

KEY FEATURES OF THE INCOME BOND

WHAT IS THE PURPOSE OF THIS LEAFLET?

The Financial Services Authority is the independent financial services regulator. It requires us, Sheffield Mutual Friendly Society, to give you this important information to help you to decide whether our Income Bond 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.

WHO IS THE INCOME BOND SUITABLE FOR?

Individuals who have a lump sum of between £10,000 & £50,000 to invest for a minimum of five years, who may require an income from their investment either immediately or at a future date, with the potential depending on performance for some capital growth.

ITS AIMS

- To provide a regular income from 2% to 5% of the initial investment each year with the potential for some capital growth.
- To give access to a range of different assets e.g. equities, property, fixed interest and cash through a single with-profits fund to give the prospect of better returns than a Bank or Building Society, but with a little more risk.
- To add bonus to the policy annually depending upon investment performance.

YOUR COMMITMENT

- You agree to invest a single premium.
- If you withdraw all or part of your investment within the first five years a surrender penalty will apply which could result in a reduction of capital.
- There is no fixed term but your Income Bond should be viewed as a medium to long term investment.

RISK FACTORS

- Investment performance can vary and the return may be less than that shown in the illustration.
- If the policy is encashed at a time of adverse investment conditions the value may be reduced to take account of these.
- Your circumstances may change forcing you to cash in the policy at a time when a penalty applies.
- Inflation may reduce what you could buy in the future.
- If you are a higher rate tax payer, additional tax may be payable on any investment gain.
- Proceeds from the bond may affect the tax position of individuals receiving child tax credits or age related personal allowances.
- If income taken is more than the bonus paid there will be a reduction in capital.

QUESTIONS AND ANSWERS

DO I HAVE TO INVEST FOR ANY SPECIFIC PERIOD?

The recommended minimum period is five years and there is no maximum term.

CAN I MAKE WITHDRAWALS FROM MY INCOME BOND?

It is possible to make full or partial withdrawals subject to a minimum of £5,000 per withdrawal and £10,000 remaining in the Bond subsequently. However, withdrawals will require one months notice as this will affect the income being paid, and depending upon the length of time the money has been invested there may be a surrender penalty. This could have the effect of reducing the amount of capital invested.

CAN I INVEST IN JOINT NAMES?

Yes, it is possible to hold the Income Bond in joint names though any income paid will be to the first named investor. In the event of the early death of one of the policyholders, the Bond will be transferred into the name of the survivor.

ARE THERE ANY CHARGES ON THE POLICY?

The Society makes a charge of 5% of the initial premium in year one to cover the costs of setting up the policy and subsequently 0.6% of the fund each year for ongoing management. The charges are deducted from the overall fund and taken into account when we calculate the level of bonuses we are able to pay.

ARE THERE ANY TAX IMPLICATIONS?

The tax treatment of your Income Bond will depend upon personal circumstances and if in doubt consult a tax specialist. However, under current legislation which may change, basic rate taxpayers will normally have no additional income or Capital Gains tax to pay on the proceeds. Higher rate taxpayers or those close to paying the higher rate may be liable for the difference between the basic and higher rates on the excess of the policy proceeds over the amount invested.

Those in receipt of child tax credits or age related personal allowances may lose part or all of those tax advantages when the proceeds are taken.

HOW WILL IT WORK FOR ME?

Accompanying this leaflet you will find an illustration which shows how the Income Bond might benefit you and you should read this with the key features as it contains other important information. If you require a specific illustration please contact us.

WHAT IS A MARKET VALUE REDUCTION (MVR)?

In times of adverse investment conditions the value of bonuses already added to the policy may be greater than your actual share of the fund value at the time when you withdraw or surrender. In this case an MVR (adjustment) will be made to the value of the policy to ensure remaining policyholders are not disadvantaged, and that you receive a fair share.

OTHER INFORMATION

CANCELLATION RIGHTS

After your proposal is accepted you will receive a notice of your right to cancel. You will then have 30 days in which to change your mind.

PREMIUMS

The Income Bond is a single premium investment and you cannot add to it, though you can hold more than one bond subject to the annual investment limit of £50,000.

BONUSES

Bonuses calculated on the basis of the profits of the fund are added to your policy. The bonus rate is decided by Sheffield Mutual Friendly Society acting on the advice of the actuary and is not guaranteed.

LAW

In legal disputes the Law of England and Wales will apply.

LEGISLATION

All or any of the benefits, the premiums, or the policy conditions may be adjusted as deemed appropriate.

- If there is any change in Law or Taxation affecting the policy
- If any levy is imposed on the Society under Statute or statutory authority
- As a consequence of any amendment to General Laws

Notice would be given of any such adjustments.

QUERIES AND COMPLAINTS

For further information or if you wish to complain about any aspect of the service you have received, please contact the Society's Chief Executive at the address shown below. If a complaint is not dealt with to your satisfaction you can then complain to the Financial Services Ombudsman, South Quay Plaza, 183 Marsh Wall, London E14 9SR, or telephone 020 7964 1000. Making a complaint will not prejudice your right to take legal proceedings.

COMPENSATION

We are covered by the Financial Services Compensation Scheme (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. Further information about compensation scheme arrangements is available from the FSCS by visiting www.fscs.org.uk, or by calling 0207 892 7300 or 0800 678 1100.

THE SHEFFIELD MUTUAL FRIENDLY SOCIETY

Was founded in 1892. Total assets exceed £25 million and there are over 20,000 members.

This leaflet is a brief guide to the Key Features of the product.

Full details are contained in the policy document which is the legally binding contract between you and SHEFFIELD MUTUAL FRIENDLY SOCIETY.

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