keyfacts® Key Features of the FRIENDS® Online Stakeholder Pension

The Financial Services Authority is the independent financial services regulator. It requires us, Friends Provident, to give you this important information to help you decide whether our FRIENDS® Online Stakeholder Pension Scheme 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.

Please print or save a copy to the hard drive of your personal computer for your future reference.

No advice on investments has been given to you. If you have any doubts whether the plan is suitable for your needs, you should contact a financial adviser for advice on investments.

Please also read the Financial Services Authority stakeholder pension decision trees.

Its aim

- To build up a fund of money in a tax-efficient way which will provide you with a pension for life when you retire.

Your commitment

- To make regular or occasional payments to your plan. Most people save every month.
- To let the plan value build until your selected retirement age and then use it to buy your pension.

Risks

- We don't guarantee what you'll get back in the future as this depends on how well the investments perform. The value can go up and down. You could get back less than you've paid in.
- When you buy your pension, the amount you get will depend on your plan value and interest rates at that time.
- You may get back less than your illustration or the decision trees show. This could happen for several reasons, for example if:
  - you stop paying into your plan or take a payment break
  - investment performance is lower than shown
  - our charges are higher than shown
  - interest rates when you retire are lower than we've assumed
  - you start taking your pension earlier than your selected retirement age
  - tax rules change.
- Some investment funds carry a higher level of risk than others. *Please see our FRIENDS® Online Stakeholder fund guide for more details.*
- Pension Credit is a Government benefit that ensures those who reach age 60 before 2010 get a minimum income in retirement and that those aged 65 before 2024 with modest savings get some credit for having saved. The age limit of 60 will increase gradually to 65 between 2010 and 2020 in line with changes to the State pension age for women. From 2024 the age limit will increase further as the State pension age for both men and women is increased. The increase will take place in stages and will affect anyone born after 6 April 1959. By 2046 the State pension age will be 68.

  For most people, most of the time, it'll be worthwhile having their own pension plan. For other people it may not be so clear-cut. In particular, if you're in your fifties or over, haven't been able to save much and can't afford to save much as you approach retirement, you should seek expert advice before starting a pension plan.

  Please remember the Government can change State pensions and benefits in the future.
- If you change your mind within 30 days of receiving your plan documents, you won't get back all of any lump sum you've paid if the investment value has fallen.

FRIENDS PROVIDENT

Questions and answers

What is the Friends Provident FRIENDS® Online Stakeholder Pension?

- It's a plan that helps you save for your retirement in a tax-efficient way.
- It is open to anyone aged under 75 whether employed, self-employed or not employed.
- Children under 16 cannot start a plan in their own right but a Legal Guardian can start it on their behalf. *Please ask for our Individual Stakeholder Pension for Children Key Features leaflet.*
- It gives you access to the world's investment markets through a wide range of professionally managed funds.

How flexible is it?

- You can pay in monthly. You can pay in lump sums. You can do both. Please see 'How much can be paid into my plan each year?' on page 3 for details of the minimum and maximum amounts that can be paid.
- Your employer can also pay into your plan. If your employer sends your payments to us, we can take them weekly, every four weeks or yearly as well as monthly. Your payments can be the same each month or can be a fixed percentage of your earnings.
- You can change your regular payment amount at any time.
- You can start, stop and restart your payments. If you stop payments, your money will stay invested in your plan and, when you want to, you can start paying again. Reducing or stopping your payments will reduce the pension you get.

What might I get when I retire?

- The final plan value will depend on several things. For example, how much you pay in, how long you invest for, how well the investments perform and the charges we take. We don't guarantee the value as it can go up and down.
- Your pension will depend on interest rates at the time you convert the plan into your pension. To do this, you'll need to buy another plan, called an 'annuity', before you're 75.
- Please see the illustration or the decision trees for an idea of what you might get.

What choices will I have when I retire?

- You can start taking your pension as early as:
  - age 50 before 5 April 2010
  - age 55 from 6 April 2010 onwards.

  You can start taking your pension even if you are still working. You must start taking it by age 75 at the latest.
- We set up your plan to provide benefits from your selected retirement age. You choose this at the start, within the above age ranges. If you don't make a choice your selected retirement age will be 65.
- You can start taking benefits before the lowest age we show above only if you:

– retire early because of ill health, or

– retire early because of serious ill health and your life expectancy is less than a year. If this happens it may be possible for you to take all of your plan value as a cash sum.

- You can convert all of your plan value into a pension, which will be taxable. Or you can normally take up to 25% of your plan value as a tax free cash sum in return for a smaller, taxable pension. You may even be able to convert ALL your pension arrangements into a cash sum provided this is £16,500 or less. However, only 25% of the cash sum will be tax free.
- We can pay your pension at a fixed level or it can increase each year during your retirement - the choice is yours.
- We will pay your pension until you die, but you can have a guaranteed minimum payment period built in.
- You can choose to include a pension for your husband, wife, civil partner or dependants when you die.
- You can buy your pension from us or from another provider who will then be responsible for paying any benefits. We call this the 'open market option'.

How much can be paid into my plan each year?

- Both you and your employer can pay into your plan.
- You can pay from £20 a month.
- You can pay in lump sums from £20 whenever you wish.
- Please see the 'What about tax?' section next for an explanation of what happens if, in any tax year:
  - you pay in more than the maximum amount eligible for tax relief, or
  - you, or you and your employer together, pay in more than the annual allowance.
- If you have a pension plan with another pension company, you cannot transfer its value into this plan. You can transfer its value into our Individual Stakeholder Pension - Transfer Value Account. There is no guarantee that doing so will increase your total pension. *Please ask for the Key features of that plan if you would like more information.*

What about tax?

- We claim any basic rate tax relief you're entitled to from HM Revenue & Customs and invest it into your plan.
- If you're a higher rate taxpayer, you can claim extra tax relief through your tax return.
- For the tax year 2008/09, the basic rate of tax is 20%. This means that for each £80 you pay into your plan, the Government will add a further £20, making a total of £100 invested. The value of any tax relief depends on your circumstances.
- Each tax year you can get tax relief on payments of up to £3,600 or 100% of your UK taxable earnings. This includes any payments you make to other registered pension schemes. We'll refund anything HM Revenue & Customs tells us is more than this. A tax year runs from 6 April in one year to 5 April the next year.
- If the total of your and your employer's payments to ALL registered pension schemes exceeds the annual allowance for that tax year (£235,000 in 2008/09), you must pay a 40% charge.
- The plan value grows free of capital gains tax and income tax, except for income from UK shares.
- If you take a cash sum of up to 25% of your plan value when you retire, it's currently tax free.
- Your pension will be taxed as earned income, as too will any cash sum taken more than 25%.
- If you die before you retire, there is normally no inheritance tax payable on your plan value.
- There is a lifetime allowance (£1.65 million in 2008/09) limiting how much you can build up free of income tax in ALL the pension funds you have. Any amount above the lifetime allowance is subject to a tax charge of 25% if paid as pension and 55% if paid as a cash sum.
- Tax rules may change.

Where are the payments invested?

- We invest all of the payments in the investment funds you choose. Including the number of funds that make up any Lifestyle Investment Programmes available to you, the maximum number of funds you can invest in at any one time is ten. *We briefly describe the Lifestyle Investment Programmes on page 4.*
- We offer a wide range of investment funds managed by our investment specialists, F&C Asset Management plc. *Please see our FRIENDS® Online Stakeholder Pension fund guide for more details.*
- The FRIENDS® Online Stakeholder Pension is a unit-linked plan. We divide each fund into units and the payments buy units in the funds you choose. The price of a unit depends on the value of the investments in the fund.
- If you don't make a choice, the payments will buy units in the Managed Fund. This fund aims for above-average growth over the longer term. It may invest in UK and overseas shares, fixed interest securities, property or cash. In the five years leading up to your selected retirement age our 5 Year Lifestyle Investment Programme will switch your plan value gradually into the Annuity Protector Fund and the Cash Fund. *Please see our FRIENDS® Online Stakeholder fund guide for more details.*
- We work out the plan value based on the total number of units you have in each fund. If the unit prices go up or down, so will your plan value.
- If you want to, you can switch between funds free.

- You can select a Lifestyle Investment Programme which is designed to gradually switch your existing investments and any future payments into lower risk funds as you get closer to your selected retirement age. *Please see our FRIENDS® Online Stakeholder fund guide for more details.*

What are the charges?

- We charge for managing your plan and the investments. The only charge we take is a management charge of 0.8% a year out of your fund value over the lifetime of your plan.
- The example illustration shows the effect charges and expenses have on reducing the value of your plan over its lifetime.

What happens to the plan if I die before I start to take my pension?

- We'll pay the plan value and your plan will end.
- We'll pay the amount due as a cash sum unless we have to use part of the plan to buy a pension for your husband, wife or civil partner. This could happen if:
  - you've transferred from another pension plan, or
  - we've set up a separate account because you've contracted out of the State Second Pension.
- If you've arranged your plan under trust, we'll pay the cash sum to the trustees. If it's not arranged under trust, we'll decide who to pay the cash sum to. We consider your circumstances when you die and anyone you've previously stated you want the money to go to.

Can I transfer my plan?

- You can transfer the value of your plan to another pension company at no cost before you start taking a pension.

Can I change my mind?

- You have a right to change your mind. We'll remind you of this right by post when we set up your plan. You can cancel your plan up to 30 days after you get our reminder.
- If you decide you don't want the plan, let us know in writing within the 30 days and we'll give you your money back less any fall in the investment value if you've paid a lump sum.
- The easiest way to cancel is to complete the 'Cancellation Form' we send you with the reminder and return it to us.

  Or you can email us at:
  customer.services@friendsprovident.co.uk

  Or you can write to us at:
  Friends Provident, PO BOX 1550, Salisbury SP1 2TW, but please remember to include your full name and address and state that you wish to cancel your FRIENDS® Online Stakeholder Pension.
- If you don't cancel within the 30 days, your plan will continue as set out in these key features and the terms and conditions.

How will I know how my plan is doing?

- We'll send you statements each year to show how your plan is doing.
- You can also check the plan value online at anytime.

How to contact us

- If you have any questions, you can phone us, send a fax or email, or write to us.

  Call us on **0870 242 3992** at the following times:
  Monday to Friday between 8.30am and 5.30pm
  We may record calls to improve our service.

  Fax us on **0870 531 4151**

  e-mail us at **customer.services@friendsprovident.co.uk**

  Write to us at **Friends Provident, PO Box 1550, Salisbury SP1 2TW**
- To switch from one fund to another, or to set up a Lifestyle Investment Programme, please write to us at the address above.

Other information

How to complain

- Please write to our Customer Relations Manager at Friends Provident, PO Box 1550, Salisbury SP1 2TW. If you're not satisfied with our response you can contact:

  Financial Ombudsman Service (FOS)
  South Quay Plaza
  183 Marsh Wall
  London E14 9SR
  Telephone 0845 080 1800
  Website: www.financial-ombudsman.org.uk

- Making a complaint won't affect your legal rights.

Terms and conditions

- This leaflet sets out the main points about the FRIENDS® Online Stakeholder Pension. It doesn't include all the definitions, exclusions, terms and conditions.

- We recommend you read the plan terms and conditions available online and print a copy for your reference or save a copy to the hard drive of your personal computer. These terms and conditions will apply if you go ahead. After we set up your plan, we'll send you a schedule that sets out information about the plan individual to you and a further copy of the plan terms and conditions.

- We have the right to change some of the terms and conditions. We'll write and explain if this happens.

Law

- The law of England and Wales will apply unless your plan documents show otherwise.

Language

- Our plan documents and terms and conditions are in English and all other communications with you will be in English.

Pension sharing

- If you were to divorce, or on dissolution of a civil partnership, the court may decide to issue a pension sharing order against the plan. We would then reduce the value of your plan in line with the court order. The balance would be available to your former husband, wife or civil partner to transfer into a suitably approved pension plan of his or her choice.

- We can accept Pension Credits from such a settlement into our Individual Stakeholder Pension - Pension Credit Account. *If you would like further information, please ask for the Key Features leaflet.*

Compensation

- If a financial adviser recommends this plan, you have a legal right to compensation if the Financial Ombudsman Service decides it wasn't suitable for your needs at the time.

- You may qualify for compensation from the Financial Services Compensation Scheme if we become unable to pay claims against us because of financial difficulties. It'll depend on the nature of the business and the circumstances of the claim. The scheme covers most insurance contracts for 100% of the first £2,000 and 90% of the rest of the claim. You can get further information from the Financial Services Authority or from the Financial Services Compensation Scheme.

Client categorisation

- Friends Provident categorises each investment customer as a 'retail client'. This gives you the highest level of protection available under the Financial Services Authority (FSA)'s Conduct of Business Rules. If you would otherwise be categorised under FSA Rules as a 'professional client' or an 'eligible counterparty' then you may not have access to the Financial Services Compensation Scheme or Financial Ombudsman Service. Please contact your financial adviser if you require further details.

About Friends Provident

- Friends Provident Pensions Limited's main business is providing pension products. It's entered on the FSA Register, number 110414.

FRIENDS® Online Stakeholder Pension

Example Illustration

This is an illustration of what you might get back from your plan. It's based on standard assumptions and we don't guarantee the amounts shown. Please read this with our FRIENDS® online Stakeholder Pension key features leaflet on pages 1 to 5.

Please keep these with your plan documents if you go ahead.

Who does the plan cover?

Male aged:	30 years 2 months
Selected retirement age:	60 years
Tax rate:	20%

What will the payments be?

Payment Term:	29 years 10 months
You pay:	£80.00 a month
Basic rate tax relief:	£20.00 a month
Total:	**£100.00 a month**

Where will the payments be invested?

We've assumed we'll invest your payments in the following funds in the percentage shown. Our charges, and the value of your plan, will depend on the funds you choose.

Fund	Percentage
Friends Provident funds	100%

By 'Friends Provident funds' we mean any one or more of the funds available under the plan that F&C Asset Management plc and not by any other fund management company. You can find details of all the funds and their charges in our fund guide.

What might I get back when I'm 60?

The figures show what you might get if you start taking your pension when you're 60. They assume that you keep paying into the plan until your payment term ends.

We've assumed that your pension will:

- start when you retire.
- stay the same from the time you start taking it.
- be paid each month for life for a minimum of 5 years.

If our investments grow at: and interest rates when you retire are:	**5% a year** **2.3% a year**	**7% a year** **4.3% a year**	**9% a year** **6.3% a year**
Your final fund value could be:	£70,100	£99,400	£143,000
which could give you			
either a taxable yearly pension of:	£3,290	£5,950	£10,500
or a tax free cash sum of	£17,500	£24,800	£35,800
plus a smaller taxable yearly pension of	£2,470	£4,460	£7,920

Please note...

- These figures are only examples and are not guaranteed – they are not minimum or maximum amounts. What you will get back depends on how your investments grow, on the tax treatment of the investment and on interest rates at the time you retire.
- Your retirement fund could be more or less than this.
- Most firms use the same rates of growth for illustrations but their charges vary. They also use the same interest rates to show how your final fund value could give you a yearly pension.
- Your yearly pension will depend on how your investments grow and on interest rates at the time you retire.
- Although the three rates of growth used may be appropriate for funds invested mainly in equities and property, the higher rates may overstate the investment potential for other funds.
- Please remember for all funds the lower rate is not the minimum rate the fund may achieve. The value of a fund can go down as well as up.
- Don't forget that inflation would reduce what you could buy in the future with the amounts shown.
- We've assumed you'll take 25% of your fund as a tax free cash sum.
- If, at any time, you take benefits and your total pension funds exceed your lifetime allowance, a tax charge may be payable. We haven't allowed for any such tax charge in this illustration.
- You will have a tax charge if you or your employer in total pay in more than the annual allowance in any tax year. We haven't allowed for any such tax charge in this illustration.
- If you are planning to retire after 5 April 2010, the earliest you can normally start to take your pension benefits is age 55. If you retire on or before that date, you can normally start to take your pension benefits from age 50. If you have a lower retirement age approved by HM Revenue & Customs, you may still be able to retire from that earlier age.

What are the charges?

- The charges cover the cost of commission, expenses, profit and other adjustments. We take charges out of your plan throughout its lifetime.
- There is an annual charge of 0.8% of the value of the funds you accumulate. If your fund is valued at £500 throughout the year, this means we deduct £4.00 that year. If your fund is valued at £7,500 throughout the year, we will deduct £60.00 that year.

Will my financial adviser receive any commission?

- In some cases, we may pay commission to your financial adviser out of the charges we take. The amount will depend on how much you pay and how long you pay for.
- If we do pay commission, we'll confirm the amount when we issue your plan documents.

Friends Provident Life and Pensions Limited

Registered and Head Office: Pixham End, Dorking, Surrey RH4 1QA
Incorporated company limited by shares and registered in England number 4096141
Authorised and regulated by the Financial Services Authority

www.friendsprovident.com Telephone 0870 608 3678

FRIENDS PROVIDENT

EPEN1/A 04.08 (PDF)