

This leaflet sets out the main points about the FRIENDS[®] Guaranteed Bond. Your personal illustration shows what you may get back in the future. Please read both carefully and keep them with your bond documents if you go ahead.

Its aims

- To increase the value of your investment over the longer term.
- To provide a guaranteed minimum payment if you cash it in at any time after five years or if you die. The guaranteed minimum payment is at least the amount you pay in.

Your commitment

- To invest a lump sum payment of £10,000 or more.
- To see your bond as an investment for at least five years. You can cash it in whenever you wish but the guaranteed minimum payment will not apply if you cash it in within the first five years.

Risk factors

- During the first five years the value of your FRIENDS[®] Guaranteed Bond can go up and down depending on how well the investments perform. After five years, the value of the bond can still go up and down but you are guaranteed to receive back at least your original investment.
- The bond invests in a wide spread of investments including UK and overseas shares, commodities, fixed interest and property-related securities, cash and other securities, each of which can go up and down in value. In particular, please be aware investment values for:
 - fixed interest securities can go up and down as interest rates change
 - overseas markets can go up and down simply because of changes in currency exchange rates

- emerging markets can move sharply down or up as they tend not to be so well regulated as developed markets and where political unrest is more likely
- properties depend on individual views of the valuers
- commodity markets can move up and down sharply depending on supply and demand.
- If the investments were to drop significantly in value at any time, your bond would still provide a guaranteed minimum payment if you cash it in after five years or if you die. However, the prospect for your bond achieving any investment growth above the guaranteed minimum payment would be severely restricted.
- When you cash in your bond, you may get back less than your illustration shows. This could happen for several reasons, for example if:
 - investment performance is lower than shown
 - our charges are higher than shown.
- Please be aware inflation will reduce the future buying power of the guaranteed minimum payment.
- If you cash in your bond within the first five years, the guaranteed minimum payment will not apply and we'll make a charge. You could get back less than you've paid in.
- If you change your mind within 30 days of receiving your bond documents and the investment value has fallen, you'll get back less than you've paid in.
- If you convert your bond to our FRIENDS[®] Investment Bond at any time after the first five years, the guaranteed minimum payment will no longer apply. *Please see 'What if I convert to the FRIENDS[®] Investment Bond?' on page 3 for more information*



Questions and answers

What is the FRIENDS® Guaranteed Bond?

- It's a unit-linked investment that gives you access to some of the world's investment markets through the Capital Assured Fund. *Please see 'Where is my payment invested?' below for more information.*
- It aims to increase your investment over the longer term.
- It provides a guaranteed minimum payment if you cash it in at any time after five years or if you die. The guaranteed minimum payment is at least equal to the amount you pay in.
- You must be aged 18 or over to start the bond.
- You can set up the bond on your own life, on another person's life or jointly on both your lives. If you set it up on one person's life, they must be aged under 75. If you set it up on two persons' lives, one of them must be under 75.

How flexible is it?

- You can cash it in at any time. But, if you cash it in within the first five years, the guaranteed minimum payment will not apply. You could get back less than you've paid in.
- At any time after five years you may choose to give up the guarantees the bond provides and convert it to our FRIENDS® Investment Bond. You will then be able to access a range of funds from a selection of fund managers. *For more information, please see 'What if I convert to the FRIENDS® Investment Bond?' on page 3.*
- For greater tax efficiency and long-term flexibility we set up your bond as a minimum of twenty identical policies.

Where is my payment invested?

- We'll invest all your payment in the latest series of our Capital Assured Fund. This fund is made up of a special fixed interest investment to provide the guaranteed minimum payment and the Barclays Dynamic Tracker Fund to provide the extra growth potential. The balance between these varies automatically depending on market conditions. The Barclays Dynamic Tracker Fund invests in various market indices, covering UK and overseas shares, commodities, fixed interest and property-related securities. Because part of the Capital Assured Fund is

always invested to provide the guaranteed minimum payment, we expect the fund to deliver less growth than the markets that it tracks. *Please see the FRIENDS® Guaranteed Bond brochure for more details.*

- We divide each series of the Capital Assured Fund into units and your payment buys units. We work out the value of your FRIENDS® Guaranteed Bond based on the total number of units you have. The price of a unit depends on the value of the investments in the fund. If the unit price goes up and down, so will the value of your units. If you cash in at any time after five years the minimum you will get back is the amount you originally paid in.
- Once you've held your bond for five years, we may increase the guaranteed minimum payment it provides.
- On the fifth anniversary of your bond, we will work out the value of your units assuming you could have sold them at the highest fund price achieved in the first six months since we launched that particular fund series. If this figure is more than your guaranteed minimum payment, we will increase your guaranteed minimum payment to the higher figure.
- Every business day after that, we will work out the current value of your units. We will take 80% of this value and compare this figure to your guaranteed minimum payment. If this is more than your guaranteed minimum payment, we will increase your guaranteed minimum payment to the higher figure. This will first happen when the current value of your units exceeds your guaranteed minimum payment by 25% and will 'lock in' 80% of any growth above 25%.

Can I take money out?

As mentioned earlier, we set up your bond as a minimum of 20 identical policies.

- You can cash in any of these policies at any time.
- If you cash in any during the first five years:
 - you will lose all guarantees on those policies
 - we'll make a charge called a discontinuance deduction. *Please see 'What are the charges?' on page 3 for more information.*
 - you may get back less than you paid in.

- If you cash in any policies, we'll cash in all units on those policies to make the payment.

What might I get back?

- You'll get back the value of your policies at the time you decide to cash them in. The value will depend on several things. For example, how long you invest for, how well the investments perform and our charges.
- If you cash in any policies after five years, the guaranteed minimum payment you will get will be at least the amount you originally invested in them.
- Please see your illustration for an idea of what you might get back.

What happens to the bond if I die?

- If you set the bond up on your life, the bond will end if you die and we'll pay the death benefit.
- You can set up the bond on two lives, so it continues after the first death. We'll pay the death benefit on the second death only and the bond will then end.
- If you write the bond in trust, we'll pay the death benefit to the trustees.
- The death benefit is 100.1% of the value of the bond on death or the guaranteed minimum payment at that time if higher.
- If you decide to convert your bond to our FRIENDS® Investment Bond at any time after five years, the death benefit will be 100.1% of the bond value and no guaranteed minimum payment on death will apply.

What are the charges?

- We charge for managing your bond and the investments. We take charges in the following ways:
 - as an annual management charge out of your unit value over the lifetime of your bond
 - as a discontinuance deduction from your unit value (we only take this if you cash in units within the first five years).
- The annual management charge for the FRIENDS® Guaranteed Bond is currently 2% a year. We take this charge from the Capital Assured Fund before we work out the unit price.

- We express the discontinuance deduction as a percentage of the value of units you cash in:

Year units cashed in:	1	2	3	4	5
Deduction (%):	6.0	4.8	3.6	2.4	1.2

- Your illustration shows our charges and the effect charges and expenses have on reducing the value of your FRIENDS® Guaranteed Bond over its lifetime.

What if I convert to the FRIENDS® Investment Bond?

- At any time after five years you can convert your FRIENDS® Guaranteed Bond to our FRIENDS® Investment Bond.
- There is no charge for doing this but the guaranteed minimum payment will no longer apply to any policies you convert.
- By converting to the FRIENDS® Investment Bond you will have a range of different funds in which to invest. The value of your bond will then be based on the total number of units you have in each fund. You could get back less than you've paid in.
- Once you convert policies to the FRIENDS® Investment Bond you will not be able to convert them back or invest them again in the Capital Assured Fund.
- Some investment funds carry a higher level of risk than others and the annual charges on some funds may be more than the annual charges on the Capital Assured Fund. We take part of the annual charge from the investment funds before we work out the unit prices and part by cancelling units every month. *We'll send you details of the funds available, their aims, charges and risk ratings, before the end of the fifth year.*
- You can pay in further amounts of £10,000 or more at any time after converting to a FRIENDS® Investment Bond.
- You can cash in your FRIENDS® Investment Bond in full, or in part (minimum £250 each payment) provided the cash-in value left isn't below £2,000.
- You can take regular withdrawals. You choose how much (minimum £40 each payment) and how often (every month, quarter, four months, half-year or year) you want us to pay the money to your bank or building society account. We'll stop the withdrawals if the cash-in value left falls below £2,000.

- If you then cash in your bond in full or part, or take regular withdrawals, we'll cash in units to make the payments. Whenever you take money out, the value of your FRIENDS® Investment Bond will reduce.
- If you want to, you can switch between funds. The first 12 switches in each bond year currently are free. We charge £15 for each extra switch.

What about tax?

- We pay tax on income and capital gains within the funds.
- Under current tax rules, you're not liable to basic rate income tax or to capital gains tax on your bond.
- When you cash in some, or all, of your bond, or take regular withdrawals, you may be liable to higher rate tax. If you receive age-related personal allowance or tax credits, they could be reduced.
- If you die, your personal representatives could be liable for the higher rate tax. The proceeds will form part of your estate for inheritance tax purposes. You can set up your bond in trust to help in inheritance tax planning.
- If you convert your FRIENDS® Guaranteed Bond to a FRIENDS® Investment Bond, under current tax rules it is a continuous investment.
- Tax rules may change.

Can I change my mind?


- You have the right to change your mind. We'll remind you of this right by post when we set up your bond. You can cancel your bond up to 30 days after you get our reminder.
- If you decide you don't want the bond, let us know in writing within the 30 days and we'll give you your money back less any fall in the investment value.
- 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 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® Guaranteed Bond.
- If you don't cancel within the 30 days, your bond will continue as set out in these key features and the terms and conditions.

How will I know how my bond is doing?

- We'll send you a yearly statement to show how your bond is doing.
- You can also:
 - ask for an up-to-date statement at any time
 - see how the Capital Assured Fund is performing on our website at www.friendsprovident.com/customer/fundcentre
 - see the latest value of your bond online by registering on our website at www.friendsprovident.com

How to contact us

- Remember your financial adviser will normally be your first point of contact.
- If you have any questions, you can phone us, send a fax or e-mail, or write to us.

 Call us on **0870 607 1352** at the following times:
Monday to Friday between 8am and 8pm
Saturday between 9am and 1pm.

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 cash in your bond, or to convert to the FRIENDS® Investment Bond, 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® Guaranteed Bond. It doesn't include all the definitions, exclusions, terms and conditions.
- If you would like a copy of the full terms and conditions please ask your financial adviser or contact us direct.
- 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 bond documents show otherwise.

Language

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

Compensation

- If a financial adviser recommends this bond, 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 will 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.

About Friends Provident

- Friends Provident Life Assurance Limited's main business is providing life assurance products. It's entered on the FSA Register, number 110413.

Friends Provident Life Assurance Limited

Registered and Head Office: Pixham End, Dorking, Surrey RH4 1QA
Incorporated company limited by shares and registered in England number 782698
Authorised and regulated by the Financial Services Authority

www.friendsprovident.com Telephone 0870 608 3678

FRIENDS® and 'the power of FRIENDS®' are registered trade marks of Friends Provident in the UK and other countries

Printed on Greencoat Plus Velvet paper made from 80% recycled fibre



FRIENDS PROVIDENT