Tax-Exempt Savings Plan
Your Policy Explained

An affordable and tax-efficient way to save regularly for the future.

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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.

This document gives you a summary of National Friendly's Tax-Exempt Savings Plan so you can get an idea of whether you'd like to save with us. Where we address 'you' we mean the policyholder or any adult acting on behalf of a child policyholder.

There's more detail in our Policy Conditions which you can ask us for at any time. If you take out a policy then we'll include a copy of the Policy Conditions in your welcome pack along with a reminder of your cover details in your Policy Schedule.

We've been around for over 155 years so we've got a long history of looking after people. We want to make sure your policy meets your needs both now and in the future.

Definitions

Assets: investments held within the Society's with-profits fund.

Bonus: an amount we may add to your policy.

Equities: shares in the stock market, typically held through equity funds.

Guaranteed Maturity Value: this is the amount shown on your illustration and is the guaranteed minimum you will receive if you keep the policy for the length of time you choose when taking it out and you make all the payments due.

Policyholder: the person named as policyholder will own the policy, whether that is an adult or a child. That adult/child will receive payment on maturity or surrender.

Smoothing: This means holding back money that could be distributed as annual bonuses to help protect against difficult financial conditions in the future.

Surrender: to cash in your policy before the end of its term.

What is a Tax-Exempt Savings Plan

It's a simple product that lets you put a little away over a set period. At the end of the 10- to 25-year period you want to save for, you get a tax-free lump sum of money to spend on whatever you want.

A Tax-Exempt Savings Plan is what's known as a qualifying policy. This means that provided the terms of the policy are followed, you won't pay tax on the amount we pay out when it ends. We give more details in 'What about tax?' on page 8.

You will choose a number of complete years you want it to run for before it pays out, and this will be between 10 and 25 years. We often refer to the end date as the maturity date.

It's a pure endowment policy which means it will pay out on a specific date in the future as long as you're alive at that time. If you die before then, we will just return the payments you've made.

Key Features of the Tax-Exempt Savings Plan

- A guaranteed tax-free amount payable at the end of the term you choose, to which bonuses may be added
- We'll pay out more than you've paid in, to spend on whatever you like, as long as you make all the payments due up to the end date
- You can choose to pay £10, £15 or £25 a month, or £108, £162 or £270 a year
- Money is invested for you in our with-profits fund so you don't have to manage it but here are a few things you need to know:
    - This policy is not designed to be a short-term investment
    - You need to follow the rules which keep the policy tax-free (the qualifying rules) by paying all of the monthly/annual payments for your selected term of between 10 and 25 years
    - If you surrender (cash in) your policy before your chosen end date, you could get less than you have paid in and the amount you receive may become taxable
    - If you cash in your policy in the first year, you won't get any money back after maturity
    - The actual amount you get back, over and above the guaranteed minimum amount, depends on the performance of the fund over the term you hold it. This means bonuses may not be added to the amount guaranteed at maturity
    - We will keep back some of the investment return in good years to help maintain bonus rates in years which have not been so good
    - The policy has no life cover and so if you die before the end date, we will only pay back what you paid in
    - Over time, the impact of inflation will reduce what the payout will buy
    - The effect of deductions we make might be higher, and the growth rates we show might be lower, than the examples we provide in this document
    - If the government changes tax legislation on this type of policy, this could affect how much you get back

Are there limits on how much I can pay?

Yes. The limit for Tax-Exempt Savings Plans is £25 a month if you pay monthly or £270 a year if you pay once a year and these limits cover one or more policies with us or with another provider. So, if you have a £10 a month policy, you could later take out a £15 a month policy, and vice versa, but no more than that.

The limit does not affect any of your ISA allowances.

There is also a tax relief limit of £3,600 a year applying to total annual payments made in any 12 month period for qualifying life assurance policies (policies on which you don't pay tax on the proceeds).

Who can take out a Tax-Exempt Savings Plan?

- You must be UK resident
- You must be aged 16 or older both to buy one for yourself or to buy one for a child under 16
- Any adult, including grandparents, can pay for a policy for a child and the child will be the policyholder. The person who signs to apply for the policy will be what we call the proposer. This 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 you can take out a Tax-Exempt Savings Plan

- You can take out a policy yourself, by getting an illustration then completing an application online
- You can speak to one of our friendly sales team
- You can buy a policy with the help of an adviser if you have one

Choosing the amount you save

- £25 a month is the maximum monthly amount payable into tax-exempt savings policies of this type. If you want to pay an annual amount, the maximum set by regulation is £270 a year
- The other options and their annual equivalent payments are £15 a month (£162 a year) and £10 a month (£108 a year).

Paying for your policy

All payments will be collected by direct debit either monthly or annually on a date we agree.

You cannot change the amount you pay on this policy or change the frequency at which you pay, either from monthly to annually or from annually to monthly.

You'll need to keep up payments throughout your policy to the end date you selected.

What will happen if you stop your payments

If you miss a payment or payments, this will reduce the amount you will be paid when the policy ends.

If you don't pay, we will send you a reminder. If you don't want to pay any longer, please contact us. If you don't pay and you owe more than 12 months' payments, we will lapse (close) the policy and will tell you if any value is due.

Who this policy might be suitable for?

This policy might be suitable for someone who:

- Does not currently have a friendly society tax-exempt savings policy or otherwise will not exceed their full tax-exempt entitlement by buying one with us
- Wishes to take advantage of a tax-efficient investment
- Expects to be able to make payments for the full term of the policy, which will be a choice of between 10 and 25 years
- Doesn't want to invest wholly in higher risk funds, but wants to invest in a mix of investments which is what our with-profits fund offers
- Does not need the policy to provide a fixed sum of life cover
- Has maximised their annual ISA allowance and is looking for other potentially tax-exempt savings options

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 this policy might not be suitable for?

It might be not suitable for someone who:

- Already has a tax-exempt savings policy with a friendly society at more than £15 a month, which with ours would take the total above the £25 a month maximum
- Might find it hard to keep up the monthly payments throughout the term
- Wants their money quicker than this plan is designed for
- Wants an investment which has no risks to capital or growth
- Wants a fixed amount of life cover

How your money is invested

We will invest your money into our with-profits fund. The fund invests in three main asset classes:

- Equities (stocks and shares)
- Fixed interest securities (government and corporate bonds); and
- Commercial property

This mix of investments helps to reduce the impact on the fund should one or more of the asset classes above underperform.

To find out more about the with-profits fund, you should read our '**Principles and Practices of Financial Management**' which can be found on our website or by asking us to send you a copy.

The deductions we take

We take deductions from the policy at 30% of your first year's payments and 6% of payments in the following years. These deductions are for the cost of setting up and administering your policy. They will be reflected in the amount you get back when the policy reaches the end of the term you chose, you cash it in early, or it's closed because you stop paying into it.

We also have to pay specialist investment and property management companies. Finally, we'll take deductions from the fund to pay the cost of guarantees on your policy and on other with-profit policies in the fund.

We'll pay these costs by taking some money out of the investment returns achieved by the fund before we calculate and declare the appropriate level of bonuses on policies like yours.

The amount we deduct from your policy and other with-profits policies for our cost of guarantees will vary each year to reflect the actual cost of guarantees incurred. This is also true for our investment fees. The percentage of your first and subsequent years' payments won't change. The example illustration at the end of this document shows the effect deductions have on your investment. These include deductions for fund management and the cost of guarantees. Please ask us for a personalised illustration for the length of time you want the policy to run.

How bonuses work

There are two types of bonus which could be added on this policy. These are annual bonuses and final bonuses.

Each year we will assess the past performance of the with-profits fund and assess its expected future performance before declaring a bonus, which could be zero.

As a responsible holder of your money, we set annual bonuses at levels that our Board considers to be sustainable in the long term. They will study 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 while afterwards. This could mean that for a number of years, zero bonuses are declared.

Any bonuses that are declared will be added to your policy and cannot be taken away, as long as you continue to make payments right up to maturity (the end date you chose).

To cover the risk of periods where investment performance is poor, we might hold back some bonus when investment performance has been good in case the markets later get worse.

We might also do this to meet guarantees on your policy.

Holding money back in this way is called 'smoothing.' It's ironing out the ups and downs of investment performance.

Our aim is to pay you a fair share of the performance of the fund over the term you hold the policy.

When your policy reaches its end, we may apply a final bonus to your policy to ensure that this is achieved.

Understanding the guaranteed maturity value

Provided the policy runs to the end of your chosen term and all payments are made up to date, the policy pays at least the guaranteed maturity value shown in your illustration. This will be slightly more than the amount you have paid in.

How will I know how much the policy is worth?

Once a year we will send you a statement showing any annual bonuses declared and the resulting total value of the policy.

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 your policy could pay out' on page 7.

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 your policy could pay out' on page 7.

What happens if you die during the policy term?

If you are the policyholder and you die before the end date of the policy we will pay back all that's been paid in. There is no life cover associated with this policy.

If the parent or guardian acting on behalf of a child policyholder under age 16 dies, then another parent or guardian can apply to act on behalf of the child up to the child's 16th birthday. The child will then take responsibility for any investment term remaining to maturity.

If the payer for a policy dies, then another person can take over payment, subject to the terms and conditions of the policy.

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.

Money covered by a nomination 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 total claim over £5,000 will be paid out in accordance with our death claims process. We will require sight of probate or letters of administration where the claim is more than £25,000.

How much your policy could pay out

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 at the end of the term you choose

The policy features a guaranteed maturity value. As long as all payments are made up to the end of the chosen term, we'll as a minimum pay the guaranteed maturity value. We will add any annual bonuses and any final bonus applicable. We'll make sure you get a fair share of the performance of the with-profits fund over the term.

If, at maturity, you've not made all the payments due, the amount paid out will be the surrender value as set out below.

On surrender – ending on a date earlier than the term you choose

If you end your policy in the first year you won't get any money back.

If you end (surrender) your policy after the first year but before the end date you selected, you may get back less than you have invested and a surrender value will apply. The guaranteed maturity value will no longer apply.

We will calculate a surrender value based on how much you have paid in and which reflects your fair share of the with-profits fund, after deductions, in accordance with our 'Principles and Practices of Financial Management'. This document can be found on our website or by asking us to send you a copy.

If you surrender the policy you may have to pay income tax on any gain you receive (please see 'What about tax?').

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 (ends) because you stop paying

If your policy payments are 13 months in arrears the policy will lapse and cannot be reinstated. We will pay out an amount (the lapse value) calculated as the surrender value based on the payments you've made, as set out on the left.

You'll need to claim the surrender value of the policy in this instance; we won't pay it out automatically.

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

If the policyholder dies

This policy does not include life cover. If the policyholder dies we will pay back all the payments we've received. The policy will then end and have no further cash value.

What about tax?

The money you and others pay into our Tax-Exempt Savings Plan is 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 you.

You will not pay income tax or capital gains tax on any money paid out when the policy reaches the end of the term you chose or if the policyholder dies.

However, you may have to pay income tax on any gain made if either of these things happen before three-quarters (75%) of the agreed term has passed. For a 10 year policy, this is 7 ½ years.

- you cash the policy in (surrender); or
- the policy ends (lapses) because you stopped paying

If you have held the policy for 10 years or more, no tax will be payable on closure. If tax does become payable, then we will give you a chargeable event certificate, details of which may be required by HM Revenue & Customs.

Any money returned from the policy upon death will form part of the policyholder's estate and may therefore be liable to inheritance tax.

The payout from this policy could affect any means-tested state benefits you might be entitled to.

We've based this information 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.

If you want to cancel your policy

You can change your mind within 30 days of getting your welcome pack and we'll give you back any payments you've made. Just let us know if you decide it isn't right for you using the contact details on the back page.

You're also able to cancel at any time after 30 days. You won't get any of your payments back if you cancel in the first year. After that, a surrender value may apply. Please contact us if this is what you'd like to do.

We may ask you your reasons for cancelling because we don't want you to make a loss on the money you've paid in. But don't worry, there won't be any barriers to closing it if that's what you want.

Who regulates National Friendly?

National Deposit Friendly Society Limited 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.

Further Information page

If we get things wrong

We hope you never need to complain about your policy or the service we give you. But, you have the right to complain if you need to, and we'd like the chance to put things right.

You can tell us what's gone wrong by telephone, email or post.

- Phone us: **0333 014 6244** 8am-6pm Monday to Friday excluding bank holidays. 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.
- Email us: **complaints@nationalfriendly.co.uk**
- Write to us:
  Complaints Coordinator
  National Friendly
  11-12 Queen Square
  Bristol
  BS1 4NT

We will explain our complaints process, review your complaint and try to sort it out for you.

We aim to send you our final response in writing within three business days. For more complex complaints this could be between four to eight weeks.

If you're not happy with our response, you can make a complaint to the Financial Ombudsman Service (FOS), who look at complaints between customers and insurers.

This won't affect your legal rights and is a free service to use. You can find out more information at **www.financial-ombudsman.org.uk**

You can write to the FOS at **Financial Ombudsman Service, Exchange Tower, London E14 9SR**, phone them on **0800 023 4567**, or email them at :
complaint.info@financial-ombudsman.org.uk

Who you're protected by

You're covered by the Financial Services Compensation Scheme (FSCS). This means in the unlikely event that we can't pay your payout, you may be able to claim compensation from them.

Full details of what you are protected for can be found at **www.fscs.org.uk**

Who we are

National Friendly is the trading name of National Deposit Friendly Society Ltd which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

How we do things – law, language and currency

In the event of a dispute we will try to solve any disagreements quickly and efficiently. If you are not happy with the way we deal with any disagreement, and you want to take court proceedings, you must do this within the UK.

All correspondence will be in English and all currency used will be in GB pound (£).

If you need your documents in other formats

We're able to give you all documents in Braille, large print or audio.

If you'd like a copy, please contact us using the details on the back page.

Example illustration

Policy term: 10 years
Monthly payment: £25
Guaranteed maturity value: £3,010

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 and payment 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 projection rates. All firms are subject to the same rules governing projection rates but their charges, which are separate, may vary. The mid projection must reflect 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.

If the investment grows at	2.0% a year	5.0% a year	8.0% a year
You might get back	£2,940*	£3,420	£3,980

*In practice you will get back £3,010 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 you will get back depends on how the investment grows, the effect of deductions and on the tax treatment of the investment. You could get back more or less than these illustrative figures.
- As a minimum you will receive back at maturity the guaranteed maturity value assuming all payments are made. The amount paid at maturity will include any bonuses added.
- We will send annual statements that will allow you 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 projected maturity values shown in the table above will be subject to deductions of 0.4% 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

Based on the projection rate of 5.00% a year scenario the tables below show how our deductions might affect the value of your policy. These projections are used for illustrative purposes only and are not guaranteed.

If you surrender (cash in) 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 year 2 and onwards are after a deduction of 0% surrender charge.

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	£118	£513
3	£900	£147	£824
4	£1,200	£178	£1,140
5	£1,500	£214	£1,480

The later years			
End of year	**Total paid to date**	**Effect of deductions to date**	**What you might get back**
6	£1,800	£253	£1,840
7	£2,100	£296	£2,210
8	£2,400	£343	£2,590
9	£2,700	£395	£3,000
10	£3,000	£453	£3,420

Deductions - why we take charges

We take charges (deductions) throughout your policy and this will be reflected in the amount we pay when the policy reaches the end of its term or ends earlier due to surrender or where it lapses because you stop paying. We use the charges we take to pay the costs of setting up the plan, including marketing and acquisition costs, the costs of running the plan and any charges made for cancellation.

We also use the charges we take to pay asset management costs and for the costs of guarantees on this policy and on other with-profits policies. For further details, please see our 'Principles and Practices of Financial Management' which can be found on our website or by asking us to send you a copy.

The effect of these deductions is shown in the tables above. These figures are best estimates based on our past experience but they could vary in the future. The last line shows that, over the full 10-year term of the policy, the effect of the total deductions we take could be £453. Putting it another way, the projection rate allowing for these deductions would reduce from 5.00% to 2.59% a year.

Here's how you can contact us

For information on this policy, to request a copy in Braille, large print, or audio, please get in touch.

You can call us on:

0333 014 6244 8am-6pm Monday to Friday excluding bank holidays.

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.

Calls are recorded for training and quality purposes.

Or email us at:

info@nationalfriendly.co.uk

Or visit us at:

www.nationalfriendly.co.uk

Or mail us at:

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

National Friendly