The Lifetime ISA's key features

Important info you need to read

Before applying for the Foresters Friendly Society LISA, please read the Key Features, which you'll find on the next few pages.

The Key Features explain how the LISA 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 aim to grow your money.

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

keyfacts®

Lifetime Individual Savings Account (LISA) 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 Lifetime Individual Savings Account (LISA) 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 provide a vehicle for saving for a deposit on a first time buyer property to which the government will contribute. The Lifetime ISA fund can be used for purchasing a first time buyer property at any time from 12 months after first saving into the account.

  and/or

- To provide a vehicle for saving until or after age 60, to which the government will contribute.

Your commitment

- To contribute up to £4,000 per tax year on a regular or lump sum basis. The government will add 25% of the amount contributed to the sum invested (example contribution £4,000 = government contribution of £1,000).
- The minimum monthly contribution to a Foresters LISA payable by direct debit is £50 per month.
- The minimum lump sum required to open a Foresters LISA 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 LISA, however you should consider your LISA as a medium to long-term investment.

Risks

- If you withdraw money from your LISA, other than for buying a first time buyer property or before you reach age 60, this will result in a loss of government bonus. You could get back less money than you have paid in. (See impact of early withdrawal table below). In adverse investment conditions we may apply a Market Value Reduction. This could mean you get back less than you have paid in.
- The Policy Bonuses will depend on the future investment performance of the Order Insurance Fund, as well as any deductions we may make and how Foresters Friendly Society decide to distribute any profit.
- The addition of bonuses is not guaranteed and therefore it is possible that the LISA might not receive any annual and/or final bonus.
- The tax rules relating to the LISA may change.
- Your circumstances may change forcing you to cash in your LISA. This would result in deduction of the government withdrawal penalty.
- 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 LISA.

Your Questions Answered

What is a Lifetime Individual Savings Account (LISA) and who is it appropriate for?

A LISA is a savings account that enables you to save towards purchasing a first time buyer property house with a value of less than £450,000.

and/or

To provide a method of saving for retirement.

The government will contribute to your LISA 25% of the money paid into the LISA by you.

Providing you are aged between 18 and 39 and a UK resident for tax purposes, you are eligible to take up a LISA.

A LISA is suitable for:

- A person saving to buy a first time buyer property. The full proceeds of a LISA may be used to purchase a first time buyer property with a value not in excess of £450,000. The withdrawal must be at least 12 months after the first subscription into the Lifetime ISA. If you buy your first home with someone else also buying their first home you can each use a LISA and each benefit from the Government bonus.

Warning: A person who is contemplating saving for less than 3 years should consider if a deposit-based LISA is more suitable for them, as it does not expose them to short-term volatility of the stock market. The Foresters LISA is a stocks and shares LISA.

- A person wishing to save until age 60.

A person may contribute to a LISA up until the age of 49, and can take the proceeds from their LISA free of any penalties or loss of government bonus on attaining the age of 60. However, if the account holder prefers, funds can remain invested and any subsequent interest and investment growth will be tax-free.

Full or partial withdrawals can be made without charge from an individual's 60th birthday. A withdrawal made after attaining age 60 can be used for any purpose, and will be paid free of tax.

Warning: A person may provide for their retirement by taking out a LISA, but should only do so provided that they are receiving the maximum contributions from their employer into their workplace pension. If a person is not sure of their pension provision and that they are not sure they are maximising their employer's contribution to their pension, they should check with their employer or seek advice from a financial adviser.

If you save into a Lifetime ISA instead of enrolling in, or contributing to, a qualifying scheme or occupational pension scheme for which you are eligible, you may lose the benefit of contributions by an employer to that scheme.

Warning: A LISA is not suitable as a general savings vehicle, as withdrawal apart from for purchasing a first property or after the age of 60 will result in the loss of government bonus and a penalty. You may get back less than you have paid in to a Lifetime ISA.

Note that you should consider your LISA subscription level and choice of qualifying investment in relation to your savings objectives, your investment horizon and your financial circumstances as a whole including your provision for retirement. You should also note that these factors may change over time and that you should regularly review your LISA subscription and its qualifying investments.

Individuals will be able to open more than one LISA during their lives, but will only be able to contribute to one LISA in each tax year.

New amounts contributed to a Lifetime ISA will count against the overall ISA limit for the tax year as well as the LISA limit. If you withdraw money from a LISA this will not increase the amount you are able to pay into a LISA during the same tax year.

Where is my money invested?

Any money contributed into a Foresters Friendly Society LISA is invested in the Order Insurance Fund. This is a with profits fund. The money paid into the fund is spread across a number of different types of investments and 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 does the process of paying towards a first time buyer property work?

When you are buying the first time buyer property, we will encash the policy and send the proceeds of the policy to the solicitor or licensed conveyancer who is acting on your behalf. We cannot pass the proceeds to yourself. If the purchase of the first time buyer property does not complete, the solicitor will return the monies to us and we will reinvest these in your policy at no loss to yourself.

Can I transfer my LISA to another manager?

Individuals will be able to transfer their Lifetime ISA between ISA managers. An account must be transferred within 30 days of an account holder's request.

There will be no limit on the amount that can be transferred. Where individuals transfer funds that have not yet received a government bonus, it will be the responsibility of the ISA manager to whom the funds have been transferred to claim any government bonus due on the transferred funds from HMRC. The bonus will still be calculated on the total contributions to the Lifetime ISA account during the relevant period.

Where funds or investments are transferred to a Lifetime ISA from an ISA of a different type, the value transferred to the Lifetime ISA will count against the Lifetime ISA contribution limit but not the overall ISA limit for the year. Partial transfers of funds from previous years' ISA contributions will be permitted. However, where funds are transferred that contain contributions made in the same tax year, those contributions must be transferred in full up to the LISA limit of £4000.

Can I transfer a Help to Buy ISA into a Lifetime ISA?

During the 2017/18 tax year only, those who already have a Help to Buy: ISA will be able to transfer any funds (including interest) built up before 6 April 2017 into a Lifetime ISA without these counting towards the Lifetime ISA contribution limit. They will receive a 25% government bonus on the full value of the transferred funds.

Contributions to a Help to Buy: ISA made on or after 6 April 2017 can still be transferred to a Lifetime ISA, like any transfer from an ISA of a different type, but will count against the Lifetime ISA contribution limit for the tax year in which they are transferred.

How does the LISA Interact with the Help to Buy ISA?

The Help to Buy: ISA will be open for new savers until 30 November 2019, and savers will be able to claim a bonus until 1 December 2030. Savers will be able to save into both a Help to Buy: ISA and a Lifetime ISA, but will only be able to use the government bonus from one of those accounts to buy their first home. For example, if an individual holds a Help to Buy: ISA and a Lifetime ISA they may:

- transfer their Help to Buy: ISA into a Lifetime ISA and use the Lifetime ISA to purchase the property. This must be at least 12 months after the first subscription to the Lifetime ISA. Any transfers in 2017/18 of Help to Buy: ISA funds built up before 6 April 2017 will not count against the £4,000 Lifetime ISA contribution for 2017/18.

- use their Help to Buy: ISA with its government bonus to purchase their first time buyer property, and save their Lifetime ISA with its government bonus for the future.
- use their Lifetime ISA with its government bonus to purchase their first time buyer property, and withdraw the funds held in their Help to Buy: ISA to put towards this purchase without the government bonus.
- use their Help to Buy: ISA, including its government bonus, to purchase their first time buyer property and withdraw funds from their Lifetime ISA to put towards the purchase, incurring the Government withdrawal charge.

Can I transfer from a LISA to another type of ISA?

Individuals can transfer funds from their Lifetime ISA to another type of ISA, but this will count as a chargeable withdrawal at 25% from the Lifetime ISA, resulting in loss of government bonuses and policy bonuses that have been added. The same will apply where funds are transferred to any account that is not an ISA, or to any financial institution that is not an ISA manager.

Transfers from a LISA to another ISA after the LISA holder reaches 60 years of age will not attract the withdrawal penalty.

What happens if I die?

The death benefit provided by your LISA will be paid to your estate. The guaranteed amount payable on death is 100.1% of the Contributions you have paid plus any attaching Annual Bonuses less any withdrawals you have already made. This is the minimum amount payable on death and if the Accumulated Fund plus any Final Bonus applicable at the date of death is higher than the minimum amount then the higher amount will be payable. There is no government charge on death.

The proceeds will not be liable to capital gains tax or income tax, but may be liable to inheritance tax, depending on the size of your estate.

If you have nominated a beneficiary, they can claim up to £5,000 of the Plan Benefit without waiting for probate. Any excess would become part of your remaining estate and have to wait for probate.

What happens if I become terminally ill?

If you become terminally ill and have less than 12 months to live (according to the definition laid down by HMRC) then you can notify the Society and withdraw all of your funds from your LISA. To meet the HMRC rules you will need to provide us with evidence from a medical practitioner of your terminal illness and that you are expected to have less than 12 months to live.

There is no government charge on withdrawal in this circumstance.

The full withdrawal from your LISA will be paid to you. The guaranteed amount payable is 100.1% of the Contributions you have paid plus any attaching Annual Bonuses less any withdrawals you have already made. This is the minimum amount payable and if the Accumulated Fund plus any Final Bonus applicable at the date of notification to us of your terminal illness is higher than the minimum amount then the higher amount will be payable.

The proceeds will not be liable to capital gains tax or income tax, but may be liable to inheritance tax on your subsequent death, depending on the size of your estate.

What a Lifetime ISA might be worth at age 60

Age saving in a LISA started	Total amount paid in by Lifetime ISA saver/ investor	Total amount paid in, plus Lifetime ISA government bonus	Estimated outcome at age 60 from 0% return	Estimated outcome at age 60 from 5% return	Charges and estimated inflation would reduce 5% return to
	£	£	£	£	%
18	128,000	160,000	90,500	197,000	1.3
25	100,000	125,000	78,900	147,000	1.3
30	80,000	100,000	68,500	114,000	1.3
35	60,000	75,000	55,900	82,900	1.3
39	44,000	55,000	44,000	59,300	1.3

The above table is designed to:

- help you understand what the value of your LISA may be at age 60, depending on the age at which saving starts and assuming the maximum annual subscription at the beginning of each tax year up to age 50 and receipt of the LISA government bonus; and
- provide information for a retail client who is saving for retirement in a LISA and so may not be relevant to a retail client whose saving objective for a LISA is house purchase.

The estimated outcomes in column 4 and 5:

- are based on standardised rates of return which may not reflect your choice of qualifying investment for a LISA, for further information on the Order Insurance Fund information can be found in the Principles and Practices of Financial Management (PPFM) published on Foresters website.

These outcomes include the effect of LISA charges and inflation on estimated outcomes from a LISA.

Column 6 shows the effect of LISA charges and inflation on the returns from a LISA which you can use to compare the LISA charges applicable to other LISAs and charges applicable to longer term savings products.

Lifetime ISA charges in the above table:

1) may vary over time; and

2) exclude any fee or charge:
   a) payable by or on behalf of a retail client to a firm in relation to the provision of a personal recommendation by the firm (intermediaries such as IFAs) in respect of the Lifetime ISA; and
   b) relating to the qualifying investments held in the Lifetime ISA (including in relation to the provision of a personal recommendation in respect of those investments).

Single contribution LISA

What you might get back after 10 years

Initial investment of £4,000	If cashed in?	On death
If your investment grew at 2% a year you might get back	4,310	4,310
If your investment grew at 5% a year you might get back	5,780	5,780
If your investment grew at 8% a year you might get back	7,680	7,680

Regular contribution LISA

Initial investment of £75 per month	If cashed in?	On death
If your investment grew at 2% a year you might get back	9,340	9,340
If your investment grew at 5% a year you might get back	10,800	10,800
If your investment grew at 8% a year you might get back	12,700	12,700

Warning: The cashed in column in the above table assumes that the plan is being cashed in for the purpose of buying a first time property or that the policyholder has attained age 60, and therefore the government withdrawal charge does not apply.

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 1.25% of the value of your LISA, which will be taken into account when calculating policy bonuses. This may change but it will never exceed 3% of the value of your LISA in any one year. The charges are designed to cover our costs for administering the LISA on your behalf. The effect of the charges on an initial investment of £4,000 and contributions of £75 per month assuming growth of 5% a year is as follows:

Single contribution LISA

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	4,000	50	4,150
2	4,000	104	4,300
3	4,000	163	4,460
4	4,000	227	4,630
5	4,000	296	4,800
10	4,000	735	5,780
15	4,000	1,360	6,940
20	4,000	2,260	8,350
25	4,000	3,500	10,000
30	4,000	5,210	12,000

Regular contribution LISA

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	900	6	918
2	1,800	24	1,870
3	2,700	54	2,850
4	3,600	99	3,880
5	4,500	158	4,940
10	9,000	727	10,800
15	13,500	1,890	18,000
20	18,000	3,910	26,600
25	22,500	7,130	36,900
30	27,000	12,000	49,300

Warning: The above tables assumes that the plan is being cashed in for the purpose of buying a first time property or that the policyholder has attained age 60 and therefore the government withdrawal charge does not apply.

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 tables show that over 30 years the effect of the total charges could amount to: single contribution LISA £5,210 or regular contribution LISA £12,000.
- Putting it another way, this would have the same effect as bringing investment growth down from 5.0% to 3.8% a year.

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

What happens if I cash in my LISA for purposes other than buying a first time buyer home or attaining age 60?

You can cash in or partially cash in your LISA whenever you want, but you may get back less than you have paid in. The government will deduct a 25% withdrawal charge. The following table gives an example of this.

Impact of early withdrawal charge

LISA consumer actions	Year 1	Year 2
a) Consumer subscription	£4,000	
b) Government bonus (25%)	£1,000	
c) Total for year 1	£5,000	
d) Consumer early withdrawal		-£1,000
e) Government withdrawal charge (25%)		-£250
f) Funds remaining in LISA		£3,750

The Government withdrawal charge of £250 is returned to HM Revenue and Customs.

Note: The above example LISA account bears no interest and does not take into account charges.

Warning: The Lifetime ISA withdrawal charge recovers any LISA government bonus, any investment growth on that bonus plus an additional amount, and if the LISA government withdrawal charge is incurred you could receive back less than you have paid in.

The cash-in value of your LISA will depend upon the amounts you have invested, 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.

What are the tax rules that apply?

All tax years start on the 6th April and end on the 5th April the following year. The proceeds of the LISA are not subject to income tax or capital gains tax. The money invested in this LISA 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.

Warning: The rules concerning the taxation of a LISA may change in the future.

What is a Market Value Reduction (MVR)?

This is a deduction we may apply when you make withdrawals or fully cash in your LISA. Its purpose is to be fair to both plan holders 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 plan holders. This adjustment will reduce the value of your LISA 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 or terminal illness as defined in accordance with HMRC definition.

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 LISA 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 LISA 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 LISA 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 LISA might not receive any annual and/or final bonus.

How are government bonuses paid?

Tax year 2017/18: LISA taken out in this tax year will receive the government bonus during the tax year 2018/19. LISAs taken out and withdrawn in the tax year 2017/18 will not receive the Government bonus.

Tax years subsequent to 2017/18: LISAs will receive the Government bonus on a monthly basis.

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 LISA, 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 to you.
- If this was an advised sale where an adviser fee was paid from your investment, all the money invested into the LISA will be returned, which excludes any fee which will have already been paid to your Financial Adviser.

You can cancel your LISA 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 LISA's suitability to your circumstances. 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

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 LISAs.
- 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 telephoning: **0800 783 4162**, or by emailing: **memberservices@forestersfriendlysociety.co.uk** or by writing to 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. Telephone: **0800 023 4567**, or email: **complaint.info@financial-ombudsman.org.uk**. You can also complain by post. Making a complaint will not prejudice your right to take legal proceedings. The website address for the Financial Ombudsman Service (FOS) is: www.financial-ombudsman.org.uk.

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.