

Tax-Exempt Savings Plan Information pack

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About our services and costs



11-12 Queen Square
Bristol
BS1 4NT

1. What is the purpose of this document?

You need to read this important document carefully. It explains the service you are being offered and how you will pay for it.

2. What products do we offer?

We are a long-term insurance business offering products such as private medical insurance, regular savings policies and with-profits bonds.

3. Which service will we provide you with?

You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

4. What will you have to pay us for our services?

We do not charge a fee for arranging our products. You will be given a quotation or illustration which will tell you about any other fees relating to any particular insurance policy.

5. Who regulates us?

National Friendly, a trading name of National Deposit Friendly Society Limited, 11-12 Queen Square, Bristol BS1 4NT, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our Financial Services Register number is 110008.

Our permitted business is providing, arranging and administering long term life insurance, including savings and protection, as an insurer.

You can check this on the Financial Services Register by visiting the FCA's website www.fca.org.uk/register or by contacting the FCA on 0800 111 6768.

6. What should you do if you have a complaint?

If you wish to register a complaint, please contact us:

...in writing:

Write to:
National Friendly
11-12 Queen Square
Bristol
BS1 4NT

Email:
complaints@nationalfriendly.co.uk

...by phone:

Telephone:
0333 014 6244 Calls from UK landlines and mobiles cost no more than a call to an 01 or 02 number and will count towards any inclusive minutes.
Lines are open 8am to 6pm, weekdays.

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service.

7. Are we covered by the Financial Services Compensation Schemes (FSCS)?

We are covered by the FSCS. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Insurance advising and arranging is covered for 90% of the claim, without any upper limit.

Further information about compensation scheme arrangements is available from the FSCS.

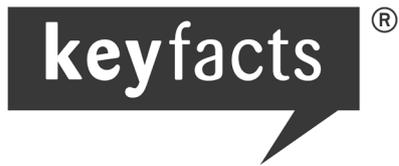


National Friendly is a trading name of National Deposit Friendly Society Limited. Registered office: 11-12 Queen Square, Bristol BS1 4NT. Registered in England and Wales no. 369F. National Deposit Friendly Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

www.nationalfriendly.co.uk

NF IDD 01.17





Key Features of the Tax-Exempt Savings Plan

The Financial Conduct Authority is a financial services regulator. It requires us, National Friendly, to give you this important information to help you decide whether our Tax-Exempt Savings Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Tax-Exempt Savings Plan

Its aims

- To build up a lump sum payable on maturity through a qualifying policy by investing in National Friendly's with-profits fund.
- To add bonuses to a guaranteed lump sum payable on maturity, dependent on the investment performance of the with-profits fund.

Your commitment

- To pay regular monthly premiums of £25 when they fall due, for your selected term of between 10 and 25 years;
- To leave the money invested for the selected term. If you do not you will give up the guaranteed maturity benefit;
- If you do not pay all the premiums or surrender the policy early you will give up the guaranteed maturity lump sum. In addition, if you surrender in the first year you will get nothing back;
- Not to pay any premiums into any other friendly society tax-exempt savings policies for the benefit of the policyholder during the term of this policy as this will breach the £25 per month limit for such policies;
- To be aware of the tax relief limit of £3,600 applying to total annual premiums paid in any twelve month period for qualifying life assurance policies (policies on which you don't pay tax on the proceeds).

Risks

- You may get back less than you have invested at maturity;
- Bonuses are guaranteed to be declared but could be zero;
- Whilst there is a minimum guaranteed amount payable on maturity if you pay all the premiums due throughout your chosen term, the actual amount payable on maturity will depend on the investment performance of the with-profits fund. Your money is invested in a fund that includes stock market investments and their performance may adversely affect the maturity value;
- Over time, inflation will reduce the purchasing power of money in your policy;
- The effect of deductions might be higher, or investment growth could be lower, than the figures shown in the example illustration;
- If the government changes the way the policy is treated for tax purposes this could reduce the amount you get back and/or increase any tax payable.

Questions and answers

What is the Tax-Exempt Savings Plan?

The Tax-Exempt Savings Plan is a with-profits regular savings policy where you pay fixed premiums of £25 each month throughout your chosen term. This must be a set number of whole years between 10 and 25 years.

There is no age limit on the policy, but the policy is intended to be held for a minimum term of 10 years. For children's policies, the term must not end before the child's 16th birthday, or a 10 year term, whichever is the longer.

Assuming all premiums are paid to date at maturity the policy pays out a lump sum of money which will be the guaranteed maturity benefit plus any bonuses added.

It is a qualifying life assurance policy for income tax and capital gains tax purposes.

Who might this policy be suitable for?

This policy might be suitable for someone who:

- Does not currently have a friendly society tax-exempt savings policy;
- Wishes to take advantage of a tax-efficient investment;
- Expects to be able to maintain the monthly premiums for the full term of the policy, which will be your choice of between 10 and 25 years;
- Would like to invest in a stocks and shares related investment but is not prepared to take the risk of investing directly into the stock market, and accepts the risks of investing in a with-profits fund that invests in equities, commercial property, and fixed interest securities (government and corporate bonds);
- Does not need the policy to provide a fixed sum of life cover.

You should consider carefully whether this policy is right for you. National Friendly is not able to make any personal recommendations on whether you should or should not take out this policy. If you need help deciding a financial adviser can advise you whether it's right for you.

Who might it not be suitable for?

It might be not suitable for someone who:

- Already has a tax-exempt savings policy with a friendly society, which would prevent you from buying this one;
- Will be unable to keep up the monthly premiums throughout the term;
- Wants an investment which has no risks to capital or growth;
- Wants a fixed amount of life cover.

Who can take out a Tax-Exempt Savings Plan?

- UK residents can take out a Tax-Exempt Savings Plan:
- For yourself if you are aged 16 or older
 - You will be the policyholder.
- For a child under 16 if the person applying is aged 16 or older
 - The child will be the policyholder. The person applying will be the proposer. The proposer must be a parent or guardian, who will act on the child policyholder's behalf until the child's 16th birthday. From then on, the policyholder will assume full responsibility.

How much can I invest?

You will pay a fixed monthly premium of £25 per month, which is the maximum monthly amount payable into tax exempt savings policies of this type.

How can I pay the premiums?

All premiums will become due on the first day of the month and will be collected by direct debit.

How are the premiums invested?

We combine your premiums with those from other investors into our with-profits fund. The fund invests in three main asset classes: equities, fixed interest securities (government and corporate bonds) and commercial property, which may all include an element of cash. This diverse portfolio helps to reduce the impact on the fund should any category of investment underperform.

To find out more about the with-profits fund, you should read 'A guide to how we manage our with-profits fund' which is made available with this Key Features document. Further copies are available on request or can be downloaded from our website, www.nationalfriendly.co.uk

What deductions are made?

We take deductions from the policy at 50% of your first year's premiums and 7.5% of premiums in the following years. These deductions represent the cost of setting up and administering your policy and will be reflected in the amount you get back when the policy matures, is surrendered, or closed due to non-payment of premiums.

We allow for the costs of investment management and guarantees on these policies and other with-profits policies by taking deductions from the investment returns achieved prior to determining the appropriate level of bonuses. The amount of the deductions will vary each year depending on the actual costs incurred. The example illustration at the end of this document shows the effect deductions have on your investment (including the deductions assumed for investment management and the cost of guarantees). Please ask us for a personalised illustration for your chosen term.

How do bonuses work?

Each year we will assess the past and projected future performance of the with-profits fund and will declare a bonus, which may be zero.

Annual bonuses are set at levels that the Board considers to be sustainable in the long term having regard to market conditions, in particular current and projected interest rates. This means it is unlikely that annual bonuses will be added to your policy when interest rates are low and for a period afterwards. Any bonuses that are declared will be added to your policy and cannot be taken away provided that premiums continue to be paid up to maturity.

Because we will never declare a negative bonus, we might hold back some of the bonus to safeguard against adverse financial conditions in the future or to meet guarantees on this or other with-profits policies. Holding surplus assets to safeguard against adverse investment performance is called 'smoothing' and is explained in 'A guide to how we manage your with-profits fund'.

Our aim is to pay you a fair share of the performance of the fund over the term you hold the policy. Any final bonus you might receive is designed to ensure that this is achieved.

Are there any guarantees?

Yes. Provided the policy runs to the end of your chosen term and all premiums are paid up to date, the policy pays at least the guaranteed maturity benefit shown in your illustration.

How will I know how much the policy is worth?

Each year we will send the policyholder a statement showing the annual bonuses declared.

In the weeks leading up to the policy's maturity, we will send a projected maturity value. At all other times, we can only provide a current surrender value. See **How much might be paid out when the policy ends?** on page 6.

Can I make withdrawals from the policy?

No. If you want to withdraw money in the policy before maturity you will need to surrender it completely. This could mean you could get back less than you invested. See **How much might be paid out when the policy ends?** on page 6.

What happens if the policyholder dies?

In the event of death of the policyholder before maturity we will return all premiums paid. There is no life cover associated with this policy.

How much might be paid out when the policy ends?

An example illustration is provided at the end of this document. We can provide you with a personalised illustration on request.

The amount you can expect to receive when the policy ends is:

On maturity

The policy features a guaranteed maturity benefit. As long as all premiums are paid up to the end of the chosen term we will as a minimum pay the guaranteed maturity benefit. We will add any annual bonuses and any final bonus applicable in order to make the value of the policy your fair share of the performance of the with profits fund over the term. If premiums are not paid in full at maturity the amount paid out will be the surrender value as set out below.

On surrender

If you end your policy in the first year you will get nothing back. If you surrender your policy after the first year you may get back less than you have invested and a surrender penalty will apply. We will calculate a surrender value based on the premiums you have paid in and to reflect your fair share of the with-profits fund, after deductions, in accordance with 'A guide to how we manage our with-profits fund.' If you surrender the policy you may have to pay income tax on any gain you receive (please see **What about tax?** on page 7).

If you want to surrender your policy early you can contact us at any time to find out how much you can expect to receive.

If the policy lapses

If your policy premiums are thirteen months in arrears the policy will lapse and cannot be reinstated. We will pay out a lapse value calculated as the surrender value based on the premiums you have paid, as set out above.

The policyholder will be informed of the need to claim the lapse value of the policy.

If the policy lapses the policyholder may have to pay income tax on any gain. Further details are set out in **What about tax?** on page 7.

On death

This policy does not include life cover. If the policyholder dies we will pay out the total of premiums paid to the date of death.

Following payment the policy will end and have no further cash value.

On the death of a person acting on behalf of a child policyholder under age 16 then another parent or guardian can apply to act on behalf of the child and continue the policy to the child's 16th birthday, when the child will take responsibility for any investment term remaining to maturity.

The sum payable on death forms part of the policyholder's estate and may be liable to inheritance tax.

Policyholders over 16 years old can nominate one or more person(s) to receive the combined value of their National Friendly policies up to £5,000 in the event of their death. It can be paid out without the need for a grant of probate or equivalent and can speed up the payment to the nominated beneficiary.

Any sum which is not covered by a nomination will be paid to the policyholder's estate once we have received the grant of probate or equivalent that we need to verify entitlement.

What about tax?

This policy is a qualifying life assurance policy. There is a limit for tax relief of £3,600 in total premiums in any twelve month period into qualifying policies with National Friendly plus any other life company or friendly society (excluding pure protection policies and protected qualifying policies issued before 21st March 2012). You must tell us if you think you will exceed this limit. Also you must tell us about any other tax exempt savings policy in the policyholder's name.

All premiums invested in our Tax-Exempt Savings Plan are invested in the with-profits fund which is free of personal liability to income tax and capital gains tax. The only tax payable within the fund is on UK share dividend income which cannot be reclaimed by the policyholder. The policyholder will not pay income tax or capital gains tax on any money paid out when the policy matures or if the policyholder dies.

However, if you surrender the policy, or if the policy lapses through non-payment of premiums, before 10 years or three-quarters of the agreed term has elapsed - whichever is shorter - the policyholder may have to pay income tax on any gain made. If this happens then we will give you a chargeable event certificate, details of which may be required by HM Revenue & Customs.

Any proceeds paid out from the policy form part of the policyholder's estate and may be liable to inheritance tax upon death.

Any payout may also affect any means-tested state benefits to which the policyholder is entitled.

This information is based on our understanding of current tax law and practice. However, law and practice may change and this could affect the policy in the future. The value of any tax treatment depends on individual circumstances.

National Friendly cannot provide tax advice. You should seek expert tax advice if needed.

Can I change my mind?

When you receive the policy documents you will also receive a notice telling you about your legal right to change your mind. You have the right to cancel the policy within 30 days of receiving the notice. You can do this by signing and returning the cancellation form and policy schedule, or by writing to us at National Friendly, 11-12 Queen Square, Bristol BS1 4NT.

If you cancel the policy within 30 days we will refund any premiums paid. You can surrender the policy at any time after this, but the policyholder may receive less than has been paid in and will get nothing back if the policy is surrendered in the first year (see **How much might be paid out when the policy ends?** on page 6).

Who regulates National Friendly?

National Friendly is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. Our firm reference number is 110008.

You can check this on the financial services register at register.fca.org.uk or by calling the FCA on 0800 111 6768.

What regulatory protection do I have?

We are required by our regulator, the Financial Conduct Authority, to categorise our customers to determine the level of protection they will receive. If you invest in our Tax-Exempt Savings Plan, we will treat you as a retail client. This gives you the highest level of protection available under the Financial Conduct Authority rules.

What if I have a complaint?

We always do our best to provide a high standard of customer care, but if something goes wrong, please tell us so we can put it right.

Please call us on:

0333 014 6244 Calls from UK landlines and mobiles cost no more than a call to a 01 or 02 number and will count towards any inclusive minutes.

Lines are open 8am–6pm, weekdays.

Calls will be recorded for training and quality purposes.

Or email us on:

complaints@nationalfriendly.co.uk

Or write to us:

National Friendly, 11–12 Queen Square, Bristol BS1 4NT

Or visit us at:

www.nationalfriendly.co.uk where you can download our complaints leaflet.

We will investigate your complaint and try to resolve it promptly to your satisfaction. Where it will take longer to resolve we will acknowledge your complaint in writing with a copy of our complaints leaflet. We aim to resolve complaints as quickly as possible and will send you our final response in writing within eight weeks.

If you remain unhappy with our final response, you have the right to take your complaint to the Financial Ombudsman Service. This service is free and using it does not affect your legal rights.

You can find more information on their website at www.financial-ombudsman.org.uk

Is my money protected in the event of insolvency?

In the event that we are unable by reason of insolvency to pay your claims, you have the protection of the Financial Services Compensation Scheme. Details can be found on their website www.fscs.org.uk

The Financial Services Compensation Scheme, 10th Floor Beaufort House, 15 St Botolph Street, London EC3A 7QU

Telephone: 0800 678 1100 or 0207 741 4100

You can find information about our solvency and financial conditions in our 'Annual Report and Financial Statements.' Both this document and 'A guide to how we manage our with-profits fund' are available on request or can be downloaded from our website.

What law applies to my policy?

Unless you and we agree otherwise, in writing, the laws of England will apply to your policy.

What language and currency will my policy be in?

All correspondence will be in English and all currency used will be in £ sterling.

Who can I contact for further information?

If you require any further information about this Tax-Exempt Savings Plan, please see our contact details below:

Please call us on:

0333 014 6244 Calls from UK landlines and mobiles cost no more than a call to a 01 or 02 number and will count towards any inclusive minutes.

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info@nationalfriendly.co.uk

Or visit us at:

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Example illustration

Policy term:	10 years
Monthly premium:	£25
Guaranteed maturity benefit:	£2,847

What this illustration shows

The following pages give examples of what you might get back at the end of a 10 year policy. If you would like a personalised illustration for a different term please ask us.

The maturity value

As we cannot predict how the fund will perform or what bonuses will be declared and allocated during the term of the policy, we provide three examples based on different rates of growth. All firms are subject to the same rules governing the rates of growth used for projections but their charges vary. The mid projection must be based on a rate of growth that reflects the investment potential of the policy, subject to a prescribed maximum rate. The low and high projections must differ by a prescribed amount from the mid projection rate. These growth rates are net of any deductions made to cover guarantees on this policy and other with-profits policies within the with-profits fund.

If the investment grows at	2% a year	5% a year	8% a year
You might get back	£2,810*	£3,260	£3,790

*In practice you will get back £2,847 in this example as this is the guaranteed maturity value.

Please note:

- All figures showing what you might get back have been rounded down.
- These figures are only examples for illustrative purposes and are not guaranteed. They are not minimum or maximum amounts. What the policyholder will get back depends on how the investment grows, the effect of deductions and on the tax treatment of the investment. The policyholder could get back more or less than these illustrative figures.
- At maturity the policyholder could get back less than you paid in.
- As a minimum the policyholder will receive back at maturity the guaranteed maturity benefit, assuming all premiums are paid. The amount paid at maturity will include any bonuses added.
- We will send annual statements that will allow the policyholder to keep track of the policy benefits.
- Over time, inflation will reduce the purchasing power of money in your policy.
- For the purposes of this illustration, we have assumed that the rates of growth shown in the table above will be subject to deductions of 0.5% a year for investment management costs and 0.2% a year for the cost of guarantees on this policy and on other with-profits policies.

How deductions affect your policy

The tables below show how our deductions might affect the value of your policy. The last two columns assume investment growth at 5% a year (before deductions). This rate is used for illustrative purposes only and is not guaranteed.

If you surrender your policy before maturity you may get back less than has been paid in. If you surrender in the first year you will get nothing back.

The figures for years 1-9 are after deduction of a 5% surrender penalty.

The early years			
End of year	Total paid to date	Effect of deductions to date	What you might get back
1	£300	£308	£0
2	£600	£210	£421
3	£900	£262	£709
4	£1,200	£318	£1,000
5	£1,500	£379	£1,320

The later years			
End of year	Total paid to date	Effect of deductions to date	What you might get back
6	£1,800	£446	£1,640
7	£2,100	£518	£1,990
8	£2,400	£596	£2,340
9	£2,700	£681	£2,710
10	£3,000	£609	£3,260

What are the deductions for?

The deductions are taken into account when the policy is surrendered, lapses or matures. They are used to pay costs of setting up the plan, including marketing and acquisition costs, costs of running the plan and any cancellation penalties. They also include investment management costs and the costs of guarantees on this policy and on other with-profits policies. For further details, please see 'A guide to how we manage our with-profits fund.'

The effect of these deductions is shown in the tables above. These figures are best estimates based on our experience and they may vary in the future. The last line shows that, over the full 10-year term of the policy, the effect of the total deductions could be £609. Putting it another way, this would reduce the assumed rate of investment growth of 5% gross a year to 1.68% net a year.

Contact us

For information on setting up this policy or to request a copy in braille or large print, please call us on:

0333 014 6244 Calls from UK landlines and mobiles cost no more than a call to a 01 or 02 number and will count towards any inclusive minutes.

Lines are open 8am–6pm, weekdays.

Calls will be recorded for training and quality purposes.

Or email us on:

info@nationalfriendly.co.uk

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A guide to how we manage our with-profits fund

Its aims

This guide:

- explains briefly how our with-profits fund works
- helps you decide whether a with-profits investment is right for you
- will help you discuss with-profits with your financial adviser

When to read this guide:

You may wish to read this guide after you have read:

- the key features document, which covers such things as the risks, our charges and where your payments are invested
- your illustration, which explains what you might get back from your investment

Please keep this guide in a safe place with your other policy documents.

What does this guide cover?

This guide covers:

- investing for your future in our with-profits fund through a Tax-Free Savings Plan, Investment ISA or With-Profits Bond
- how our approach to managing our with-profits fund affects the amount you get back

Our approach can change from time to time, so we'll write to you if we make alterations that may significantly affect your with-profits investment.

What is a with-profits investment?

'With-profits' is an investment that, depending on the product you have, provides:

- the possibility of medium or long-term growth (by 'medium term' we mean at least 5 years, by 'long-term' we mean at least 10 years), however the growth is not guaranteed and you could get back less than you have invested
- some protection against the ups and downs of the stock market (known as smoothing)
- in respect of the Tax-Free Savings Plan and With-Profits Bond, but not the Investment ISA, some guarantees of the minimum final amount you will receive

How does the with-profits fund work?

After taking any initial charges from your money, we pool the remainder with that of many other investors in our with-profits fund. Each investor is credited with a share of the with-profits fund.

The size of your share depends on how much you have paid in and when you paid.

The with-profits fund invests in different types of investments (called the mix of assets) such as company shares, property, bonds (types of loan, usually to the Government or companies) and cash deposits. What proportion we put into each type of investment will vary over time.

We currently invest a significant portion of the with-profits fund in company shares and property. We limit the maximum amount that can be invested in any one particular share or property.

We review our mix of assets at least once a year.

Meaning of 'with-profits fund' and 'group'

In the rest of this guide:

- **with-profits fund** means the with-profits fund as a whole
- what **group** you're in depends on the type of policy you have and when you started it

Fairness to all investors in the with-profits fund

We aim to pay all investors their fair share of the profit in the with-profits fund.

We calculate each investor's fair share by looking at a sample of policies and working out for each of these what the fair share would be.

We look at samples for each group of investors, including your group. When deciding what is a fair share, we take into account a number of factors including:

- how much has been invested in those sample policies
- the with-profits fund's past investment performance
- the charges we have made
- the with-profits fund's gains and losses
- any guarantees or promises we have made
- taxation

We also use these fair shares to help us decide what bonuses to pay to different investors and what market value reductions or investment performance adjustments to apply (see pages 6 and 7).

What are the bonuses?

We can add two types of bonus to your policy.

- **annual bonuses**, which increase the amount you'll receive. For our Tax-Free Savings Plan, once added we cannot take the annual bonus away provided that the policy is held to maturity
- a **final bonus**, which we use to make sure you get your fair share of the profit in the with-profits fund when you move out of with-profits or if you die

We have wide discretion in deciding bonuses and don't guarantee that we will always add bonuses.

Different types of policy receive different bonuses. We usually decide bonuses once a year, but we may change them at any time. In some years we may decide not to allocate a bonus. We may add an interim bonus on the closure of a plan due to maturity (where applicable), early closure or death. Interim bonuses are not guaranteed and the percentage rate may change at any time or may be zero.

The yearly statement we send you will include information about the bonuses already allocated for your policy.

Annual bonuses

When deciding how much annual bonus to pay, one of the most important things we look at is how investments will perform in the future. For example, if we expect investment returns to fall, we're likely to reduce bonuses. This would happen even if actual returns in previous years had been higher.

We might make the reductions in several stages.

Final bonuses

We may pay a final bonus if the amount we have already guaranteed to pay you is less than a target value we have set for with-profits policies. We aim to top up what investors get from their with-profits policies to this target value. In the case of our ISA, the final bonus may be negative, which would reduce the amount payable to you.

We set the target value by considering the following main factors:

- the 'fair share' of the with-profits fund for the relevant with-profits policy
- the adjustment we make for the smoothing (see page 6) of recent investment returns
- how we expect investments to perform over the coming months
- a reduction (if necessary) to help meet the extra payments we expect to make from time to time because of the guarantees attached to some policies

What affects the value of my policy?

Many factors affect how much you'll get back from your policy. These are the main ones:

a) Investment performance

The biggest factors are investment performance and the gains and losses of the with-profits fund.

Gains and losses depend on several things, including how much of the with-profits fund we invest in different types of investments. We hold some higher-risk investments such as shares and property, which could produce higher returns than some other types of investments but could also produce greater losses.

The rest is in lower-risk investments, such as fixed-interest bonds issued by companies or the Government, and cash in deposits that earn interest.

Over time, the performance of different types of investments varies significantly and we may change the balance of the investments to:

- improve long-term performance
- make sure that the with-profits fund can always meet its guarantees

b) Guarantees

We guarantee a minimum amount that you will get back from your National Friendly Tax-Free Savings Plan or With-Profits Bond, but the guarantee applies only if:

- you move out of with-profits on a date on which a guarantee applies to your policy
- or
- you die before that date

The guaranteed minimum amount will depend on the terms of your policy.

The minimum amount you will get back from your National Friendly Investment ISA is not guaranteed but will reflect your share of the profit in the with-profits fund.

c) Smoothing

With-profits investing includes a special feature called 'smoothing'. The main result of smoothing is to reduce the effect of recent stock market fluctuations on what you get back. By recent we mean the last couple of years.

So, for example, in good years we will hold back some of the profits and use them to top up bonuses in poorer years.

However, smoothing will not stop bonuses or other payouts from getting progressively smaller if investment returns remain low over several years. So, when times are not so good, you may get reduced bonuses or no bonus at all.

We can change the way we carry out smoothing at any time, so that no matter what happens in the investment markets, we can still be fair to all investors in the with-profits fund.

Our current smoothing targets are as follows:

- For most policies, we aim to pay amounts that are within 20% of the fair share level
- For similar types of policies we aim to make claim payments that do not differ by more than 10%
- For policies of the same type paying the same premiums over the same term we aim to make claim payments that do not differ by more than 10% in successive years

d) Market value reductions (MVRs)

We have the right to make what's called a 'Market Value Reduction' (MVR) to your With-Profits Bond. This allows us to reduce the value of your policy if you decide to leave the with-profits fund. An MVR could also come into play if the stock market falls sharply when bond holders are cashing in their policies.

If we apply an MVR, it will mean a reduction in what you get back. We do not apply MVRs to our Investment ISA, although the final bonus could be negative and this would have the same result.

We constantly monitor investment conditions, and may also apply an MVR at any time if we think it necessary. We're likely to do this whenever payouts would otherwise be above the fair-share level.

We might reduce or remove the final bonus when we introduce an MVR.

We can introduce different MVRs for with-profits policies bought in different periods (a year or part of a year) or for different types of policies.

e) Investment Performance Adjustments (IPAs)

We have the right to apply what are called 'Investment Performance Adjustments' (IPAs) to your Investment ISA.

IPAs are used to adjust any significant difference between your monthly bonuses and the actual performance of the with-profits fund. IPAs are applied for each tax year when you withdraw money from your ISA. Generally they are designed to add extra value to your ISA. However, the IPAs could be negative to reflect a decline in the value of the with-profits fund which would mean the value of your ISA would fall and you could get back less than you invested.

A separate IPA rate is used for each tax year and each rate is reviewed regularly.

Because the IPA rates are only reviewed from time to time, the value of your ISA will not immediately reflect the movements up or down in the value of the assets.

However, over time the IPAs will ensure that the value of your ISA will largely reflect the performance of the with-profits fund.

f) Our charges

The charges we make include administration costs and other expenses and are shown in your illustration.

g) Guarantees and payments to other with-profits investors

Our guarantees and commitment to paying 'fair shares' to other with-profits investors can affect what you get back.

The guarantees could also affect how we invest the with-profits fund.

h) Tax

Any tax we pay within the fund reduces the value of any growth achieved. Our aim is to spread the burden of taxation of the with-profits fund as fairly as possible, throughout the with-profits fund.

i) The size of the surplus assets

The surplus assets are a pot of money that provides working capital for the with-profits fund. We build up this pot from profits that are not needed to support the with-profits fund's current and future liabilities.

If the size of the surplus asset reduced significantly, we would review the way that we manage the with-profits fund. The following issues might need to be considered:

- We may change our investment strategy to invest the with-profits fund in a higher percentage of lower risk fixed interest investments. However, these lower risk investments would be expected to give you a lower investment return
- We may restrict the amount of new business (or not accept any new business) to reduce the costs associated with writing new business
- Any expenses being met by the surplus asset may need to be taken into account in calculating what the fair share should be and may reduce what you get back

What if I decide to move out of with-profits?

We aim to ensure that you get fair value for your investment, but we do not guarantee the minimum that you could get. You may get back less than you invested.

How much you get back from your Tax-Free Savings Plan depends on:

- how much you paid in
- the investment return achieved on the with-profits fund
- the expenses incurred in administering your policy

How much you get back from your With-Profits Bond or Investment ISA depends on:

- how much you paid in
- plus the annual bonuses we have already added
- plus any final bonus we might add
- less any MVR or, in the case of the Investment ISA, a negative final bonus
- less any penalty charges within the first five years of opening a With-Profits Bond
- in the case of the With-Profits Bond, any guarantees attached to your policy
- less an adjustment for any withdrawals

We aim to maintain a fair level of future payouts to everyone investing in the with-profits fund.

Where can I find out more?

If you are still unclear about investing in with-profits, please speak to your financial adviser or contact our Customer Support Team on the numbers below.

If you would like a more detailed and technical guide to how we manage the with-profits fund, a copy of our Principles and Practices of Financial Management is available from our Customer Support Team or our website at www.nationalfriendly.co.uk

To request a copy in Braille, large print or audio please call us on

0333 014 6244 Calls from UK landlines and mobiles cost no more than a call to an 01 or 02 number and will count towards any inclusive minutes.

Lines are open 8am-6pm weekdays. Calls are recorded for training and quality purposes.



www.nationalfriendly.co.uk

info@nationalfriendly.co.uk

National Friendly is a trading name of National Deposit Friendly Society Limited. Registered office: 11-12 Queen Square, Bristol BS1 4NT. Registered in England and Wales no. 369F. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. National Deposit Friendly Society Limited is covered by the Financial Services Compensation Scheme.

NF001 10.16

Tax-Exempt Savings Plan Application form

Please return your completed application form in the pre-paid envelope provided or send it to:
National Friendly, 11-12 Queen Square, Bristol BS1 4NT

Alternatively, you can complete your application online at www.nationalfriendly.co.uk/tesp
or by calling us on:

0333 014 6244

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8am-6pm weekdays. Calls are recorded for training and quality purposes.

1 Policyholder details

Title	Full name
Address	
Postcode	
Contact tel.*	Email*

National Insurance no.* - - - -

*Leave blank for a child under 16

Date of birth

Male

Female

We will use the details provided above only to contact you about the policy and to verify your identity. We may also use them for marketing purposes unless you tell us not to (see Box 6). If less than 3 years at current address, please provide previous address on a separate sheet of paper.

2 Proposer details (to be completed by a parent or guardian where the policyholder is under 16)

Title	Full name
Address (if different from policyholder)	
Postcode	
Contact tel.	Email

Date of birth

Male

Female

Relationship to policyholder

We will use the details provided above only to contact you about the policy and to verify your identity. We may also use them for marketing purposes unless you tell us not to (see Box 6). If less than 3 years at current address, please provide previous address on a separate sheet of paper.

3 Name of payer (if different from policyholder and proposer)

Title	Full name
Address	
Postcode	
Contact tel.	Email

Date of birth

We will use the details provided above only to contact you about payments and to verify your identity. If less than 3 years at current address, please provide previous address on a separate sheet of paper.

4 Your choice of term

You can choose a set term of between 10 and 25 years and the policy must mature after the policyholder's 16th birthday.

I would like the policy to run for years.

5 Additional information

We need to know if the policyholder holds any other friendly society tax-exempt policies or qualifying life assurance policies - see **What about tax?** in the Key Features. Please provide details here of how much and how often you are currently saving into these types of policies.

The Data Protection Act

National Friendly complies with the Data Protection Act 1998. We will treat the information you provide as confidential and hold it securely on computer, paper or in any other appropriate form for a reasonable period, including after considering your application and after closure of your policy.

Use of your personal information

Information we receive in connection with the policy will be held by National Friendly in accordance with the Data Protection Act 1998. We will handle this information on a confidential basis and use it to administer the policy, validate and process claims, to prevent financial crime, and to maintain management information for business analysis. Where your data is shared with other organisations it will be subject to the data processing policies of those organisations. National Friendly will take reasonable precautions to protect the security of your data during transfer.

How we share your data

Under this agreement we may share your personal information with our agents or service providers to administer the policy and with any intermediary or agent appointed to act on your behalf. We may share your data with government and law enforcement agencies to comply with legislation and regulations and to prevent financial crime and with fraud action groups for fraud prevention purposes. We will share your data with credit referencing agencies for identity verification which will leave a 'soft footprint' on your credit file but will not affect your credit rating. We will not otherwise share your personal information unless it is lawful to do so.

Telephone calls

Calls are recorded for quality and training purposes.

Obtaining a copy of your personal information

For the purposes of data protection law, National Friendly is the data controller. If you wish to view a copy of the personal information we hold about you, please write to the Data Protection Officer at: National Friendly, 11-12 Queen Square, Bristol BS1 4NT.

Marketing consent

Where you have given your permission, National Friendly and its subsidiary companies may use the information you have provided to contact you by post, telephone or electronically with details of other products or services. You may contact us at any time to change your permissions, stop receiving this information, or to change the methods by which you receive it. Where you are the proposer, your marketing permission will not be deemed to be that of the child policyholder.

We would like to let you know more about National Friendly and its subsidiary companies' products and services either by letter, telephone, email and text. However, if you would NOT like to receive marketing information about National Friendly or its subsidiary companies please tick here:

If you do not understand any point please ask us for further information before signing.

I would like to apply for a Tax-Exempt Savings Plan and declare that:

- For the duration of this policy the policyholder will not pay premiums into any other friendly society tax-exempt savings policies.
- That in taking out this policy the policyholder is not in breach of the annual limit for qualifying policies of £3,600 at the date this application is made, and I will notify National Friendly if the policyholder does breach the annual limit.
- Where this application has been completed by someone else, it was done so at my request.
- I expect to be able to continue to pay premiums for the full duration of the term I have selected.
- Where I am the proposer, I will act on behalf of the child this policy is intended to benefit.
- I consent to my/our personal data being processed as described in Box 6 of this application form.
- I consent to my/our personal information being shared as described in the 'How we share your data' section of this application form.
- You may undertake a search with Experian for the purposes of verifying my identity. To do so Experian may check the details I supply against any particulars on any database (public or otherwise) to which they have access. They may also use my details in the future to assist other companies for verification purposes. A record of the search will be retained.
- I have provided an official birth certificate as evidence of identity for any child policyholder named on this policy (this is the original document or official replacement as I understand photocopies will not be accepted).
- I understand that this policy will begin on the 1st of the month after the application has been accepted. This date will be confirmed in the policy schedule.
- I understand that the policy schedule and the terms and conditions document will form the basis of the contract for this policy. Both will be sent to me after this application has been accepted and I will then have 30 days in which I can change my mind if I wish.
- I agree that to the best of my knowledge and belief the information provided in this application is true and complete and I will advise you, in writing, of any changes to this information. I understand that the statements I have made on this application will form the basis of the contract between me and National Friendly.

Policyholder's signature (or proposer's signature if policyholder is aged under 16)

X

Date

Please ensure the payer completes the Direct Debit form on the next page, even if one is already set up with us.



Instruction to your bank or building society to pay by Direct Debit

Please fill in the whole form using a ball point pen and send to:

National Friendly
11-12 Queen Square
Bristol
BS1 4NT

Service user number

6 7 7 9 0 2

FOR NATIONAL DEPOSIT FRIENDLY SOCIETY LTD OFFICIAL USE ONLY
 This is not part of the instruction to your bank or building society

Name(s) of account holder(s)

Bank/building society account number

Branch sort code

Name and full postal address of your bank or building society

To: The Manager Bank/Building Society
 Address

 Postcode

Instruction to your bank or building society

Please pay National Deposit Friendly Society Ltd Direct Debits from the account detailed in this Instruction subject to the safeguards assured by the Direct Debit Guarantee.

I understand that this Instruction may remain with National Deposit Friendly Society Ltd and, if so, details will be passed electronically to my bank/building society.

Signature(s)

 Date

Reference

DD17

Banks and building societies may not accept Direct Debit instructions for some types of account. This Guarantee should be detached and retained by the payer.



The Direct Debit Guarantee

- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits.
- If there are any changes to the amount, date or frequency of your Direct Debit National Deposit Friendly Society Ltd will notify you 10 working days in advance of your account being debited or as otherwise agreed. If you request National Deposit Friendly Society Ltd to collect a payment, confirmation of the amount and date will be given to you at the time of the request.
- If an error is made in the payment of your Direct Debit by National Deposit Friendly Society Ltd or your bank or building society you are entitled to a full and immediate refund of the amount paid from your bank or building society.
 - If you receive a refund you are not entitled to, you must pay it back when National Deposit Friendly Society Ltd asks you to.
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

For information on this product or to request a copy in Braille, large print or audio please call us on:

0333 014 6244

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8am-6pm weekdays. Calls are recorded for training and quality purposes.

Or send us an email:

info@nationalfriendly.co.uk



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www.nationalfriendly.co.uk

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