

Financial Plan

for

Joe and Joanne Bloggs

March 2008 to February 2009

Next review: March 2008

Introduction

Dear Joe and Joanne Bloggs,

Your new plan

This is your financial plan covering the year from March 2008 to February 2009. In it you will find an analysis of your financial situation based on the information you provided and our assessment of where action should be taken.

Firstly we review your current circumstances, future investment goals and then we assess if any action is required to improve the likelihood of achieving them.

In each section of the report, our recommendations are clearly laid out and are designed to improve your situation and put you on the road towards meeting your goals and greater long term financial security. We hope you will find it straightforward and easy to understand.

Regularly review progress against your plan

We believe that financial plans shouldn't just be written once and forgotten about. As your circumstances change or you put in place new arrangements, you should revisit your plan and update your details. That way you can ensure you remain on-track to improved financial health.

Once you have had time to assess the suggested Financial Plan, we will call you to discuss the next steps.

Yours sincerely,

Columbus Demo

Your Current Portfolio

From the information provided, you currently have the following investments:

Investment	Type	Current Value (£)	Availability
Client			
Wrapped Investments:			
ANOther Bond	Life Assurance Bond	£37,500.00	Available
AXA European Growth I	Unit trust/ICVC (OEIC)	£12,500.00	
AXA Global Growth I	Unit trust/ICVC (OEIC)	£25,000.00	
ANOther ISA	Maxi Stocks and Shares ISA	£6,000.00	Unavailable
AXA Pacific Growth I	Unit trust/ICVC (OEIC)	£2,000.00	
AXA UK Growth Acc I	Unit trust/ICVC (OEIC)	£2,000.00	
AXA Japan Growth I	Unit trust/ICVC (OEIC)	£2,000.00	
ANOther Bond	Life Assurance Bond	£40,000.00	Unavailable
SWIP Japanese B Acc	Unit trust/ICVC (OEIC)	£10,000.00	
SWIP Pan European Equity A Acc	Unit trust/ICVC (OEIC)	£10,000.00	
SWIP European A Acc	Unit trust/ICVC (OEIC)	£10,000.00	
SWIP Global SRI A Acc	Unit trust/ICVC (OEIC)	£10,000.00	
Unwrapped Investments:			
Savings Account	Savings account/deposit	£75,000.00	Available
Both			
Unwrapped Investments:			
Savings Account	Savings account/deposit	£30,000.00	Emergency fund
	Total:	£188,500.00	

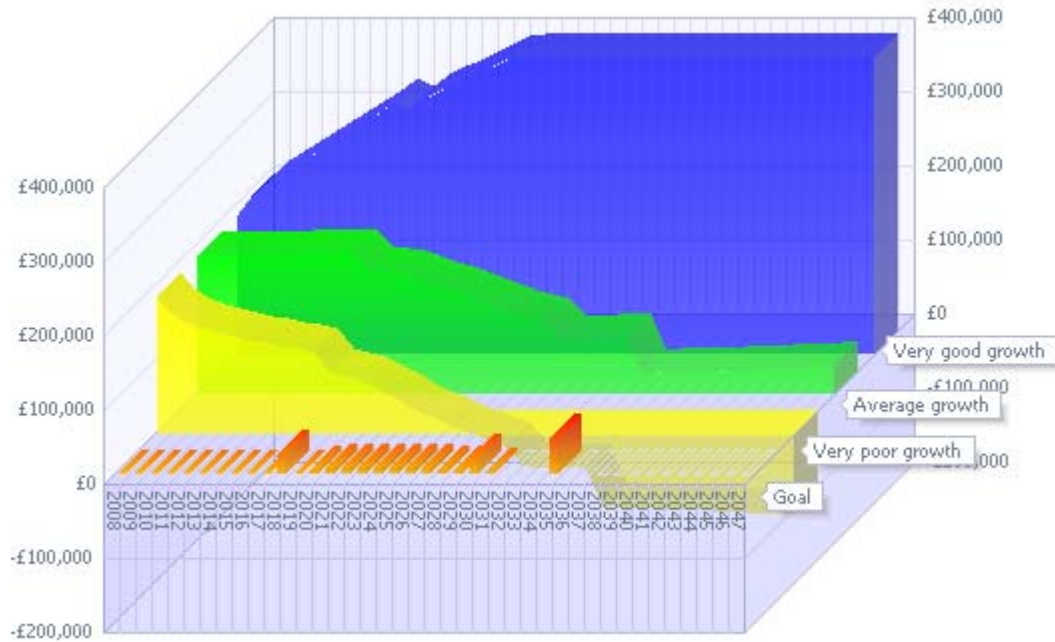
Your Goals

We discussed your financial goals and these are summarised below:

Name	Amount	Start	End	Growth
Income	£2,000.00	Dec 2008	Dec 2028	Earnings inflation
Safari	£15,000.00	Jul 2030	Jul 2031	Price inflation
New Car	£25,000.00	May 2018	May 2019	Price inflation
Yacht	£50,000.00	Jul 2035	Jul 2036	Price inflation
School Fees	£2,000.00	Sep 2020	Sep 2031	Price inflation

What you might expect from your Current Investments

The graph below shows what you might expect if you leave your current portfolio as it is:




Your investment wealth is shown in the blue, green and yellow:

- Blue represents your investment wealth in a “best case” scenario
- Green represents your investment wealth in a “most likely case” scenario
- Yellow represents your investment wealth in a “worst case” scenario

Your goals are shown in red.

The graph shows how a portfolio with a similar asset mix to that of your current investment might perform over the long term (7 years plus), based on a number of assumptions. It is **not** a projection of how the investments you currently hold might perform.

The graph shows potential investment wealth and goals in today's prices.

Current Investment Strategy		
<p>Likelihood of meeting goals:</p> <p>Additional lump sum required to meet goals at current savings levels:</p> <p>Or</p> <p>Additional monthly savings required to meet goals:</p>	<p>Possible</p> <p>No additional lump sum required</p> <p>No additional savings required</p>	<p>Status</p>  <p>Some action required to meet goals</p>

You will see the impact the goals have on your investment wealth.

Any additional investments required are calculated assuming forecast average growth rates for the generic assets you currently hold.

The figures are only examples of what a particular asset allocation strategy might achieve and are not minimum or maximum amounts or guaranteed in any way. The actual level of any

return will depend on the specific investments made, how these grow or fall and on their tax treatment and charges.

Please refer to the section on 'How we do our analysis' for more detail on the assumptions used.

Risk

We discussed what your attitude to risk would be in various circumstances using a questionnaire. Risk is important when determining an appropriate investment strategy that can help achieve your goals. We show risk levels on a scale from 1 to 10, with risk level 1 being very low risk and risk level 10 being very high risk.

The following table shows the output from your risk profiling exercise:

Who	Questionnaire profile	Current portfolio risk
Joe	7	4
Joanne	6	1

As a result of this exercise you have selected a risk level of 6 out of 10. This meets the profile of the **Balanced investor**.

A Balanced Investor is looking for a balance of risk and reward, seeking higher returns than those available from a high street deposit account and willing to accept a certain amount of fluctuation in the value of their investments as a result. However, they would feel uncomfortable if their investments were to fall in value significantly in one year.

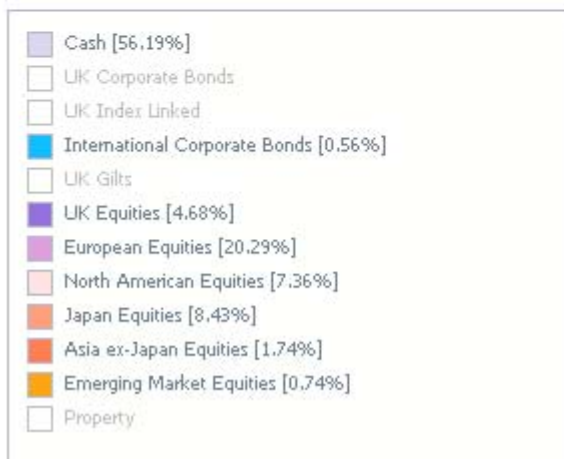
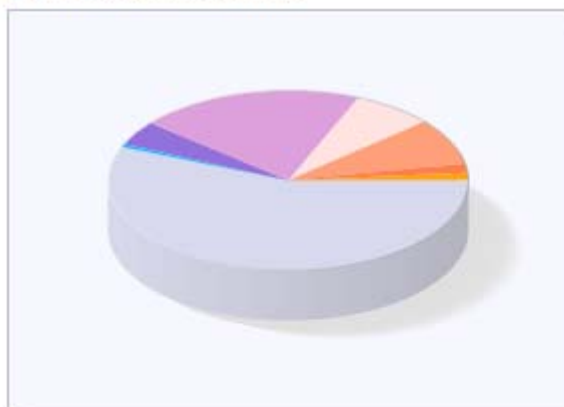
Your current portfolio indicates the profile of a **Cautious investor**. A Cautious Investor is looking for an investment where the return should be slightly better than that available from a high street deposit account and accept that the value of the investment could fall as well as rise. They would feel uncomfortable however if their investments were to rise and fall in value very rapidly.

Comparing your current situation to your target risk profile of a Balanced investor

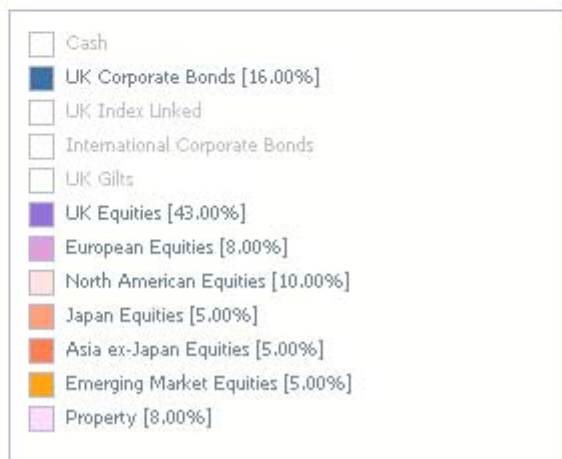
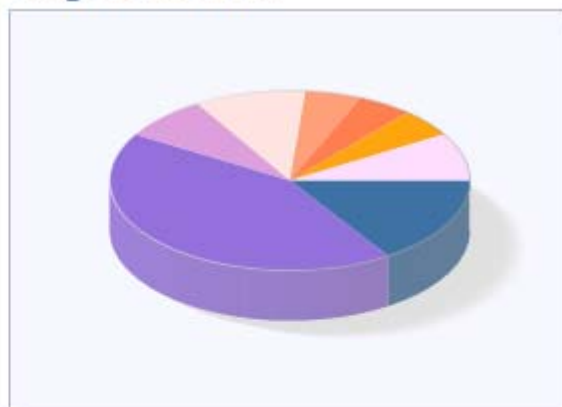
Forecast average annual growth based on 7 year holding period (inflation adjusted):
3.33% a year

Forecast average annual growth based on 7 year holding period (inflation adjusted):
5.81% a year

Current asset mix



Target asset mix



We believe that a portfolio of investments that looks like the one above on the right may be appropriate for you. Please note that actual performance will depend on how any selected investments perform, on their tax treatment and on charges incurred. The generic asset forecast returns shown above do not take these into account.

You will see that a portfolio matching your target risk profile offers the likelihood of a higher level of return by adjusting the asset allocation of your portfolio in line with the level of risk you are prepared to take.

Asset allocation (simply the mix of investment types that you hold) is the most important factor affecting the level of risk and likely return that you might face when investing over the long term.

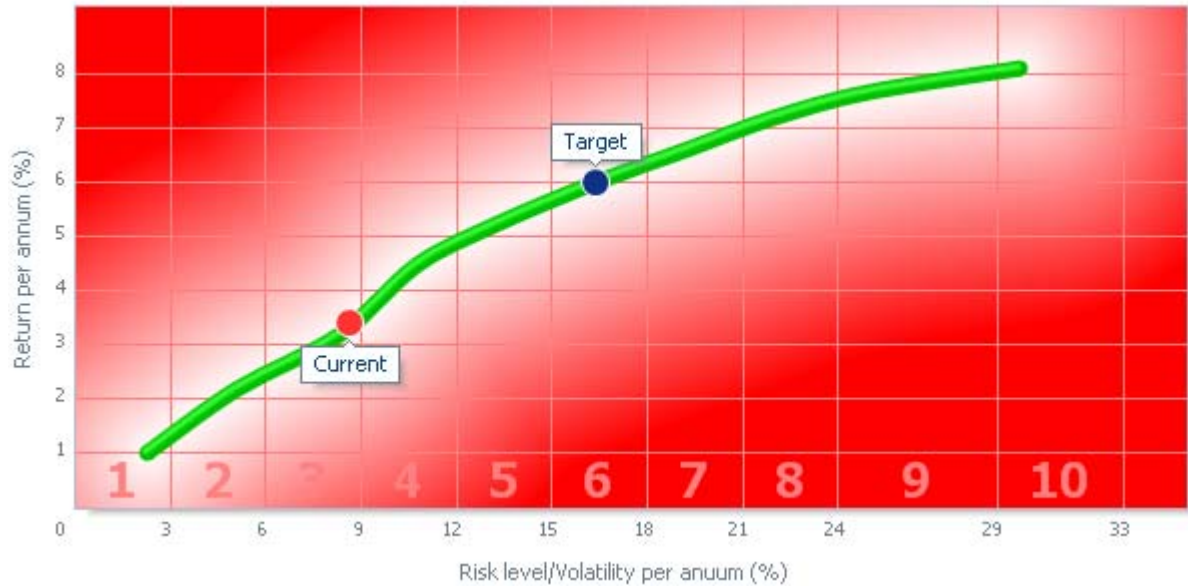
If you hold most of your money in cash then your chance of losing money is low but so will any returns be. If you invested most of your money in stocks and shares, the chance of losing money in the short term is higher, but in the long term the chances of a greater return are also higher.

Our **recommended target portfolio** asset allocation is suitable for a Balanced investor as it takes a balanced approach with the majority of assets invested in UK shares, supplemented with lesser holdings in North American, European (excluding UK) and the Far East (excluding

Japan) share markets. By also spreading holdings into higher quality UK corporate bonds, the overall risk of the portfolio will be reduced.

We therefore recommend you receive specific advice on moving your savings and investments towards this target over appropriate timescales and in as efficient manner as possible. However, please note, that you should always maintain adequate monies on deposit to cover for emergencies. This is covered in more detail later in the Plan.

Risk and Return Expectations



The graph above shows your current portfolio and our suggested target portfolio on a Risk and Return basis.

The green line shows the highest, most likely return you can expect for any level of risk you are prepared to take. This assumes average growth forecasts for the generic asset types. Anything under that green line is said to be an inefficient portfolio – this is because you could either be achieving the same level of return for less risk or could achieve more return without increasing your risk.

By maintaining a portfolio in line with your target asset allocation, you can keep an efficient mix of risk and return.

How you can move towards an efficient portfolio

Firstly, you should always ensure that you have enough savings for emergencies and rainy days. This should be in easy access cash accounts, so if the unexpected happens, you do not have to dip into your long term investments or use higher cost debt. The appropriate amount you should hold in your emergency fund is a personal decision. Based on the information supplied you would be happy maintaining £30,000.00 to cover this requirement.

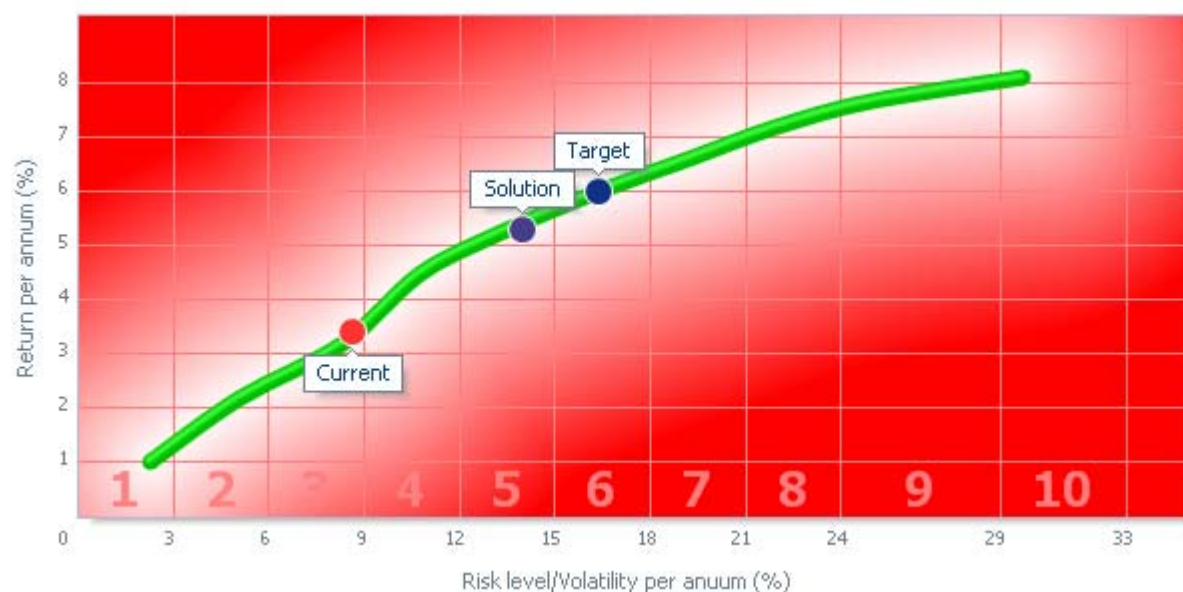
You also want to keep the amount of £46,000.00 invested in current arrangements for personal and/or tax reasons. Like any emergency funds, we have excluded these arrangements from the following analysis.

Unavailable Investment	Type	Current Value (£)	Unavailability Type
Client			
Wrapped Investments:			
ANOther ISA	Maxi Stocks and Shares ISA	£6,000.00	Unavailable
AXA Pacific Growth I	Unit trust/ICVC (OEIC)	£2,000.00	
AXA UK Growth Acc I	Unit trust/ICVC (OEIC)	£2,000.00	
AXA Japan Growth I	Unit trust/ICVC (OEIC)	£2,000.00	
ANOther Bond	Life Assurance	£40,000.00	Unavailable

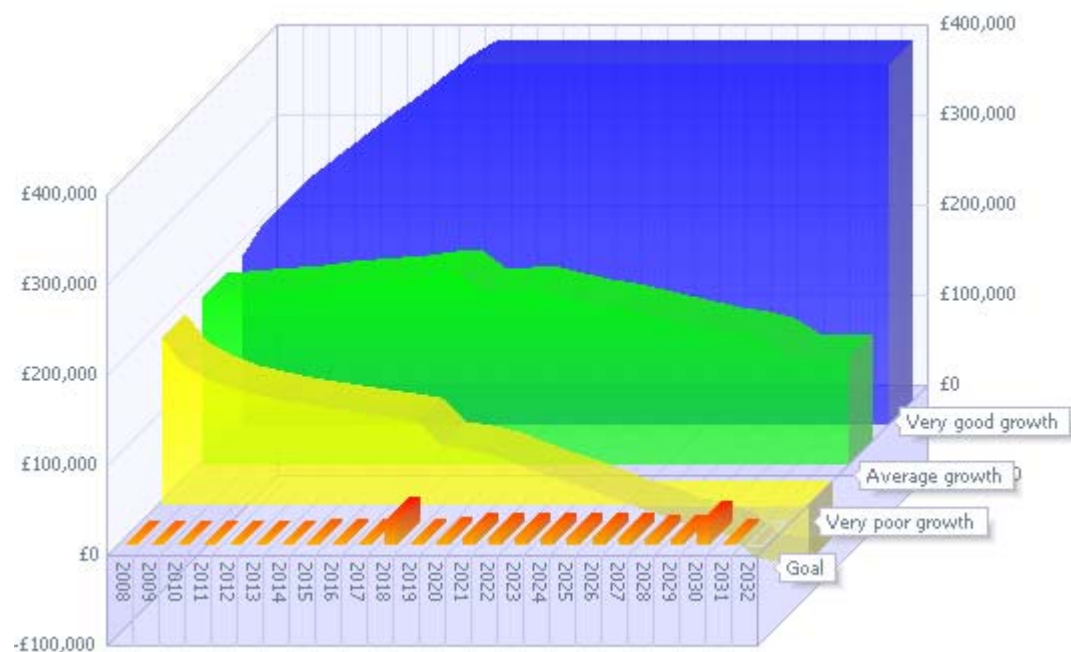
Unavailable Investment	Type	Current Value (£)	Unavailability Type
	Bond		
SWIP Japanese B Acc	Unit trust/ICVC (OEIC)	£10,000.00	
SWIP Pan European Equity A Acc	Unit trust/ICVC (OEIC)	£10,000.00	
SWIP European A Acc	Unit trust/ICVC (OEIC)	£10,000.00	
SWIP Global SRI A Acc	Unit trust/ICVC (OEIC)	£10,000.00	
Both			
Unwrapped Investments:			
Savings Account	Savings account/deposit	£30,000.00	Emergency fund

We will focus on the remaining, available balance of **£112,500.00**.

Our recommendation is to invest this money in our **Solution Portfolio** for risk level 6.



The solution asset allocation reflects your preference to maintain certain investments where they are. The underlying asset allocation for these earmarked investments is therefore left as it currently stands. The remaining balance of available funds can, however, be re-balanced into the more efficient target asset allocation.



Proposed Portfolio Transactions

The table below depicts the transactions required in order to achieve this:

Client	Current	Future	Buy/(Sell)
ANOther Bond	£37,500.00	£0.00	(£37,500.00)
<i>Encashment</i>			(£37,500.00)
European	£12,500.00	£0.00	(£12,500.00)
Global	£25,000.00	£0.00	(£25,000.00)
Unwrapped	£75,000.00	£0.00	(£75,000.00)
<i>Encashment</i>			(£75,000.00)
Lump Sum to Invest	£75,000.00	£0.00	(£75,000.00)

Both	Current	Future	Buy/(Sell)
FRIENDS® Wealth Solutions Bond	£0.00	£112,500.00	£112,500.00
<i>Investment</i>			£112,500.00
Friends Prov Fidelity MM Special Situations-Life	£0.00	£9,000.00	£9,000.00
Friends Prov Schroder Alpha Plus-Life	£0.00	£15,750.00	£15,750.00
Friends Prov Gartmore Emerging Markets Opps-Life	£0.00	£5,625.00	£5,625.00
Friends Prov M Lynch UK Dynamic-Life	£0.00	£16,875.00	£16,875.00
Friends Prov Investec American-Life	£0.00	£11,250.00	£11,250.00
Friends Prov M&G Property Portfolio-Life	£0.00	£9,000.00	£9,000.00
Friends Prov INVESCO Perp Japan-Life	£0.00	£5,625.00	£5,625.00
Friends Prov F State Asia Pac Lders-Life	£0.00	£5,625.00	£5,625.00
Friends Prov M&G Recovery-Life	£0.00	£15,750.00	£15,750.00
Friends Prov Artemis Strategic Bond-Life	£0.00	£18,000.00	£18,000.00

Our analysis also shows that we could improve the potential long term returns you might receive. Please let me know if you would like to discuss this further.

As part of the ongoing review of your plan, we should aim to move more of your assets, where possible, to the target position. This strategy should help to improve the likelihood of achieving your goals in the future.

Please remember the value of investments can go up and down and are not guaranteed. You could get back less than you've invested.

Where fixed interest investments are held, the value can go up and down as interest rates change. For example, if interest rates rise, the value is likely to fall.

Where investments are held overseas, the value can go down and up simply because of changes in currency exchange rates.

Where investments are held in emerging markets, investment values can move sharply down or up. Emerging markets tend not to be as well regulated as developed markets and political unrest is more likely.

Summary recommendation

We recommend investment of the current available monies you indicated of **£112,500.00** into the **Solution Portfolio**.

This amount should then be invested using the most tax-efficient wrappers available. We have recommended the following products:

Client:

Both:

- FRIENDS® Wealth Solutions Bond (£112,500.00)

Not a tax planning tool

The aim of the tax calculations within this analysis is to present a reasonable idea of the dampening effect of taxation on the growth of assets. It is designed to serve as an introduction to discussions with an adviser and not as a replacement for expert tax planning. Specifically, the model does not calculate capital gains tax and investors with significant assets should take advice on this.

Actions

- Review risk analysis guidance provided
- Rebalance existing available investments in line with target asset allocation
- Invest new investments in line with target asset allocation
- Consider using Joe's and Joanne's 2007/8 ISA allowances

Why we recommend the FRIENDS[®] Wealth Solutions Bond

Flexible solution

When you have money to invest, there are many options available to you. You want to choose your investment carefully to make the most of your capital, but it can be difficult to decide which type of investment is most suitable for you.

In recommending the FRIENDS[®] Wealth Solutions Bond you will receive a broad range of benefits, whether you are investing to grow your capital or to take an income. You can invest your money in a way that suits your current financial requirements but in a way that is flexible enough to change with you in the future.

The FRIENDS[®] Wealth Solutions Bond gives you access to a world of stock market growth potential through investment funds from leading fund managers. The funds range from purely UK investment funds to those that invest in stock markets across the world. As well as where they invest, a range of asset classes are available through funds that invest in areas such as fixed interest securities and commercial property. You also have access to socially responsible investment.

Benefits at a glance

The FRIENDS[®] Wealth Solutions Bond is a lump sum investment, offering you a choice of quality funds with the flexibility to cater for all your future needs.

- Good growth potential over the medium to long term
- Offers a convenient way of withdrawing your money
- Provides a bonus in the tenth year
- Regular information available on your investment
- Ability to add to your investment or switch funds whenever you like
- Opportunity to spread your investment across a diverse range of professionally managed funds
- Access to socially responsible and ethical investment opportunities
- Tax-efficient features, including writing the bond in trust.

Capital growth potential

The funds available through the FRIENDS[®] Wealth Solutions Bond offer you the potential to grow the value of your investment over the longer term. However, as with any stock market based investment, there is an element of risk with your capital.

You should therefore always maintain a certain amount of your savings on deposit to cover your short-term needs and any unexpected expenses or emergencies.

Tax advantages

With the FRIENDS[®] Wealth Solutions Bond you have no personal liability to basic rate income tax or capital gains tax on the bond. The funds you invest in are taxed; these are paid for by Friends Provident and are reflected in the unit price of the funds.

If you would like to take regular withdrawals or partial encashments from your bond, you are entitled to take up to 5% of your original investment each year, for the first 20 years, without any immediate income tax liability. Any unused allowance can be carried forward for use in future years.

However, you could be liable to higher rate income tax when you cash in some or all of your bond or take regular withdrawals. The amount of any age-related personal allowances, Working Tax Credit or Child Tax Credit may also be affected.

Please remember tax rules may change.

Access to your money

While your bond should be seen as a longer term investment you do of course have access to your money at anytime.

You can arrange to take withdrawals on a regular basis paid directly into your bank or building society. You decide how much and how often you'd like these withdrawals to be taken. For example the money in your bond could be used to supplement your monthly income. But remember, if you take money out the value of your investment will reduce and withdrawals of more than 5% of your original investment in the first five years could be subject to a charge.

In addition you can take ad-hoc withdrawals as and when you want to. These withdrawals can be made on top of any regular withdrawals you are taking.

Fund switching

You can alter your choice of funds and switch your investment between them as often as you like. The first 12 switches in any one bond year are free and any subsequent switches will cost just £15 each.

If, in the future you would like to change your investment funds please contact me so that I can make sure your choice of funds is suitable to the amount of risk you wish to take.

On your death

If you die before you've cashed in your bond we will pay out 100.1% of the value of your investment at that time. After this death benefit has been paid the bond will then end.

Your bond could also be written on a joint life second death basis. This means the bond continues after the first death for the benefit of the surviving policy holder. The death benefit will then be paid when both of you have died.

Bond charges

When you invest, a percentage of your investment buys units in your chosen fund or funds. The percentage used is called an allocation rate and it depends on the size of your investment and your age when you invest.

Regular information

To help you keep track of your bond you will receive a valuation statement each year.

You can also register via the Friends Provident website www.friendsprovident.co.uk/customer where you can:

- Check the value of your bond and any other FRIENDS® policies you may have, whenever you like
- Check the prices of the funds you are invested in, or any that you might be interested in, (www.friendsprovident.com/customer/fundcentre)
- Keep yourself informed on the latest news about FRIENDS®.

About Friends Provident

FPLP is part of the Friends Provident Group of companies. The ultimate holding company Friends Provident plc is a member of the FTSE 100. With more than 2.5 million customers the Group employs approximately 5,000 staff in its three core businesses: UK Life & Pensions, International Life & Pensions and Asset Management.

Now in its 175th anniversary year, the business was founded on Quaker principles and aimed to alleviate the hardship of families facing misfortune. Friends Provident has embraced corporate governance and achieving high standards of corporate behaviour and accountability to both stakeholders and customers is at the heart of our business. In 2001 the company established the grant-making charity The Friends Provident Foundation with the aim to encourage new ways of thinking about how money can be used to solve a wide range of problems.

Fast growing

UK Life & Pensions:

First half 2007 new business sales up 12%, growth underpinned by award-winning service International Life & Pensions:

FPI - First half 2007 new business sales up 12%

Lombard - First half 2007 new business sales up 19%

Asset Management:

Funds under management £101 billion at 30 June 2007 from £30 billion at listing (July 2001)

Financially strong

Risk Capital Margin of £189m covered by surplus assets within With Profits Fund at 30 June 2007

Estimated excess Group capital resources in accordance with Insurance Group Directive £1.0 billion at 30 June 2007

Regulatory solvency: estimated Free Asset Ratio 24.7% at 30 June 2007

Insurer financial strength rating: Moody's A1, S&P A+, Fitch A+

How we do our analysis

Risk

The risk of your portfolio is assessed by looking at the expected fluctuation in value of the underlying asset types held. This analysis does not however include an assessment of product specific risks, such as;

- encashment outside of product maturity dates
- individual asset risk or fund specific risk
- short-term market timing

Estimated potential returns and risk levels

These are created at a generic asset class level by looking back historically for as long a period as there is good and comparable data (30 years for shares and 23 years for fixed interest securities) and finding the average return and risk levels. There are problems with taking an historical average; in particular it will not always reflect the breadth of possible returns that could happen, only what *did* happen.

As a result, a well-established statistical technique is used which applies the random nature of future stock market events into the estimated growth of assets. This process uses the pattern of historical returns and simulates those possible in future, using 10,000 computer runs for each month of a forecast.

Inflation is then factored in to the generic asset class forecasts to help improve their accuracy.

The above assumptions are based on our analysis, however, please note that stock market related investments can fall as well as rise and returns are not guaranteed. The figures used are only examples of what a particular asset allocation strategy might achieve and are not minimum or maximum amounts or guaranteed in any way. The actual level of any return will depend on the specific investments made, how these grow or fall and on the tax treatment and charges of each specific product.

The Wealth Forecast

This forecast takes the estimated potential returns and risk levels for each asset class and grows the portfolio using these estimates. In the wealth forecast, the underlying asset growth is reduced to take account of taxation and typical annual fund based charges, based on broad assumptions. Goals are subtracted at the end of the year in which they fall.

Three possible forecasts are shown:

- A very good performance, where the assets have a run of continually good years over the forecast. Statistically there is only a '1 in 20' chance that the assets will grow '*at or better*' than this rate.
- An average performance, where the assets continually grow at the average rate expected.
- A very poor performance where the assets have a run of continually poor years. Statistically there is there is a '19 in 20' chance that the assets will perform '*at or better*' than this.

For each of the 5 years prior to a goal it is assumed that 20% of the assets needed to meet a goal are transferred into a risk free asset (like cash) which grows only at the rate of inflation. This 'life-styling' reflects what should happen as an investor moves closer to their goal and investment gains are 'locked in', reducing the exposure to more volatile assets. It also produces a more conservative forecast.

Glossary

Term	Explanation
Asset Allocation	<p>Asset Allocation is simply the mix of underlying asset types held within an investment or portfolio of investments. The three key asset types in relation to stock market investing are bonds, equities and cash.</p> <p>Each of these asset types behaves in a different way with cash providing low returns which are relatively stable and equities (i.e. shares) potentially providing higher returns in the long run but which are quite volatile. Bonds behave somewhere in between. Asset classes can be further divided into a number of other categories.</p> <p>The trends in investment performance of each asset class over time are also important. The relationship between these trends (known as their Correlation) can help an investor reduce the variance of their overall portfolio. This is principally done by investing in more than one non-correlated asset classes such that as one is falling, the other is rising. This is known as diversification.</p> <p>Many studies have shown that asset allocation is responsible for the majority of the variation in investment returns and as such is fundamental to a successful investment plan.</p>
Earnings Inflation	Earnings Inflation is the rate at which wages and salaries rise and is measured by the Earnings Index.
Gilts	Bonds issued by the government as a means of borrowing money. Gilts pay a coupon (interest) and are assumed to have no risk of default.
Price Inflation	Price Inflation is the rate at which prices rise and is measured by the Retail Price Index
Real Terms	The plan always provides analysis in Real Terms i.e. in today's prices. Because of inflation £1 today is worth less in 10 years time and this is important because in order to afford the same lifestyle in 10 years you will need more money. This is the effect of Price Inflation. All analysis takes account of this effect and provides a more helpful analysis as a result.
Variance	Variance measures the amount by which an investment's price varies from its average over a period of time. This is expressed as a percentage.
Volatility	The rate at which the value of an investment fluctuates. With a highly volatile investment such as certain types of equities the price will tend to rise and fall quite rapidly and changes in value can be significant. With a less volatile investment such as bonds, changes in price will be slower and less marked. Volatility is measured using Variance.