the tax status of this plan.
- Your circumstances may change forcing you to stop making contributions.
- If you stop making contributions in the first year the plan will lapse with no value. You will not be able to get your contributions back. If cashed in during the early years the child may get back less than you put in by way of contributions. Any payments made due to the surrender or cashing in of this plan will be paid out in the child's name, as this plan is for the sole benefit of the child.
- If you do not maintain contributions for the chosen period the child could be liable to tax on any gains made on the investment.
- Our deductions may turn out to be higher than expected.
- A Bank or Building Society account has greater certainty of growth than the Child TESP.
- You should be aware that inflation will reduce what the child can buy in the future with the fund.
- All money paid into the plan immediately becomes the child's and contributions should be seen as a gift to the child. Once paid they cannot be returned to the person who paid them.

Your Questions Answered

What is the Child Tax Exempt Savings Plan?

The plan is a tax–exempt savings plan. The money that you invest in this plan is invested in a fund which is free of tax on both income and capital gains, although dividends earned on equities within the fund will have been taxed at source and cannot be reclaimed. It pays a guaranteed maturity amount at the end of the term, which can be on a child's specific birthday. For a child under 6, the plan will mature on or after the child's 16th birthday, otherwise the minimum term must be 10 years.

Where is the money invested?

Any money paid into the Child TESP is invested in Foresters Friendly Society's with profits fund. By spreading the money paid into the fund across a number of different types of investments the child benefits from the exposure to a range of asset classes which may include stocks and shares, property and cash. A further advantage of this approach is that if the return of any one particular asset type is very poor, the child's 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 in 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 the child's Foresters Friendly Society Child TESP matures 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 only interest is added because the growth of the investment depends on the performance of the underlying fund and not the interest rate on the account. Although in some investment conditions the growth in the Foresters Friendly Society Child TESP might not be as great as that on an interest only account, investing in this way means that there is the potential for growth over and above the level which might be achieved on interest only accounts.

How will it work?

- Within this Key Features document you will find a typical illustration showing example figures on how the plan might work for a child.

Will the plan work out exactly as in the personal illustration?

- Providing you maintain the agreed levels of contributions, at maturity the child will receive at least the guaranteed maturity amount based on the term.
- Any additional benefits will depend on the bonuses, if any, added to the fund which will vary.

What happens if contributions stop?

- In the first year the plan will lapse with no value.
- Plans with arrears can be reinstated if all arrears are received within 13 months of the due date of the first unpaid contribution. After this point it will not be possible to resume paying contributions.
- After one year you can apply for the plan to be made a paid-up plan. This means that the guaranteed maturity amount will be reduced as determined by the Foresters Friendly Society Actuary. Money paid out from a plan which has been paid-up may be taxable depending upon when the contributions stopped. Bonuses may continue to be added, but will be calculated according to the reduced maturity amount. Once a plan has been made paid-up it cannot be reinstated.
- After one year you can cash-in but the child may not get back as much as you have paid in, particularly in the early years.

What might the child get back?

This depends on the length of time you save for. Depending on the investment growth we achieve, we may or may not also pay out a final bonus.

The figures below compare three different potential growth rates for a Child TESP for £25 per month for 15 years which apply no matter how old the child is.

You will receive a specific illustration when you receive your policy documents.

An Example:

Term 15 years 0 months. Monthly Premium:	**£25**
Example: guaranteed maturity amount:	**£4,846**
If investments grew at 5 % a year the child would get back	£5,810
If investments grew at 7 % a year the child would get back	£6,840
If investments grew at 9 % a year the child would get back	£8,070

- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What the child could get back depends on the length of the investment, how the investment grows and its tax treatment.
- The child could get back more or less than this.
- The guarantee is that, subject to scheduled contributions being paid when due, at maturity the child will not get back less than the guaranteed maturity amount which will be at least the sum of contributions.
- All Friendly Societies use the same rates of growth for illustration but their charges vary.
- Do not forget that inflation would reduce what the child could buy in the future with the amounts shown.

What happens if the plan is cashed in early?

WARNING: The child cannot cash in this plan until they reach the age of 16. A parent or guardian can apply for the surrender or cashing in of the plan at any time until the child reaches 16. The sum due on surrender will be paid out in the child's name at all times, as the plan is for the sole benefit of the child. If cashed in during the early years the child could get back less than you paid in. The figures below are based on savings of £25 a month for 15 years. The last two columns assume that investments will grow at 7 % a year.

The Early Years

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£300	£311	£0
2	£600	£81	£563
3	£900	£125	£875
4	£1,200	£172	£1,200
5	£1,500	£223	£1,560

The Later Years

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
10	£3,000	£537	£3,760
15	£4,500	£977	£6,840

What charges are made for the Child Tax Exempt Savings Plan?

We make annual charges against the total fund which are deducted before bonuses are declared. These charges are illustrated under the 'Effects of deductions to date'.

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 the full term of the plan the effect of the total deductions could amount to £977.
- Putting it another way, this would have the same effect as bringing investment growth from 7% a year to 5.4% a year.

What happens if I or the child dies?

- If the child dies a benefit of not less than the amount paid in contributions received will be payable to the child's estate.
- This plan does not protect against the financial consequences of death.
- If you die whilst you are paying contributions on behalf of a child, someone else can continue to pay the contributions.

Further Information

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 plan, or the date the notice is received whichever is later, in which to change your mind. If you choose to change your mind a full refund of all monies will be paid. You can do this by completing and returning the cancellation form to us at Foresters Friendly Society, Foresters House, 29-33 Shirley Road, Southampton SO15 3EW.

Advice

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

Contributions

Contributions are paid by Direct Debit.

Tax

The fund is free of tax on both Income and Capital Gains except for tax deducted from dividend income which cannot be reclaimed. If you do not continue to pay the contributions to the end of the term the named child could be liable to tax. Do remember that tax benefits may vary as a result of statutory change and their value will depend on individual circumstances.

Paid-up values

If you stop paying contributions after one year you can make the plan paid-up. The guaranteed maturity amount will be reduced. The bonuses already added will not be affected. Bonuses may continue to be added, but will be calculated according to the reduced maturity amount.

Law

The law applicable to the formation and performance of this plan is that of England and Wales. The language of the plan is English. We will communicate with you in English. Our Head Office is in the United Kingdom.

Legislation

All or any of the benefits, the premium or the Plan Conditions may be adjusted as deemed appropriate:

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

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 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, South Quay Plaza, 183 Marsh Wall, London, E14 9SR. Tel: 0845 080 1800. 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.

Client Categorisation

We are required under the Financial Services Authority (FSA) rules to categorise our clients/members. All of our clients/members are categorised as 'Retail Clients', which affords our clients/members the highest level of protection under the FSA Rules.

A guide to how we manage our with profits fund

Foresters Friendly Society manages a range of with profits funds. This guide covers our Order Insurance Fund (OIF), Pure Endowment Fund (PEF), Tunstall Fund (TF) and Leek Fund (LF) only.

We manage the funds by following:

- Guiding Principles
- Principles and Practices of Financial Management (PPFM)

What are our Guiding Principles?

Put simply, our Guiding Principles are the philosophy on which we base our management of the funds.

In following our Guiding Principles:

- We will manage our entire business in a lawful, sound and prudent manner. We will also manage the fund to make sure we can pay all guarantees and with the aim of giving fair treatment to all our members.
- In good years, we may hold back some of the profits made by the funds and use them to pay out more in years where the funds perform less well. This is known as 'smoothing'. Smoothing will not be used to cushion payouts during periods of prolonged poor investment returns.
- If we think there is not enough money in the funds to enable us to manage the funds properly, we may add some money - temporarily or permanently - from our other funds. Normally we will not use the OIF, PEF, TF or LF to support our other funds unless exceptional circumstances arise. If we do have to do this, we will try to minimise any financial disadvantage to members in the funds.
- We will aim to make sure that all the money in the funds is distributed over the remaining lifetime of the with profits policies in the funds.

Normally we won't change the approach we use when managing the funds. However, we might consider making such a change if, for example, we need to:

- protect the financial position of the fund in adverse circumstances
- improve the accuracy of our methods
- correct any major errors
- ensure we follow changes in taxation or regulation guidance
- deal with unforseen events

If you would like a more detailed technical description of how we manage our with profit funds, please request a copy of our Principles and Practices of Financial Management (PPFM).

What are the Principles and Practices of Financial Management (PPFM)

The PPFM is a document describing, in detail, how we run our with profits business. It is split into two areas:

- Principles. High-level statements that describe our long-term approach to managing the fund.
- Practices. Specific statements on how we intend to put the Principles in place.

Naturally, we do not expect to change the Principles often, but will do so if we think they could lead to members being treated unfairly or if they could stop us managing the funds properly. If changes are to happen, we must tell you at least three months in advance. In this way, you will know how our long-term approach will be changing.

Practices change more often because we need to be able to respond to how the economy is performing, new rules and regulations, and new methods in the life insurance industry. We will publish any changes to Practices on our website and tell you about them in our next letter to you. In this way, you will be kept informed of how our approach has changed.

Because the PPFM is a long and very detailed document, this guide only highlights its key points.

How we decide how much you receive

The amount you receive depends on the type of with profits policy you have. Your policy contract should state clearly that you have a with profits policy. If you lose your policy, please phone us on 0800 783 4162.

Under with profits policies, in return for your contributions/premiums, we pay a guaranteed amount which may be:

- one lump sum payment (called a basic sum assured or basic maturity amount)

  or
- a series of payments (called an annuity or pension)

We aim to increase the guaranteed amount by adding bonuses. Guaranteed amounts from your policy will be paid on the set event or date stated in your policy contract. The set event may be the end of the policy's term, as agreed when you took it out. This date is called the "maturity date". The set date may be when you retire.

Different amounts may be paid out on other events, such as deaths, and your policy contract will tell you what these amounts are. If you leave your policy early, we may reduce the amount paid out.

How we decide bonuses

In most cases we announce bonuses at least once a year. When deciding whether we should pay bonuses, we look at the current financial position of the fund and forecast how we expect this to change in the future.

If we think profits are not or will not be enough, we may not pay any bonuses. If the guaranteed benefits for the group are higher than the value of investments held, bonuses may be small or nothing. We may pay different bonuses for different groups of policies to reflect the nature of the policies.

Annual bonuses

We aim to pay annual bonuses once a year to our with profits policies.

Annual bonuses are set by taking into account what the fund can afford to pay now and in the future. This approach enables us to make sure we can meet all guaranteed amounts when they have to be paid. We aim to not significantly vary the amount of annual bonuses from year to year. Once an annual bonus has been added, this increases the guaranteed amount on a policy and so can't be taken away.

Interim bonuses

Interim bonuses may be paid to with profits policies between annual bonuses. If you make a claim between dates on which we've paid an annual bonus, we may add an interim bonus too. This makes up for some or the entire expected annual bonus earned in the year.

Final bonuses

Final bonuses may be paid to some policies when they end. We pay them to make sure your total pay out fairly reflects the amount due to you in the light of how the fund has performed over the term of your policies. This will take into account a number of factors such as investment performance, allowing for any tax and deductions for expenses and the cost of any options and guarantees. The level of final bonus will also take into consideration an element of smoothing that is described in the section that follows on how we cushion you from the ups and downs of the stock market.

WARNING: The addition of bonuses from the with profits fund is not guaranteed and therefore it is possible that any Foresters Friendly Society with profits policy might not receive any annual and/or final bonus.

What happens if you exit (or surrender) your policy early?

If you exit your policy early (surrender your policy), we work out how much to pay you with the aim of being fair to members leaving the fund and those staying. If there is any conflict between the interests of members who are leaving and those who are staying, we normally give priority to those staying.

What is a Market Value Reduction (MVR)?

We may reduce the surrender value of some policies by applying a Market Value Reduction (MVR). Its purpose is to ensure that:

- the surrender value is not unfairly higher than the market value of the policy's assets; and
- a fair share is left for the remaining members

The size of a MVR will change from time to time. A MVR only applies to Bonds, Individual Savings Accounts (ISAs), Child Trust Fund and Ethical Child Trust Fund in the OIF and TF. Your policy contract will tell you if you have one of these policies.

It's worth noting that MVRs are not applied to payouts on maturity or death.

How we aim to protect you from the ups and downs of the Stock Market

Historically, the value of shares and property has risen more than government bonds and cash over long periods such as 20 years. However, the return has also been more unpredictable and volatile. One year an investment may do very well, the next it could fall in value.

We aim to protect members against periods of poor investment return by 'smoothing' bonuses from year to year.

So we hold back some of the profit earned during good years. This 'smoothing' is one of the main ways in which the with profits fund aims to be fair to all its members. It also keeps the fund strong.

In adverse or unusual circumstances, we may apply a lesser degree of 'smoothing' than normal to protect the fund's financial strength. We may smooth regular premium policies that continue until maturity more than we smooth surrendered policies and single premium policies.

How we invest the with profits fund

We decide what to invest in and how much to invest by looking at:

- the fund's current and future financial position and the need to make sure there is enough money in it
- the level of guarantees in the fund
- members' reasonable investment expectations, including any specific promises we have made to you about how your money is invested

The fund invests in a mix of equities (shares), property, fixed-interest type assets (such as government bonds and corporate bonds), and cash. These different investment types are called assets. Normally we do not use derivatives (which are the rights to buy or sell assets at a particular price at a particular time), but may decide to use them in certain circumstances as an efficient way of quickly changing the investments in the fund.

We control the risks that come with investing by choosing assets of good quality and by setting limits on the amounts we invest in any one asset or our exposure to any third party.

If we think it is right to do so, we may allocate certain assets to specific policies in the fund. For example, we may do this to reflect the type, the amount and the timing of guarantees.

We review our investment strategy at least annually but may need to do so more often if market conditions change quickly.

Ethical investment

Foresters Friendly Society offers an Ethical Child Trust Fund. Contributions are invested into the ethical section of Foresters Friendly Society's with profits fund.

How we manage potential risks

The fund is exposed to a number of risks. Our biggest risks come from the need to pay all guarantees when they are due and the possibility of falls in share or property values.

We aim to reduce our exposure to risk by changing our investment strategy as market conditions dictate.

Currently, we aim to spread risk over the fund as a whole.

However, if a risk arises which is related closely to a particular policy type, we may apply some or all of the cost of this risk to the policies in question as long as this is consistent with the plan conditions and the law.

Except for normal levels of investment risk resulting from managing the fund's assets, the fund will not take on any significant new risks.

More about charges and expenses

All charges for administration, expenses and commission are based on what we calculate to be the fair share of the costs we incur. The charges we make to manage individual funds are based on a fair share of the total investment management costs of Foresters Friendly Society.

This calculation takes into account costs of holding different types of assets and the fund's investment activity (i.e. the costs of buying and selling assets).

How to get in touch

Write to:
Foresters Friendly Society
Foresters House
29/33 Shirley Road
Southampton
SO15 3EW

Visit: www.forestersfriendlysociety.co.uk

Tel:
0800 783 4162

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Foresters Friendly Society is the trading name of The Ancient Order of Foresters Friendly Society Limited.

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Foresters Friendly Society is an incorporated branch society registered in the United Kingdom.