

The Investment Bond's Important Information

Important info you need to read

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

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

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



Foresters Friendly Society Investment Bond Important Information

Its aims

The Investment Bond aims:

- To achieve long-term capital growth.
- To provide you with more than you could reasonably expect to get back over the long-term from a deposit backed savings account.
- To provide you with a minimum death benefit of 70% of your investment. This is your initial sum assured.
- To add to the value of your investment by way of the addition of bonuses, which are intended to be added on a yearly basis, with a possible final bonus being paid when you cash in your Investment Bond.
- To provide you with the option of taking regular or one-off tax-efficient withdrawals

Your commitment

- Your initial investment must be between £5,000 and £150,000.
- There are no restrictions on the amount of time you keep your money invested in the Foresters Friendly Society Investment Bond, however, you should view your Investment Bond as a medium to long-term investment of at least five years or more.

Risks

- 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.
- Your initial sum assured is 70% of your initial investment. The addition of bonuses is not guaranteed and therefore it is possible that the Investment Bond might not receive any annual and/or final bonus. This would mean you get back less than you have paid in.
- In adverse investment conditions we may apply a Market Value Reduction (MVR). This could mean you get back less than you have paid in.
- Our deductions may turn out to be higher than expected.
- Legislation may change, to affect the tax status of the Investment Bond.
- Your circumstances may change forcing you to cash-in your Investment Bond.
- You should be aware that inflation will reduce what you can buy in the future when you cash in your Investment Bond.

Lump sum savings

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

Your Questions Answered

Who can take out a Foresters Friendly Society Investment Bond?

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

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

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

How much can I invest in the Investment Bond?

You can invest a lump sum of between £5,000 and £150,000 into the Investment Bond. You can take out more than one Investment Bond, although you should be aware that different terms may apply depending on when you take out your subsequent Bond and the total investment when all Bonds are added together cannot exceed £150,000.

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

Partial withdrawals can be taken at any time subject to a minimum withdrawal of £250 and that the remaining value of your Investment Bond does not fall below £500. You can take regular withdrawals from your Investment Bond, if the value of your Investment Bond is in excess of £5,000

at the time of starting withdrawals. If you wish to take regular withdrawals on a monthly, quarterly, half yearly, or yearly basis you may choose to do so by ticking the appropriate box on the Application Form.

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

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

Placing your Investment Bond in Trust

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

Taxation implications of partial, regular and full withdrawals

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

This means, for example, that if you have not made a withdrawal from your Investment Bond in the first five full years since issue, you could take up to 25% as a partial withdrawal without any immediate taxation implications.

If you choose to make a partial withdrawal in excess of the 5% annual limit this would bring about a Chargeable Event that we would have to inform HM Revenue and Customs of. For higher or additional rate taxpayers this means that there may be an amount of tax to pay.

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

If you are a higher rate or additional rate taxpayer you will have to pay tax on a gain arising in the tax-year of full withdrawal. The rate of tax payable is the difference between the basic rate of tax and your current rate of tax. This will be 20% if you are a higher rate tax payer and 25% if you are an additional rate tax payer (2018/2019 tax year). If you are

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

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

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

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

What happens if I cash-in my Investment Bond?

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

What happens if I die?

You may get back less than you have paid in. The guaranteed minimum amount payment on death of the single policyholder or the death of the second policyholder for joint life Bonds is the initial sum assured plus any annual bonuses that have been added, less any withdrawals.

The initial sum assured is 70% of your initial investment. In adverse investment conditions this means that the amount payable could be less than you have paid in. In more favourable investment conditions the amount payable could be greater than you have paid in.

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

If the Investment Bond has been taken out by joint policyholders, in the event of death of the first of the joint

policyholders, half the value as at the date of death is included in the valuation of the deceased's Inheritance Tax estate.

What is a Market Value Reduction (MVR)?

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

Where is the money invested?

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

How are bonuses decided?

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

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

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

The addition of bonuses is not guaranteed and therefore it is possible that your Investment Bond might not receive any annual and/or final bonus and so in some investment conditions you may get back less than you have paid in.

How is the money taxed within the fund?

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

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

Further Information

Making changes to your Bond

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

Cancellation rights

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

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

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

Financial advice

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

Law

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

Legislation

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

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

Three months' notice would be given of any such adjustment.

Client categorisation

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

Apply now to take care of your future

You've read about how the Investment Bond is a great way to invest a lump sum for the medium to long term. Why not apply now while it's fresh in your mind?

You'll find an application form attached. Simply fill in your details and return it to us by post using the freepost address below. There's no need for a stamp.

Alternatively you can apply online at www.forestersfriendlysociety.co.uk

Send your completed application form to:

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

Telephone: 0800 783 4162

Visit: www.forestersfriendlysociety.co.uk

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