Sheffield Mutual's guide to the INCOME BOND

Sheffield Mutual

For you, your family, your future

Est. 1892

Sheffield Mutual aims to provide higher potential returns to its members, which is why we offer you the opportunity to invest in our Income Bond. You've worked hard to earn your money and built up a nice pot, so why not let us make that money work harder. The bond allows you to invest up to £100,000 and take an income of between 2% and 5% each year, so if you're looking to earn that little bit more then contact us today. Here, Sheffield Mutual's Business Development Manager, Dawn Gregory, takes a look at the Income Bond in further detail.

What is the Income Bond designed for?

D: The Income Bond is designed to pay you a regular income to your bank account from a lump sum you invest.

Why would I choose the Income Bond instead of a bank or building society account?

D: The Income Bond allows you to choose the amount of income you would like to receive (subject to certain limits set by HMRC) and enables you to enjoy a level of income possibly higher than the typical interest rates currently available from banks and building societies, together with the prospect of some investment growth.

How does the income work?

D: Invest a lump sum and decide how much income you would like to receive from your bond and how often. Choose a level of income in the range of 2% to 5% per annum of your lump sum, (you can amend, suspend or re-start the income at any time).

- ☑ Invest **up to £100,000**
- ☑ Option to receive a **regular income**
- ☑ A **capital guarantee** after 5 years
- ☑ Potential for **capital growth** through bonuses

Other things you need to consider…

Unlike some interest paying accounts bonuses are not guaranteed and depend on how the Society's investments perform. However, we have paid bonuses in every year the Income Bond has been available (since 2006).

If you choose to take a higher percentage rate of income withdrawals than the bonus rate paid, the value of your bond will of course reduce year-on-year. This is because your lump sum will reduce faster than your bonus 'pot' is growing. But even if you take the maximum 5% income per annum, you will still have your bonus 'pot' to cash-in at the end of the term, plus the possibility of a final (terminal) bonus.

If you need to cash-in the bond during the first 5 years you will be charged a surrender penalty and you may receive back less than the lump sum invested less your income withdrawals. However, the bond's value would not be reduced in the unfortunate event of your death, so your next of kin would not be disadvantaged. The money you invest, less income withdrawn, is also guaranteed after 5 years.

Want to see how an Income Bond could work for you?

See our "How the income works" guide overleaf

Boost your income with a Sheffield Mutual Income Bond

Here's an example of how the income works:

- **You invest £30,000 in January 2016 taking 2% p.a. income paid monthly.**

The income you receive is withdrawn from your lump sum rather than your bonus (bonus is the name given to the return you receive on the bond – it is similar to interest) and, therefore, the income can be paid with no immediate tax implications.

- **£50 would be paid to your bank account each month, totalling £600 over 12 months.**

The income can be paid to a single or joint bank account in your name either annually, half-yearly, quarterly or monthly (you need to invest a lump sum of at least £10,000 to receive monthly income).

- **By December 2016 your bond would be worth £29,400 (£30,000 less £600).**
- **A 3% bonus is declared for 2016 and £882 is added to your Bond as at 31 Dec 2016 (£29,400 x 3%).**

When a bonus is declared it is added to the value of your bond, so it effectively replaces some or all of the income you have withdrawn from your lump sum. Your bonus 'pot' will be held separately to your lump sum until the bond is cashed-in and you will receive a bonus statement each year.

- **Therefore, you have taken £600 income in 2016 but your bond is now worth £30,282 (29,400 + £882).**
- **In 2017 you decide to take an increased 3% p.a. income, which is £75 per month totalling £900 over 12 months.**

If you take a similar or lower percentage than the bonus rate paid the overall value of your bond (i.e. your lump sum less any income withdrawn, plus the bonus 'pot') would be maintained and you could see some investment growth. You could also delay starting the income withdrawals, giving your bonus 'pot' some time to grow.

- **By December 2017 your bond would be worth £29,382 (£30,282 less £900).**
- **A 3% bonus is also declared for 2017 and £881 is added to your bond as at 31 Dec 2017 (29,382 x 3%).**
- **Therefore, you have withdrawn £1,500 total income over the 2 years but your bond is now worth £30,263 (29,382 + £881).**

Sheffield Mutual Friendly Society is an independent mutual organisation with no shareholders to satisfy. We offer a simple range of trusted savings, investment and protection plans – with a particular emphasis on tax-efficient savings and investment policies. Our other products include:

- Tax Exempt Savings Plan
- Tax Exempt Savings Plan with Life Assurance
- Regular Savings Plan
- Investment ISA
- Investment Junior ISA
- Investment Bond
- Pension Bond
- Capital Plan
- Sheffield Protect – whole of life plan

This information is designed purely to help potential investors understand how income is paid from the Income Bond. You should also study the product brochure, Key Features and illustration before deciding whether to invest.

CELEBRATING 125 YEARS OF PUTTING OUR MEMBERS FIRST

Find out more today:

www.sheffieldmutual.com

Call our team 01226 741 000
Calls may be monitored and recorded for your protection.
Opening hours: 9am-5pm Mon-Fri

Email us
enquiries@sheffieldmutual.com

@SheffieldMutual

facebook.com/sheffieldmutual

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