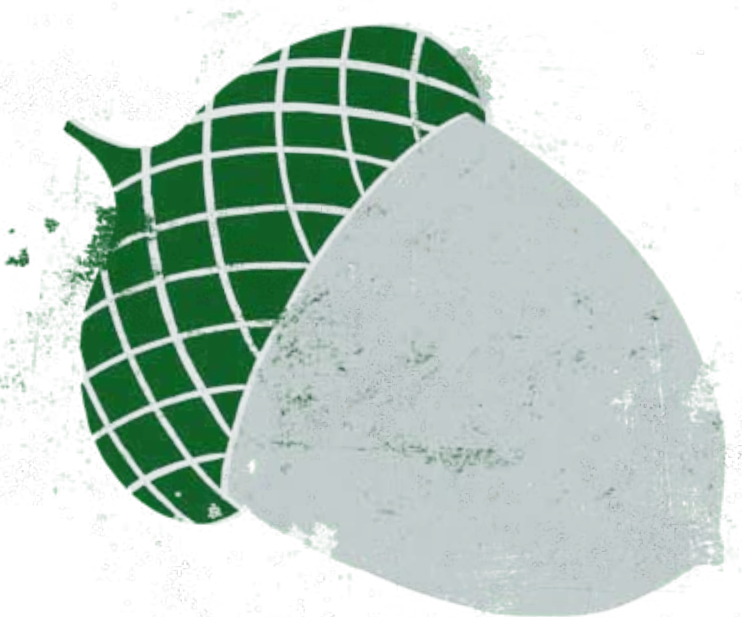
Inherited ISA Allowance Plan

The Inherited ISA Allowance Plan's key features

Important info you need to read



Before applying for the Foresters Friendly Society Inherited ISA Allowance 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, the commitment you will need to make and the risks involved 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 document is full of really important information and will hopefully answer any questions you might have.

Foresters Friendly Society

Inherited ISA Allowance Plan 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 Inherited ISA Allowance 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

- To achieve long-term growth by investing in the Foresters Friendly Society with profits Order Insurance Fund. The Inherited ISA Allowance Plan aims to provide you with more than you may reasonably expect to get back over the long-term from a deposit based Cash NISA.
- 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 additional bonus being paid at the end of the Inherited ISA Allowance Plan.
- To provide you with returns free of Income and Capital Gains Tax under Inherited ISA Allowance Plan rules.

Your commitment

- As the Foresters Friendly Society Inherited ISA Allowance Plan invests in our Order Insurance Fund it is classified as a Stocks & Shares NISA. If you open this Inherited ISA Allowance Plan with us there is no impact on any other ISAs/NISAs you hold in your own name. You are entitled to contribute an additional allowance up to the value of the NISA held by your Spouse or Civil Partner on the date they died.
- You can contribute either regular monthly amounts or one-off lump sums or a combination of both to your Inherited ISA Allowance Plan providing you do not exceed your inherited ISA allowance amount.
- The minimum monthly contribution payable by Direct Debit is £50 per month.
- The minimum lump sum required to open an Inherited ISA Allowance Plan is £500 and you are able to make top ups of at least £250 thereafter.
- There are no restrictions on the amount of time you keep your money invested in the Inherited ISA Allowance Plan, however you should view your Inherited ISA Allowance Plan as a medium to long-term investment.
- You will not be able to make further deposits into your Inherited ISA Allowance Plan once you have reached the inherited allowance and/or 3 years after the date of death, or if later, 180 days after completion of the estate.
- The Inherited ISA Allowance Plan will automatically stop accepting contributions after 3 years and, if the completion of the estate takes longer, Foresters will need to see evidence to allow further deposits, for example if your Spouse or Civil Partner died between 3rd December 2014 and 5th April 2015, the three year period starts on 6th April 2015.

Risks

- In adverse investment conditions we may apply a Market Value Reduction. 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 Inherited ISA Allowance Plan might not receive any annual and/or final bonus.
- The tax rules relating to the Inherited ISA Allowance Plan may change and depend on your individual circumstances.
- Your circumstances may change forcing you to cash-in your Inherited ISA Allowance Plan.
- Our deductions may turn out to be higher than expected.
- You should be aware that inflation will reduce what you can buy when you cash-in your Inherited ISA Allowance Plan.
- If you withdraw money from your Inherited ISA Allowance Plan, you can only put it back within the same tax year.

Your Questions Answered

What is an Inherited ISA Allowance Plan?

If your Spouse or Civil Partner died on or after 3rd December 2014 you're entitled to inherit an additional tax free ISA allowance. The allowance is up to the value of your Spouse's or Civil Partner's NISAs on the date that they die.

The Foresters Friendly Society Inherited ISA Allowance Plan is a Stocks and Shares NISA that we have set up specifically to accept contributions as part of a NISA allowance which has been inherited from a deceased Spouse or Civil Partner.

What are the tax rules that apply?

(All tax years start on the 6th April and end on the 5th April the following year).

Within a tax-efficient NISA you can invest in one or both of the following two forms of savings with any provider:

- An investment in stocks and shares or as part of a life insurance policy.
- A cash deposit account.

The Foresters Friendly Society Inherited ISA Allowance Plan is an investment into a life insurance policy and is therefore categorised as a Stocks & Shares NISA. You can continue to hold your own NISA's as per the relevant NISA rules in conjunction with any Inherited ISA Allowance Plans.

Who is the Foresters Friendly Society Inherited ISA Allowance Plan suitable for?

Providing you are aged between 18 and 80 the Foresters Friendly Society Inherited ISA Allowance Plan may be suitable for you. If you already hold a Foresters NISA no maximum age limit will apply. Unlike normal NISAs you do not have to be resident in the UK for tax purposes to be eligible for the Inherited ISA Allowance Plan. However, you must hold a UK bank account to be able to make contributions into the plan.

You may only apply for an Inherited ISA Allowance Plan in the event of the death of your Spouse or Civil Partner, if:

a. the surviving Spouse or Civil Partner was living with the deceased at the date of death and was not separated under a court order, deed of separation or in circumstances where the separation was likely to be permanent.
b. the deceased held a NISA at their date of death.
c. the date of death was on or after 3rd December 2014.

You do not need to inherit the money from your Spouse or Civil Partner's NISA to be eligible. You can use your own money to open the account and you don't have to wait for the NISA to be closed or repaid.

What do I need to do before I can use an inherited ISA allowance?

Please ensure that the death of your Spouse or Civil Partner has been registered with each NISA provider they held a NISA with before you apply to open a Foresters Friendly Society Inherited ISA Allowance Plan.

Does the inherited ISA allowance affect my current NISA allowance?

No, this is a one off additional allowance and does not contribute to your normal individual NISA allowance.

What happens if I cash-in my Inherited ISA Allowance Plan?

You can cash-in your Inherited ISA Allowance Plan whenever you want, but you may get back less than you have paid in. The cash-in value of your Inherited ISA Allowance Plan will depend upon the amounts you have 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 plan value. Conversely, in adverse investment conditions we may apply a Market Value Reduction to reduce the plan value.

If you close or transfer your Inherited ISA Allowance Plan before you fully use your inherited ISA allowance, you may only use the remaining allowance with Foresters Friendly Society.

What is a Market Value Reduction (MVR)?

This is a deduction we may apply when you make regular or partial withdrawals or fully cash-in your Inherited ISA Allowance Plan. 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 plan'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 Inherited ISA Allowance Plan at that time and in some circumstances could mean that you get back less than you have paid in. We will never apply an MVR on death.

Where is my money invested?

Any money you contribute into a Foresters Friendly Society Inherited ISA Allowance Plan is invested in the Order Insurance Fund. This is a with profits 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 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 potentially better performance in another asset class (e.g. property).

How do I open an Inherited ISA Allowance Plan?

Please read the Key Features document and complete the Inherited ISA Allowance Plan application form. Before we can open the policy we will need to contact the deceased NISA's providers for further information, which will include confirmation of the value of the deceased's NISAs at their date of death.

Contributions can only be made once we have accepted the application and received confirmation from the deceased's NISA providers of the further information required.

What documentation will be required to open the account?

Foresters Friendly Society is required to verify your identity and address before we can accept your application. We will make electronic checks with a credit agency. In some situations we may not be able to verify your details and we will write to you to request further documentation.

All applications will need to be submitted with the original or certified copy of the:

- Marriage or Civil Partnership Certificate
- Death Certificate

Should you have any additional queries please contact Member Services on 0800 783 4162.

How do I make withdrawals?

It is possible to make regular (frequent) and partial (one-off) withdrawals from your Inherited ISA Allowance Plan. Withdrawing money from your Inherited ISA Allowance Plan will reduce the value of your remaining investment. We may change the minimum withdrawal amount at any time. If this happens, we will give you reasonable notice. In adverse investment conditions we may apply a Market Value Reduction at withdrawal. See the section above for details.

- Regular Withdrawals

After two years, you can make regular withdrawals from your Inherited ISA Allowance Plan. The minimum regular withdrawal you can make is £50, so long as the value of the Inherited ISA Allowance Plan after the withdrawal is at least £500. You can make regular withdrawals on a monthly, quarterly, half yearly or annual basis. If you decide to change the withdrawal amount or stop the withdrawal, you must contact our Claims team to provide one month's notice.

- Partial Withdrawals

You can make partial withdrawals from your Inherited ISA Allowance Plan at any time. The minimum withdrawal that can be made is £250 and the remaining value of the Inherited ISA Allowance Plan after the withdrawal must not fall below £500.

To make a withdrawal please contact our Claims team on 0845 450 6060.

Can I transfer my Inherited ISA Allowance Plan?

Yes, you can transfer your plan to another provider at any time just like a normal NISA, as long as the new NISA provider allows it.

However, if you transfer before you have used all your inherited allowance you will not be able to make further contributions to the new provider. You will however, be able to make further contributions to the Foresters Friendly Society plan which can then subsequently be transferred to the new provider.

Foresters will accept transfers from another provider as long as they meet the plan conditions. As above Foresters Friendly Society will only be able to accept the transfer amount and no additional contributions can be added unless transferred from the previous provider.

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 Friendly Society Inherited ISA Allowance Plan we may add a final bonus depending on the overall investment growth that has been achieved and expenses incurred.

Bonuses are added as a result of the growth performance of the underlying fund. This is different from a Bank or Building Society account or Cash NISA where your savings can grow as a result of the interest added to your account. Although in some investment conditions the growth in a Foresters Friendly Society Inherited ISA Allowance Plan 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 Inherited ISA Allowance Plan might not receive any annual and/or final bonus.

Typical examples

Single contribution Inherited ISA Allowance Plan

What you might get back after 10 years

Initial investment of £5,000	If cashed in?	On death?
If your investment grew at 2% a year you might get back	£5,000	£5,050
If your investment grew at 5% a year you might get back	£6,710	£6,780
If your investment grew at 8% a year you might get back	£8,950	£9,040

- 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 and are subject to the maximum rates specified by the Financial Conduct Authority.
- Do not forget that inflation will reduce what you could 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 Inherited ISA Allowance Plan, which will be taken into account when applying bonuses. This may change but it will never exceed 3% of the value of your Inherited ISA Allowance Plan in any one year. The charges are designed to cover our costs for administering the Inherited ISA Allowance Plan on your behalf. The effect of the charges on an initial investment of £5,000 assuming growth of 5% a year is as follows:

Single contribution Inherited ISA Allowance Plan

At end of the year	Total paid in to date	Effect of deductions to date	What you might get back
1	£5,000	£100	£5,150
2	£5,000	£208	£5,300
3	£5,000	£324	£5,460
4	£5,000	£449	£5,620
5	£5,000	£585	£5,790
10	£5,000	£1,420	£6,710

If 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 last line in the table shows that over 10 years the effect of the total charges could amount to £1,420.
- Putting it another way, this would have the same effect as bringing investment growth down from 5.0% to 3.0% a year.

If you would like an illustration specific to your own circumstances, please contact us.

What happens if I die?

The death benefit provided by your Inherited ISA Allowance Plan will be paid to your estate. The amount payable on death is 101% of the contributions you have paid in plus any attaching bonuses and any final bonus less any withdrawals. The amount payable may be subject to Inheritance Tax depending on the size of your estate.

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 Inherited ISA Allowance Plan, 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 Inherited ISA Allowance Plan will be returned, which excludes any fee which will have already been paid to your Financial Adviser.

You can cancel your Inherited ISA Allowance Plan 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 the Inherited ISA Allowance Plan's suitability. You may have to pay a fee for this advice.

Tax

The tax treatment of the proceeds received from this Inherited ISA Allowance Plan is determined by the rules governing the operation of all Inherited ISA Allowance Plans. These rules and the tax legislation may change in the future. The money invested in this Inherited ISA Allowance Plan is currently invested in a tax exempt fund, although dividends earned on equities within the fund will have been taxed at source and that tax cannot be reclaimed.

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 plan conditions may be adjusted as deemed appropriate:

- If there is any change in law or taxation affecting Inherited ISA Allowance Plans.
- 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 by tel: 0845 683 8412, email: Complaints@forestersfriendlysociety.co.uk or at the address at the back of this document.

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: 0845 080 1800, email: Complaint.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).

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.

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

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My financial resolution is to take out another Foresters investment for myself and my family. And my second saving resolution is to make the fullest use of the NISA allowance.

Charles Machin, 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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