

Tax Exempt Savings Plan (TESP)

Target Market and Fair Value Assessment

Product design	The product will pay out the sum assured, plus any bonuses achieved on maturity. It is designed to be held for at least 10 years. The plan can be taken out for a child, proceeds will always be paid to the policyholder. Policyholders' premiums are invested in the Sheffield Mutual with-profits fund which in turn invests in a range of assets. The investment gains and income from those assets is returned to policyholders in the form of annual and final (terminal) bonuses. Bonuses are reviewed at least annually and are based on an assessment of each policy's 'fair share' of the with-profits fund. The returns given to policyholders are smoothed over time in order to reduce volatility. We don't believe that vulnerable customers within the target market will be excluded from enjoying the full benefits of this product.
Target Market (Who is this product designed for)	Those who wish to build up a tax-free lump sum for themselves or a child by saving a regular amount, usually monthly or annually for a period of 10 to 25 years and who do not require additional life cover with potentially higher returns than a cash alternative in a medium to low risk product.
Product features	<ul style="list-style-type: none"> ✓ Save between 10 and 25 years ✓ Save between £5 and £25 per month or £50 and £270 annually ✓ A guaranteed tax-free lump sum on maturity plus possible annual and final bonuses ✓ Annual bonuses are based on the sum assured amount ✓ Only available via Friendly Societies
Not suitable for	<p>Individuals who:</p> <ul style="list-style-type: none"> ✗ cannot commit to a minimum regular payment of £5 p/m or £50 annually ✗ have used their qualifying policy/TESP allowance ✗ cannot commit to a minimum term of 10 years ✗ are looking to save for a term longer than 25 years ✗ are wanting to invest a lump sum ✗ are wanting the option to make withdrawals ✗ are looking for a high risk investment ✗ require additional life cover ✗ Individuals who are not familiar with savings accounts or who do not understand the product features: risks, investments and charges
Age Range of applicant	0+
Location of applicant	UK Nationwide and Crown representatives overseas
Risks of the product	<ul style="list-style-type: none"> ! If the policyholder stops paying premiums, the policy will lapse and they are likely to get back less than they paid in ! Annual and final bonuses are not guaranteed and not an indicator of future bonuses
Fair value assessment	<p>The sum assured offered is always more than the premiums paid in. If held to maturity, then the proceeds will be more than the premiums paid.</p> <p>Bonuses are calculated based on the sum assured value. These are reviewed at least annually by the With-profits Actuary and decided by the Board and are based on an assessment of each policy's 'fair share' of the with-profits fund. The returns given to policyholders are smoothed over time in order to reduce volatility.</p> <p>Costs:</p> <p>A management contribution of 50% of premiums paid in year 1. In following years a 7.5% charge is taken.</p> <p>If the plan is held until maturity the member would not see the effect of these charges. The Society has performed an analysis of its expenses against the charges made to policyholders and has concluded that the level of charge levied is reasonable when compared with the costs incurred in selling and servicing the product overall. The charges, when compared to similar products on the market, following our review, were consistent with competitors. The charges are there to protect those members who remain invested in the fund for the agreed period.</p> <p>There is a death benefit included within the plan. All premiums paid to date plus interest (1% above BoE).</p> <p>Funds cannot be taken from the plan except by way of surrender or when the plan matures. If the plan is surrendered before maturity, the plan may be worth less than the amount paid in. The surrender penalty in the first 2 years is equal to 6 months premiums. The surrender penalty after 2 years is calculated by way of a ratio of the number of premiums paid in, to the total expected premiums to be paid in. A £10 fee is also applied to cover the cost of the surrender. These charges protect all policyholders who remain invested in the fund for the recommended term of 10 years.</p>
Distribution	<p>The product is sold directly by Sheffield Mutual, but also through intermediary channels on an advised, non-advised and introduced basis.</p> <p><i>There is a 12 month pro-rata clawback on commission paid, if the plan is cancelled within 12 months</i></p>
Discretionary member benefits	<ul style="list-style-type: none"> 🌱 Sheffield Mutual Friendly Society membership 🌱 Optical and dental up to £30 for each type of claim every 2 years 🌱 Sheffield Mutual Benefit Hub & Member Assistance Program 🌱 Offer for enhanced Investment Bond Sum Assured upon maturity