

# Income Bond

## Target Market and Fair Value Assessment

<b>Product design</b>	The bond is a single premium life policy designed for a minimum investment period of five years, allowing you to take a regular income (if desired) from the initial lump sum investment. There is also the potential for capital growth. 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.
<b>Target Market (Who is this product designed for)</b>	A range of investors, in particular those who are planning on retiring or who have already retired who have a lump sum to invest for a minimum of 5 years and who may require the option to take an income of up to 5%, whilst seeking capital investment growth over the longer-term in a medium to low-risk product, with potentially higher returns than a cash alternative.
<b>Product features</b>	<ul style="list-style-type: none"> <li>✓ Open ended product (We suggest saving for at least 5 years)</li> <li>✓ Cannot be topped up however multiple bonds can be opened</li> <li>✓ Invest between £5,000 and £150,000 per individual, per calendar year</li> <li>✓ Option to receive a regular income between 1% and 5% of funds invested (subject to terms)</li> <li>✓ Income can be taken on a monthly, quarterly, half yearly and annual basis (subject to terms)</li> <li>✓ The aim of the product is to provide a return to the member in the form of annual and final bonuses</li> </ul>
<b>Not suitable for</b>	<ul style="list-style-type: none"> <li>✗ Non-UK citizens</li> <li>✗ Individuals that want to invest less than £5,000 per calendar year</li> <li>✗ Individuals that are looking for a high-risk investment</li> <li>✗ Individual that want to take an income of less than 1% and more than 5% (subject to terms)</li> <li>✗ Individuals looking to invest for less than 5 years</li> <li>✗ Individuals who are not familiar with savings accounts or who do not understand the product features: risks, investments and charges</li> </ul>
<b>Age range of applicant</b>	18+
<b>Location of applicant</b>	UK Nationwide and Crown representatives overseas
<b>Risks of the product</b>	<ul style="list-style-type: none"> <li>! If you surrender in the first five years a surrender penalty will apply, meaning you may get back less than you invested</li> <li>! If you cash in your Bond during times of adverse market conditions, you may get back less than has been paid in. This is known as a Market Value Reduction (MVR)</li> <li>! The level of future annual bonuses and any current final bonuses are not guaranteed</li> </ul>
<b>Fair value assessment</b>	<p><b>These are the costs if the policy is held for 5 years or more:</b>  One off entry costs: 1.05%  Ongoing costs: 0.61%</p> <p><b>These are the costs if the policy is held for less than 5 years:</b>  Surrendered in year 1: 5%  Surrendered in subsequent years: 0.6%</p> <p>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.</p> <p>Bonuses are compounded; bonuses calculated on remaining capital and previously added bonuses. A final bonus may be paid on encashment after 5 years invested, this will ensure the member receives their fair share of the fund. 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>Death benefit is paid on this plan equal to the value of the policy at the date of death plus 1%. This is guaranteed. No MVR would be applied upon death.</p> <p>The bond is designed for a term of no less than 5 years. If the amount of income withdrawal exceeds the value of any bonuses added, then there will be a reduction in capital.</p>
<b>Distribution</b>	<p>The product is sold directly by Sheffield Mutual, but also through intermediary channels on an advised, non-advised and introduced basis. Commission is paid for non-advised and introduced business, and on the reinvestment of bonds.</p> <p>These commissions are covered by the annual management charge  <i>There is a 12 month pro-rata clawback on commission paid, if the plan is cancelled within 12 months</i></p>
<b>Discretionary member benefits</b>	<ul style="list-style-type: none"> <li>🌱 Sheffield Mutual Friendly Society membership</li> <li>🌱 Optical and dental up to £30 for each, every two years</li> <li>🌱 Sheffield Mutual Benefit Hub &amp; Member Assistance Program</li> </ul>