The savings plan's key features
Important info you need to read

Before applying for the Tax Exempt Savings Plan, please read the Key Features, which you'll find on the next few pages.

The Key Features explain how the plan 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 invest, manage, protect and aim to grow your money.

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

"A special anniversary or the holiday of a lifetime. An exceptional birthday present or something to greet your retirement. Whatever you decide to do with your savings, the choices it gives you allow you to plan for the future with a guaranteed sum. And with the confidence of knowing at least some of what tomorrow will bring.

Because it's what friends do."

Tax Exempt Savings Plan

The Key Features of the Tax Exempt Savings Plan

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 Tax Exempt 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.

Its aims

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

- A guaranteed tax free cash sum on maturity
- Potential for additional tax free bonuses to be added to the guaranteed cash sum on a yearly basis, with a possible additional bonus being paid at maturity.

Your Commitment

- You agree to pay a regular monthly contribution throughout the term. The TESP is unsuitable as a short term investment.

Risks

- 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 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. After the first year, if the plan is cashed in or you stop paying contributions, you may get back less than you have paid in.
- If you do not maintain contributions for the chosen period you could be liable to tax on any gains made on the investment.
- Our deductions may turn out to be higher than expected.
- The plan benefits can only be paid to you.
- You should be aware that inflation will reduce what you can buy in the future with the cash sum.

Your Questions Answered

What is the Tax Exempt Savings Plan?

The plan is a tax free 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 cash sum at the end of the term.

Who can have a Tax Exempt Savings Plan?

As long as you are aged between 16 and 80 you are able to apply for a TESP. Current legislation states that the total amount that can be contributed in to all Friendly Society Tax Exempt Savings Plan(s) cannot exceed £25 a month.

Where is the money invested?

Any money paid into the TESP 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. A further advantage of this approach is that if the return on 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 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, we aim to declare an annual bonus. In addition, when your 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 your savings can grow as a result of the interest rate on the account. Bonuses are added as the result of the growth performance of the underlying fund. Although in some investment conditions the growth in the TESP might not be as great as that on an interest paying Bank or Building Society account, investing in this way means that there is the potential for growth over and above the level which might be achieved on interest paying accounts.

How will it work?

Within this Key Features document you will find typical illustrations showing example figures of how the plan may work for you.

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

- Providing you maintain the agreed levels of contributions, at maturity you will receive at least the guaranteed cash sum based on the term you have chosen.
- Any additional benefits will depend on the bonuses, if any, added to the plan which will vary.

What happens if contributions stop?

- In the first year the plan will lapse with no value.
- If contributions aren't paid, they can be restarted as long as this is done within 13 months of the first missed contribution. All the missed contributions must be paid. .
- After one year you can apply for the plan to be made a paid-up plan. This means that the guaranteed cash sum 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 cash sum. Once a plan has been made paid-up it cannot be reinstated.
- After one year you can cash-in the plan but you may not get back as much as you have paid in.

What might you get back?

The figures in the next two tables compare potential maturity payouts at three different growth rates for example policy terms which apply no matter how old you are. You will receive a specific illustration when you receive your policy documents.

Typical examples:

Term 10 years. Monthly contribution:	**£25**
Guaranteed cash sum:	£3,000
If investments grew at 2% a year, you might get back	£3,000
If investments grew at 5% a year, you might get back	£3,110
If investments grew at 8% a year, you might get back	£3,560

Term 15 years. Monthly contribution:	**£25**
Guaranteed cash sum:	£4,500
If investments grew at 2% a year, you might get back	£4,500
If investments grew at 5% a year, you might get back	£5,440
If investments grew at 8% a year, you might get back	£6,770

- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What you could get back depends on the length of your investment, how the investment grows and its tax treatment.
- You could get back more or less than this.
- The guarantee is that, subject to scheduled contributions being paid when due, at maturity you will not get back less than the guaranteed cash sum which will be at least the sum of contributions.
- 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 would reduce what you could buy in the future with the amounts shown.

What happens if the plan is cashed in early?

If you cash-in your plan, you could get back less than you paid in. The figures overleaf are based on saving £25 for 10 and 15 years. The last two columns assume that investment will grow at 5.0% a year.

The figures below are based on saving £25 a month for 10 years.

The early years

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£300	£308	£0
2	£600	£282	£348
3	£900	£330	£640
4	£1,200	£381	£946
5	£1,500	£435	£1,260

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	£762	£3,110

The figures below are based on saving £25 a month for 15 years.

The early years

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£300	£308	£0
2	£600	£282	£348
3	£900	£330	£640
4	£1,200	£381	£946
5	£1,500	£435	£1,260

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	£762	£3,110
15	£4,500	£1,200	£5,440

What charges are made for the 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 'Effect 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 £762 for a 10 year term and £1,200 for a 15 year term.
- Putting it another way, this would have the same effect as bringing investment growth from 5.0% a year to 0.7% for a 10 year term and from 5.0% a year to 2.5% for a 15 year term.

What happens if I die?

- In the event of your death before the maturity of your plan, the Society shall refund all contributions to your estate.
- The amount paid on death will normally form part of your estate and may be subject to Inheritance Tax.
- This plan does not protect against the financial consequences of death.

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.

Financial advice

We do not offer financial advice. You should contact a 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 monthly 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 you 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.

Qualifying policies

A qualifying policy is a life insurance policy which meets HM Revenue and Customs rules. Subject to certain conditions, the proceeds of these policies are paid to an individual free of income and capital gains tax. Such policies are regular contribution policies and have a minimum policy term of ten years.

There is an annual contribution limit for qualifying policies of £3,600 per individual. This limit applies to policies where you are the beneficial owner i.e. the person who the proceeds belong to, usually the policyholder. If you are a beneficiary of a policy written in trust, then you are also the beneficial owner. Policies which only provide a pay-out on death are not included within the annual limit.

The Tax Exempt Savings Plan is classed as a qualifying policy. You must ensure that the £3,600 limit per individual is not exceeded in any one year. If, for example you take out a plan for £25 a month, this will total £300 per year which will count towards your £3,600 limit

Paid-up values

If you stop paying contributions after one year you can make this plan paid-up. The guaranteed cash sum will be reduced. Bonuses may continue to be added, but will be calculated according to this reduced paid-up value.

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

Legislation
All or any of the benefits, the contribution or the policy conditions may be adjusted as deemed appropriate:

- If there is any change in law or taxation affecting the policy.
- 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, Exchange Tower, Harbour Exchange Square, London, E14 9GE. Tel: 0800 023 4567. 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 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.

Customer Friendly Principles and Practices of Financial Management

How you share in the profits of Foresters Friendly Society

The Society manages a number of funds for its members and these funds have different uses such as managing our insurance business and running the Society's branches. Five of the Society's funds are with profits funds; this means that the with profits policyholders of each particular fund participate in any profits or losses that are generated within the fund. This guide is an outline of how we manage one of these with profits funds, the Order Insurance Fund (OIF).

Principles and Practices of Financial Management (PPFM)

The PPFM is a document describing, in detail, how we manage our with profits funds. Because the PPFM is a long and very detailed document, this guide only highlights its key points. The PPFM covers:

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

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 we do intend to materially change any of our Principles, we must inform you at least three months in advance. This ensures that you will know if our long-term approach is changing.

Practices change more regularly, as we need to be able to respond to how the economy is performing and new rules and regulations. 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.

A copy of the PPFM can be found on our website at: www.forestersfriendlysociety.co.uk

What is the Order Insurance Fund (OIF)?

The OIF is a fund where your money is combined with that of other members and then invested in a range of different assets. Our main objective is to ensure that we are able to pay all the guaranteed benefits, including any annual bonuses added to the policies within the OIF at all times. At the same time we want to maximise the financial returns to policyholders without taking undue levels of risk. Profits are distributed to with profits policyholders by way of annual and final bonuses, although neither is guaranteed in advance.

Annual bonus – This is set by taking into account what the OIF can afford to pay both now and what we can expect it to be able to afford in the future. Annual bonus rates are then set to make sure that we can meet all the guaranteed amounts when they need to be paid and to build a cushion for any final bonus. Once an annual bonus has been added to a policy it increases the guaranteed benefit and so cannot be taken away. However it is only guaranteed as described in the policy conditions, and is not guaranteed at other times, such as on surrender. An interim bonus may be added if you claim during a period for which an annual bonus has not yet been declared.

Final bonus – When you claim on your policy, if what we calculate as a fair payout on your policy exceeds your total guaranteed benefits then we may add a final bonus to make up the difference.

How do we determine payouts?

In determining what we consider to be a fair payout, the first stage is determining the policy's asset share.

Asset shares are calculated for groups of similar policies by taking into account: the premiums paid; the investment returns earned; deductions made for the charges that we make to cover expenses and guarantees; and adjustments made for tax if appropriate.

Any profit or loss generated by the OIF will be passed on to policyholders by increasing or decreasing the investment return earned.

On most claims we set final bonuses so that on average we pay out the full asset share to policyholders on maturity or surrender. We also use smoothing to make sure that payouts, wherever possible, do not alter significantly from year to year or between similar policies. This may mean the actual payout is higher or lower than the asset share.

The position is slightly different for regular premium whole life policies with guaranteed death benefits but no maturity date. As these policies' asset shares will build up over time as premiums are paid in we would naturally expect some members to die while their asset share is lower than their guaranteed benefit. Final bonus rates are therefore set so that the estimated future cost of providing the benefits payable on death is equal to the asset share for this group of plans.

What is smoothing?

The Society smoothes the returns paid to with profits policyholders with the main aim of protecting policyholders from short term fluctuations in the value of assets within the OIF. However, this approach does not protect policyholders from long term and sustained falls in asset values.

The two main ways that the Society smoothes returns are: setting annual bonus rates that are fairly constant year on year, and aiming to limit the change in payouts on similar policies to a maximum of 10% year on year (subject to meeting the guaranteed benefits of the policies). The Society may make more rapid changes than these in times of significant market or regulatory change.

How is investment return determined?

The investment return is determined for the different types of assets held within the OIF. The investment return credited to a type of policy reflects the investment return of the assets backing that specific policy type. For example our ethical policies are backed by ethical investments and so the investment return on our ethical policies is based on the investment return on our ethical investments.

Also the level of guarantees on an individual policy type may affect which assets we use to back that policy type. If the guaranteed benefits on a policy are high we may have to adopt a safer investment approach in order to ensure that we can meet the guarantee in adverse investment conditions (for example by investing in deposits or fixed interest assets). However where guarantees are relatively low we may invest in assets that have a higher level of risk attached but over time could be expected to outperform the safer assets and thus to provide a better return.

How do we determine charges?

In determining asset shares we make deductions for charges for two main reasons: to cover expenses and to pay for guarantees. For some policy types the level of charges to cover expenses is stated in the policy conditions. Where it is not, the charge is based on what we consider to be the OIF's fair share of Foresters Friendly Society's total costs. This cost is then split between policies with different policies having different shares based on the size and type of policy.

The main guarantees that we charge for are life insurance cover for products which have a significant level of life insurance cover and maturity guarantees for endowment products and certain other products providing guarantees at maturity. The level of these charges may vary from time to time depending upon the actual cost of guarantees.

What happens if you surrender your policy early?

If you surrender your policy, we work out how much to pay you with the aim of being fair to you and to those staying in the OIF. We do this by setting surrender payouts that are broadly consistent with asset share.

What is a Market Value Reduction (MVR)?

If a NISA, Investment Bond or Child Trust Fund policy written since April 2005 is surrendered or transferred out and what we consider a fair payout on the policy, when considering its asset share, is less than the contributions paid plus the annual bonuses, then we may apply a market value reduction (MVR).

An MVR reduces the face value of the policy to its fair value to ensure that a fair share of the OIF is left to those remaining in the fund.

MVRs are not applied to payouts on death, and for Child Trust Fund policies no MVRs will be applied to maturity or terminal illness payouts.

How do we invest your money?

The OIF invests in a range of different assets such as:

- equities (shares)
- property
- fixed-interest type assets (such as government bonds and corporate bonds)
- cash

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 OIF. For example, we may do this to reflect the type, the amount and the timing of guarantees.

When deciding exactly what to invest in and how much, we do so by looking at:

- The OIF's current and future financial position and the need to make sure there is enough money in the fund
- The level of guarantees in the OIF
- Members' reasonable expectations, in relation to how your money is invested.

How we manage potential risks?

The OIF is exposed to a number of risks. Our biggest risk comes from the need to pay all guarantees when they are due given the possibility of falls in asset values. The OIF is also exposed to the risk of more members dying than expected - increasing the claim costs, or the risk that our expenses are higher than expected - increasing our charges.

We aim to reduce our exposure to investment risk by changing our investment strategy as market conditions dictate. Currently, we aim to spread risk over the OIF 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 policy conditions and the law.

The other funds of the Society may be used to reduce some of the risks the OIF faces. However the other funds are not normally available to otherwise benefit the OIF policyholders. Similarly the assets of the OIF will be maintained for the members of the OIF and not normally called upon to support other areas of the Society.

Apply now for 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
Email: memberservices@forestersfriendlysociety.co.uk
www.forestersfriendlysociety.co.uk

"I'd had savings accounts before, mainly online, but I always used to end up taking my money out of them soon after I put it in. With the Tax Exempt Savings Plan I can put aside money each month that will be locked away."

Gemma, 29
Foresters Member

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

Foresters Friendly Society

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