

KEY FEATURES OF THE PENSION 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 Pension 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 PENSION BOND SUITABLE FOR?

The Pension Bond is designed for use by Trustees of Occupational or Personal Pension Schemes including self invested personal pension schemes (SIPP's), who are looking for an investment which has the potential for better growth than a deposit based account but without risk to the capital at the 'individual's' retirement date. The maximum annual investment allowed into one or more Pension Bonds is £50,000.

ITS AIMS

- To increase the capital value of your investment over a period of time by the payment of a guaranteed sum assured and the addition of an annual bonus subject to investment performance.
- To provide 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.

YOUR COMMITMENT

- You agree to invest a single premium.
- The Bond is designed to run for a minimum period of five years and does not allow partial withdrawals. Early surrender within five years could result in you receiving back less than you originally invested.

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 (see section headed Market Value Reduction).
- Your circumstances may change forcing you to encash the policy at a time when a penalty applies.
- Inflation may reduce what you could buy in the future.

QUESTIONS AND ANSWERS

DO I HAVE TO INVEST FOR ANY SPECIFIC PERIOD?

The Bond is designed to run for a minimum of five years after which it can be left until you need to withdraw it, and bonus will continue to be added. Withdrawal before five years will result in a surrender penalty being applied.

ARE THERE ANY GUARANTEES?

Once the Bond has run for five years the society guarantees that you will get back a minimum sum assured of 101% of the initial investment.

ARE THERE ANY CHARGES?

The Society makes a charge of 5% of the initial premium in year 1 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.

CAN I MAKE WITHDRAWALS FROM MY BOND?

No, partial withdrawals are not allowed though there is the facility to withdraw the full investment. However, if this is within the first five years an early surrender penalty will be applied which could result in you receiving back less than you originally invested.

IS THERE ANY TAX LIABILITY?

Pension bond investments are held in a fund which is free from capital gains tax and with the exception of the tax credit on dividend income, income tax. Benefits when they are taken are subject to normal pension rules and your adviser will provide you with details about your own situation. This is based on our understanding of current legislation which may change in the future.

HOW WILL IT WORK FOR ME?

Accompanying the key features you will find an illustration which shows how the Pension Bond might benefit you and you should also read this 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 funds 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 Pension 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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