

# The Lifetime ISA's Important Information

## Important info you need to read

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

The Important Information explains 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.



# Lifetime Individual Savings Account (LISA) Important Information

## 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 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 (for example, a personal contribution of £4,000 will be met by a government contribution of £1,000).
- The minimum monthly contribution required to open a Foresters LISA is £100 per month payable by direct debit unless you, a parent or grandparent are an existing Foresters member in which case the minimum is £50 per month payable by direct debit.
- 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 before you reach age 60, other than for buying a first time buyer property, there will be a 25% government withdrawal penalty. Effectively the government reclaims the government bonus and applies a penalty to your contributions. This could mean that, even in favourable investment conditions, you could get back less money than you have paid in. (See impact of early withdrawal table on following pages).
- In adverse investment conditions we may apply a Market Value Reduction (MVR) when you withdraw money from your LISA, the LISA is paid out on your death or in the event of the diagnosis of a terminal illness. This could mean you get back less than you have paid in even though there is no government withdrawal penalty.
- The Foresters 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 the application of the 25% 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 with a value of less than £450,000.

and/or

To provide a method of saving for retirement.

The government will contribute a 25% bonus on the money you pay into the LISA.

Providing you are aged between 18 and 39 and a UK resident for tax purposes, you are eligible to open 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 planholder prefers, funds can remain invested and any subsequent interest and investment growth will be tax-free.

Full or partial withdrawals can be made without the government withdrawal penalty 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 whether 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 on withdrawal apart from for purchasing a first property or after the age of 60 there will be a 25% government withdrawal penalty. Effectively the government reclaims the government bonus and applies a penalty to your contributions. This could mean that, even in favourable investment conditions, you could 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. 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. The Society's Board of Directors reviews and approves the asset classes that the Society is permitted to hold in pursuit of its investment strategy, taking recommendations from the Investment Committee. 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).

Please see the Principles and Practices of Financial Management (PPFM) for the latest information on our investment strategy.

### 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 plan and send the proceeds 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 a plan 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 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 £4,000.

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

Contributions to a Help to Buy: ISA can 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,
- 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 from the Lifetime ISA with 25% of any transfer value paid to the government. Effectively the government retains the government bonuses and applies a penalty to your contributions. 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 government withdrawal penalty.

### What happens if I die?

The death benefit provided by your LISA will be paid to your estate and will depend upon the amounts invested, including the government bonus, the amounts you have withdrawn and any annual bonuses that have been added, i.e. the accumulated fund. Depending on the investment returns that have been achieved and our costs, in favourable investment conditions we may add a final bonus to the accumulated fund. Conversely, in adverse investment conditions we may apply a Market Value Reduction (MVR) which will reduce the accumulated fund. However the guaranteed minimum amount payable on death will be 80% of the accumulated fund. 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 benefit will be paid to you and will depend upon the amounts invested, including the government bonus, the amounts you have withdrawn and any annual bonuses that have been added i.e. the accumulated fund. Depending on the investment returns that have been achieved and our costs, in favourable investment conditions we may add a final bonus

to the accumulated fund. Conversely, in adverse investment conditions we may apply a Market Value Reduction (MVR) which will reduce the accumulated fund. However the guaranteed minimum amount payable will be 80% of the accumulated fund.

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 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 charge of 25% of the amount withdrawn. The following table gives an example of this.

#### Impact of early withdrawal charge

LISA planholder actions	Year 1	Year 2
a) Planholder subscription	£4,000	
b) Government bonus (25%)	£1,000	
c) Total for year 1	£5,000	
d) Planholder £1,000 early withdrawal leads to:		
(i) Government withdrawal charge (25%)		−£250
(ii) Payment to planholder		−£750
e) Funds remaining in LISA		£4,000

The Government withdrawal charge of £250 is returned to HMRC.

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

**Warning:** The Lifetime ISA withdrawal charge effectively reclaims the LISA government bonus, and applies a penalty to your contributions. As a result, even in favourable investment conditions, 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, including the government bonus, the amounts you have withdrawn and any annual bonuses that have been added, i.e. the accumulated fund. 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 accumulated fund. Conversely, in adverse investment conditions we may apply a Market Value Reduction (MVR) which will reduce the accumulated fund. 25% of the cash-in value will be paid to HMRC with the remainder paid to you.

### 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.

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, fully cash in your LISA, the LISA is paid out on your death or as a result of a diagnosis of a terminal illness in accordance with the HMRC definition. Its purpose is to be fair to both planholders leaving the fund and those staying, by ensuring that the amount paid is not unfairly higher than the market value of the plan's assets and that a fair share is left for the remaining planholders. This adjustment will reduce the value of your LISA i.e. the accumulated fund at that time and in some circumstances could mean that you get back less than was paid in.

If the LISA is paid out on your death or as a result of a diagnosis of a terminal illness, in accordance with the HMRC definition, the reduction will not exceed 20% i.e. the minimum guaranteed payment in the event of your death or on diagnosis of a terminal illness will be 80% of the accumulated fund.

If the LISA is being cashed-in for reasons other than to purchase a first time buyer home or attaining age 60 the amount you receive will be further reduced as 25% of the reduced accumulated fund will be paid to HMRC for the government withdrawal penalty.

### **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 accumulated fund. 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 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 and in some investment conditions if a Market Value Reduction (MVR) is applied the accumulated fund will be reduced.

### **How are government bonuses paid?**

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.

### **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 make the most of your savings

## Send your completed application form to:

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

**Telephone: 0800 783 4162**

**Visit: [www.forestersfriendlysociety.co.uk](http://www.forestersfriendlysociety.co.uk)**

**Email: [memberservices@forestersfriendlysociety.co.uk](mailto:memberservices@forestersfriendlysociety.co.uk)**

Monday - Friday, 9am - 5pm (excluding Bank Holidays)

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

Foresters Friendly Society is the trading name of The Ancient Order of Foresters Friendly Society Limited which is an Incorporated Friendly Society (Registration No. 511F) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Registration No. 110029).