

## Key features of the Shepherds Bonus Plan

### What is the purpose of this document?

**The Financial Services Authority is the independent financial services regulator. It requires us, The Shepherds Friendly Society Ltd, to give you this important information to help you to decide whether our Bonus 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.**

### Its aims

To provide:

- a TAX EXEMPT and disciplined form of regular saving for the first £25 per month;
- a tax-free lump sum after 10 years or more;
- investors with an opportunity to share in our profits; and
- valuable life cover throughout the plan's term.

### Your commitment

- You agree to pay a regular monthly or yearly premium by Direct Debit for a minimum of 10 years.
- The plan should be considered as a long term (10 years or more) investment.

### Risks

- How your investment performs may vary during the term of the plan. Because of this you may have a higher or lower lump sum than you expect at the end of the plan.
- If you take your money out of the plan during the first few years, you are unlikely to get back as much as you have put in.
- If you take your money out at any time before the end of the plan, you may have to pay to do so. This cost could be more or less than the examples in this leaflet.

# Questions and answers

## What is the Bonus Plan?

The Bonus Plan is a 'with-profits endowment assurance', designed to provide tax-exempt or taxable savings (or both) and life assurance cover over a period that we agree with you (see below for what we mean by tax-exempt).

## What do you mean by tax-exempt investments?

We have a special tax-exempt status. If you pay premiums which add up to no more than £25 a month or £270 a year, we do not have to pay tax on the increase in value of the fund, or on income from our investments.

The proceeds that we pay out if you die, or at the end of the plan will be free of any tax liability (this means that you will not pay any income or capital gains tax). Laws on tax may change in the future.

## Who can have a Bonus Plan?

As long as you are aged between 16 and 60 next birthday, and you pay premiums for at least 10 years, you are eligible for a Bonus Plan.

## How much can I save?

You must pay at least £10 into the plan each month, up to £200 a month.

Only premiums up to £25 a month or £270 a year can go into a tax-exempt plan.

If you pay in more than £25 a month, or £270 a year, we will set up a separate plan for the extra money. This will be treated differently for tax purposes.

## How will my investment grow?

We will invest your premiums in our With Profit Fund, which holds a mix of assets including stocks and shares, property, gilts, bonds and cash. The market values of

these assets move up and down over time but such movements are outside our control. These movements may affect how much we add to plans as bonuses.

The aim of the Fund is to provide each customer with steady investment growth over the full savings period of their plan. To do this we keep back some of the investment returns we make in good years so that we can pass them on in years when performance is not so good. We add the returns as a yearly bonus. Once we have added a yearly bonus to a plan, we guarantee to include it in the amount we pay out when the plan reaches the end of the agreed period.

We may pay an extra bonus, called a final bonus, depending on how the fund has performed.

You can find more information about how our fund works in our document called "A guide to how we manage our with-profits business", which comes with this document.

## What might the benefits be after 10 years?

Example of a tax-exempt plan,	
Age (next birthday)	30
Monthly premium	£25
Contract term	10 years
Total payments after 10 years	£3000
If your investments grew at 5% a year your fund after 10 years would be £3280	
If your investments grew at 7% a year your fund after 10 years would be £3620	
If your investments grew at 9% a year your fund after 10 years would be £4000	

## Will my investments work out exactly as in the example?

The example we've provided is meant to be an illustration of what your investment may be worth. What you will actually get back depends upon how our investments perform.

You could get back more or less than this.

All Friendly Societies who offer life assurance plans use the same rates of growth for their illustrations, but their charges vary.

Do not forget that inflation could reduce what you could buy in the future.

**Warning - Lower growth rates of 4%, 6% and 8% apply to premiums above £25 a month. They are not Tax-Exempt.**

## What happens if I die?

The plan will provide a guaranteed sum which will be the smallest amount we pay out if you die unless you have stopped paying your premiums. This amount will depend on your premiums and your age at the start of the plan.

We will also include any yearly and final bonuses in the amount we pay if you die.

## What happens if I need to stop paying my premiums?

If you need to stop paying premiums, you should contact our head office as quickly as possible to discuss what options are available to you.

You may be able to send us the premiums you have missed by cheque.

1 If the plan started less than one year ago, we will cancel your plan and you will not get any money back and the life cover will stop.

2 If the plan started more than one year ago, you can ask for a 'cash in' value and take

your money and the life cover will stop. We may apply a 'Market Value Reduction' when you cash it in. So, this means that the amount you might get back may be less or more than the amount we told you on your last bonus statement. (To find out more about this, see the next section 'What is a Market Value Reduction?')

3 If the plan started more than two years ago and you do not take your money, we will make the plan "paid-up" automatically 13 months after the date when you paid the last premium. If this happens, the amount of life cover will reduce and you will receive a lower lump sum at the end of the plan.

**Warning - If you stop paying premiums during the early years, the value of your plan could be less than you have paid in.**

## What is a Market Value Reduction (MVR)?

If you cash in your investment before the end of the plan and our investment returns have been low we may use a Market Value Reduction to make sure you do not leave the fund with more than your fair share of assets. This is to protect plan holders who still have money in the fund, but it may mean that you receive less than you expected.

We would not use a market value reduction if you died or at the end of the plan.

## What are the charges for?

We take charges from your plan to cover our expenses, the cost of administering your plan and managing your investments. We will reduce the amount you get back from your plan if you stop paying your premiums before the end date of the plan.

## How do these charges affect my plan?

For a 10 year plan the effect of these charges are currently around 40% of the first year's premium and 10% of each subsequent year's premium. These are the current charges that we apply but they may vary in future years in line with the expenses of the Society. Please see the CFPPFM for more information.

The last line of the table below shows that over the term to the plan's end date, the cost of the deductions could add up to £672. Putting it another way, leaving out the cost of the life assurance, this would effectively bring the investment growth down from 7% to 3.8%.

Example of tax-exempt plan deductions			
The figures below assume the investments will grow at 7% a year			
Age (next Birthday)		30	
Monthly premium		£25	
Contract term		10 years	
Year	Total paid in to date	Effect of deductions to date	What you might get back
1	£300	£311	-
2	£600	£202	£442
3	£900	£248	£752
4	£1200	£297	£1080
5	£1500	£350	£1430

### The later years:

Year	Total paid in to date	Effect of deductions to date	What you might get back
10	£3000	£672	£3620

These figures are only examples; they are not minimum or maximum amounts. What you will get back depends on how your investments grow

## How much will any advice cost?

Your financial adviser (if you have one) will give you details about the cost of advice. The amount will depend on how much you are paying each month and the length of your plan.

## Where can I find out more?

Before your plan starts we will send you the full terms and conditions. These explain how the plan works.

If you would like to see these terms and conditions before you apply, please contact us: **Phone:** 0161 428 1212 **Fax:** 0161 428 3666

**Email:** [info@shepherdsfriendly.co.uk](mailto:info@shepherdsfriendly.co.uk) **Website:** [www.shepherds.co.uk](http://www.shepherds.co.uk)

## More information

**Claims** - to make a claim please contact us by phone on 0161 428 1212 and ask for the Claims Department. They will explain the claims process and send out a claim form.

**Cancellation Rights** - after we accept your application, we will send you a notice of your right to cancel. You will then have 30 days to change your mind and leave the plan

**Complaints** - if you want to make a complaint, please contact:

Compliance Officer  
Shepherds Friendly, Shepherds House,  
Stockport Road, Cheadle, SK8 2AA.

Phone: 0161 428 1212.

Email: [Info@shepherds.co.uk](mailto:Info@shepherds.co.uk)

If we don't deal with your complaint to your satisfaction, you can complain to the:

Financial Ombudsman Service, South Quay  
Plaza, 183 Marsh Wall, London, E14 9SR.  
(Tel: 0845 080 1800).

Making a complaint will not affect your right to take legal action.

**Past Performance** - please note that past performance is not a guide to future performance. It is important to understand that future bonuses depend on profits yet to be earned and, as a result cannot be guaranteed.

**Financial Services Compensation Scheme (FSCS)** - we are covered by the FSCS, which means you may be entitled to compensation under the terms of the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

For long term plans such as this the scheme covers 90% of the claim with no upper limit. Further information about the scheme is available from the FSCS -

7th Floor  
Lloyds Chambers  
Portsoken Street,  
London  
E1 8BN.

**Financial Crime** - we will take measures to protect members against financial crime. We may need proof of identity on application or claim and if required we may gather this proof by electronic means, for example checking Electoral Registers.

**Tax** - information that we provide in this leaflet about taxes in the UK is based on our understanding of current laws and HM Revenue and Customs practice which may change in the future.

**The Data Protection Act** - you have the right to ask to see any personal information which we may hold about you and to have any mistakes in this information corrected. You can do this by writing to the data protection officer at our head office. There may be a charge for this.

**Law** - the plan is governed by laws of England and Wales.



Providing Financial Security Since 1826

**AUTHORISED AND REGULATED BY THE  
FINANCIAL SERVICES AUTHORITY.  
THE SHEPHERDS FRIENDLY SOCIETY IS  
INCORPORATED UNDER THE 1992 FRIENDLY  
SOCIETIES ACT NO.240F**

### **The Shepherds Friendly Society Limited**

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**Website:** [www.shepherds.co.uk](http://www.shepherds.co.uk)

The Head office and Registered office of  
The Shepherds Friendly Society is based in the  
United Kingdom