

# Key features of the Shepherds Young Saver 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 Young Saver Plan is right for the child. 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 saving for the benefit of your nominated child;
- a tax-free lump sum for your nominated child at age 18 or after 10 years whichever is the later;
- valuable sickness benefit if the nominated child is unable to attend school, after 4 weeks of continuous sickness;
- a sum of money to assist with the child's expenses on their 11th Birthday without penalty.

## Your commitment

- You agree to pay, on behalf of your nominated child, a regular monthly or yearly premium by direct debit until the child is 18 (or for 10 years whichever is the greater time).

## Risks

- How the investment performs may vary during the term of the plan. Because of this the child could receive a higher or lower sum than you expect at the end of the plan and may not get back as much as you have paid in.
- The amount of bonus paid each year is related to the total amount of sickness benefit paid out, and the investment performance of Shepherds Friendly's funds. Therefore the bonus will fluctuate over the term of the plan.
- If money is taken out of the plan at age 11 the child is unlikely to get back as much as we originally told you they would because of this early withdrawal.
- If the plan is stopped and money is taken 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 Young Saver Plan?

The Young Saver Plan is a children's savings and sickness plan providing:

- A tax-free lump sum for the child at age 18 or after 10 years whichever is later.
- An income in the form of sickness benefits, when the child is off school or work due to illness or injury for more than 4 weeks.

The child is the sole beneficiary of the plan proceeds and you pay premiums on their behalf.

## Who can have a Young Saver Plan?

You can take out a Young Saver Plan for the benefit of your nominated child provided they are under 16 years of age.

## How much can I save on behalf of the child?

Due to the flexibility of the plan, you can choose a premium to suit you. If your circumstances change you can increase or decrease your premiums up to a maximum of £100 and a minimum of £7.50 a month, without penalty.

There is no limit on the number of changes you can make.

## How will the child's investment grow?

We will invest your premiums in our Fund, which holds a mix of assets including stocks and shares, property, gilts, bonds and cash. The market values of these assets may move up and down over time.

The investments in these funds are professionally managed. (Please see full Terms and Conditions for more information).

The aim of the Fund is to provide each member 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 them as a yearly bonus.

The amount of bonus paid each year is related to the total amount of sickness benefit paid out and the performance of our fund. Therefore bonuses may fluctuate over the term of the plan.

Once a bonus has been added to the plan we guarantee to include it in the amount we pay out when the plan reaches maturity. At the end of the plan a final bonus may also be added depending on how the fund has performed.

## What might a child get back at the age of 18?

Example of a Young Saver Plan,	
Age (next birthday)	5
Monthly premium	£30
Contract term	13 years
If the investments grew at 5% a year, the fund at age 18 would be £5520	
If the investments grew at 7% a year, the fund at age 18 would be £6320	
If the investments grew at 9% a year, the fund at age 18 would be £7260	

## Will the child's plan work out exactly as in the example?

The example we've provided is meant to be an illustration of what the investment may be worth. What the child will actually get back depends upon how our investments perform and the amount of sickness claims experienced.

The child could get back more or less than this.

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

Do not forget that inflation could reduce what could be bought in the future with the proceeds.

## **How much sickness cover can the child have?**

The maximum weekly sickness benefit is £400 and the minimum weekly benefit is £30.

You can have any level of sickness benefits between the maximum and the minimum.

The weekly benefit will be reduced by 50% after the first 26 weeks of illness and by 75% after 52 weeks of sickness.

Please note: Children under five years of age are not eligible for sickness cover.

## **How does the sickness cover work?**

The child is eligible for sickness benefit after 4 weeks of continuous sickness, once the plan has been in force for 6 months.

We define sickness as being unable to attend school (or subsequent full time employment, or education after age 16) due to illness.

Once eligible, the sickness benefit will be paid, to the parent or legal guardian who normally looks after the child, until the child returns to school or work.

## **Option to take money for your child at age 11**

At age 11 the parent/guardian may, on behalf of the child, withdraw up to 25% of the value of the child's fund without reducing the value of the sickness benefit.

The amount of the withdrawal will be deducted from the final value of the plan.

## **What happens if the child dies?**

Should the Young Saver Plan member die during the term of the plan the estate will receive the value of the fund without penalty.

## **What happens if I 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.

If the plan started less than 2 years ago the child's plan will be cancelled and you will not get any money back.

If the plan started more than 2 years ago you can ask for a cash in value. The money taken from the plan will be payable to the child. We may apply a Market Value Reduction (MVR) when the plan is cashed in. So, this means that the amount the child 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 Market Value Reduction').

If the plan started more than 2 years ago and the money is not taken we will make the plan automatically "paid up" 13 months after the date when the last premium was paid. If this happens, the child will receive less benefit.

13 months after the first missed Premium no sickness benefits can be claimed. The value of the Plan at this date will be established and may be increased in future by any bonuses made by the Society.

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

If our investment returns have been low we may use a Market Value Reduction to make sure the child does not leave the fund with more than their fair share of its assets. This is to protect plan holders who still have money in the fund but it may mean the child will receive less than you expected.

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

## How will charges affect the investment and what are the charges for?

We take charges from the child's plan to cover our expenses, the cost of administering the plan and managing the investments. We will reduce the amount the child gets back from the plan if you stop paying the premiums before the end date of the plan. An additional charge of £100 would be taken if the plan was cashed in early.

The last line of the table shows that over the term to the plans end date, the effect of the deductions could add up to £1190.

Putting it another way, leaving out the cost of sickness benefits this would have the effect of bringing investment growth down from 7.0% to 4.5%.

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

### Example of tax-exempt plan deductions,

The figures below assume that investments will grow at 7% a year.

Age (next Birthday)	5		
Monthly premium	£30		
Contract term	13 years		
At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£360	£373	-
2	£720	£644	£128
3	£1080	£619	£581
4	£1440	£605	£1050
5	£1800	£602	£1540

### The later years:

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
10	£3600	£818	£4340
13	£4680	£1190	£6320

**These figures are only examples; they are not minimum or maximum amounts. What the child gets back depends on how the 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**

**e-mail: [info@shepherdsfriendly.co.uk](mailto:info@shepherdsfriendly.co.uk)**

**Web: [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 the complaint to your satisfaction you can complain to the:

Financial Ombudsman Service, South Quay  
Plaza, 183 Marsh Wall, London E14 9SR.  
Phone: 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. You can get more information about the scheme 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 the 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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The Head office and Registered office of  
The Shepherds Friendly Society is based in the  
United Kingdom