

Key features of the Individual Stakeholder Pension

The Personal Range

Reference
XPEN109/F 11.08

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 Individual Stakeholder Pension 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.

Helping you decide

- This document gives you a summary of information to help you decide if you want to join the Individual Stakeholder Pension.
- You should also read and keep safe:
 - the 'Personal Range fund brochure'
 - the illustration that shows how much you may get in the future
 - the Financial Services Authority stakeholder pension decision trees.

Its aim

- The Individual Stakeholder Pension aims to provide a tax efficient way of saving for your retirement.

Your commitment

- For you to make regular payments to your plan.
- To let the value of your plan grow until your selected retirement age.

Risks

- We can't guarantee what your plan will be worth in the future. There are a number of different reasons for this which include:
 - how much is paid in and how long payments are invested for
 - the investment performance of the fund(s) that payments are invested in
 - the charges that apply to the investment fund(s) that payments are invested in
 - any changes to fund charges
 - any changes to tax rules.
- The value of your plan can go up and down. You could get back less than you've paid in.
- The investment funds available to you carry different levels of risk and invest in different types of investments, including stocks and shares. The value of some funds will go up and down more than others. **Please see the 'Personal Range fund brochure' for more details.**
- If you stop paying in, or reduce the amount paid in, this will reduce the final value of your plan.
- The amount of pension income you'll receive will depend on when you take your pension, the type of pension you choose and interest rates at that time.
- Inflation may reduce the spending power of your pension income.

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Risks continued from previous page

- A pension is a long term investment. You cannot normally access your pension savings until you are age 55 (50 before 5 April 2010).
- If you take out the Individual Stakeholder Pension and change your mind within 30 days of receiving your plan documents, you won't get back all of your money if you've made a lump sum payment and the investment value has fallen.

Questions and answers

What is the Friends Provident Individual Stakeholder Pension?

- It's a plan designed to help you save for your retirement.
- It is open to anyone aged under 75 whether employed, self-employed or not employed.
- The Individual Stakeholder Pension is a unit-linked plan which means that the value of your plan can go up and down.
- It meets all the minimum standards for payment levels, costs and terms and conditions set by the Government for a stakeholder pension.

Is the Friends Provident Individual Stakeholder Pension right for me?

- If you want a plan that helps you save towards your retirement, then the Friends Provident Individual Stakeholder Pension may be right for you.
- You should be willing to invest over the long term and understand the risks shown in the 'Risks' section.
- For most people, it will pay to save in a pension or some other scheme. For a few 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.

- Children under 16 cannot start a plan in their own right but a Legal Guardian can start it on their behalf. If this is the case, the Legal Guardian will be responsible for the plan until the child is 16 and this document should be read accordingly. The information shown will then relate to the child and not to the person taking out the pension on their behalf. The Legal Guardian should tell us when the child reaches age 16 and advise us of their national insurance number. If the child dies before age 16, the plan value may form part of their estate for inheritance tax purposes.

What do I need to know about payments into my plan?

- Both you and your employer can pay into your plan.
- You can pay any amount from £20.
- You can pay in lump sums from £20 whenever you wish.
- **Please see the terms and conditions for more information about payments into your plan.**

How will payments into my plan be affected by tax?

- A pension plan is one of the most effective ways to save money for retirement. This is because you get tax relief from the Government on the money you pay into your plan.
- Each tax year you can get tax relief on your payments to **all** registered pension schemes as long as the total is not more than your UK taxable earnings. We'll refund anything HM Revenue & Customs tells us is more than this. If you don't normally pay income tax, you can still get tax relief but only on payments up to a maximum amount in each tax year (£2,880 in 2008/09).
- We will claim any basic rate tax relief you're entitled to from HM Revenue & Customs and invest it into your plan. Currently, for every £4 you pay in, this will add £1. For example, if you pay in £100 a month, tax relief will increase your payment to £125.

- If you're a higher rate taxpayer, you can claim further tax relief through your self assessment or coding. **Please ask for our leaflet 'A guide to claiming Higher Rate Tax Relief' for further information.**
- If the total payments to **all** registered pension schemes you have are more than the annual allowance for that tax year (£235,000 in 2008/09), you must pay a 40% charge on any amount above this.
- Your plan value will grow free of capital gains tax and income tax, except for income from UK shares.
- Tax rules may change.

Where are payments into my plan invested?

- You can choose the investment funds you would like payments invested in from the range shown in the main brochure.
- You can also select a Lifestyle Investment Programme. This 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.
- If you don't make a choice, the payments will be invested 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 existing investments and any future payments gradually into the Annuity Protector Fund and the Cash Fund. **Please see the 'Personal Range fund brochure' for more details about the Managed Fund and the Lifestyle Investment Programme.**

What charges do you take?

- We take an annual management charge (amc) out of your plan value over the lifetime of your plan.
- Some investment funds have higher charges than others. **Please see the 'New Generation Pensions fund brochure' for details of the amc for each fund.**
- For certain investment funds additional expenses are payable. These are charged to cover expenses such as fees to auditors, trustees and valuers. These expenses are taken out of your plan value and will change over time. For the latest charges please ask.

- The illustration shows the effect charges and expenses will have on reducing the value of your plan based on the funds, payment level and other information shown. If you would like an illustration for investment in other funds please ask.
- There are no other charges.

Do you pay commission to an adviser?

- We may pay commission to your financial adviser for arranging the plan.
- If we pay commission, we'll write to you to confirm the amount when your plan starts.
- Any commission payable is reflected in the annual management charge (amc) described in the previous section. You do not have to pay anything extra.

When can I take my pension?

- We set up your plan to provide benefits from your selected retirement age, which you choose at the start. If you don't make a choice your selected retirement age will be 65.
- You can start taking your benefits from:
 - age 50 before 5 April 2010
 - age 55 from 6 April 2010 onwards.
- You can start taking your benefits even if you are still working. You must start taking them by age 75 at the latest.
- You may be able to start taking benefits before the lowest age we show above only if you retire early because of ill health.

How much will I get?

- When you are ready to take your pension, the amount you get will depend on your plan value, the type of pension you take and interest rates at that time.
- Please see the illustration or the decision trees for an idea of what you might get.
- If you've not received an illustration please ask us.
- We'll send you statements each year to show how your plan is doing and the amount you may receive when you retire.
- You can also ask us for an up to date statement at any time.

- 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.

How can I take my pension?

- You can take all of your plan value as pension income which will be paid for the rest of your life. Alternatively, you can normally take up to 25% as a tax-free cash sum in return for a smaller pension income.
- To convert your plan into income, you'll need to buy another plan, called an 'annuity'. You can buy the annuity from us or from another provider. This is known as the 'open market option'.
- When you buy your annuity you will receive an income until you die but there will be a number of different options available to you. You can buy an annuity that will:
 - remain at a fixed amount
 - increase each year during your retirement
 - include a pension for your husband, wife, civil partner or dependants when you die
 - have a guaranteed minimum payment period built in.

The amount of pension income you receive from your annuity will depend on the option(s) you choose.

- If the total value of **all** the pension plans you have is less than £16,500 (tax year 2008/09), you may be able to take all of this as a cash sum, but only 25% will be tax free.
- You must take your full plan value before you're 75.

How will my pension be taxed?

- Your pension will be taxed as earned income.
- If you take a cash sum of up to 25% of your plan value, it's currently tax free. Any amount more than 25% will be taxed as earned income.
- There is a lifetime allowance (£1.65 million in 2008/09) on **all** the pension funds you have. For any amount above this allowance there is a tax charge of 25% if paid as income and 55% if paid as a cash sum.
- Tax rules may change.

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

- If you die before you convert your plan into pension income, we'll pay the plan value and your plan will end. **Please see the terms and conditions for more information.**

Can I transfer other pension plans into the Individual Stakeholder Pension?

- If you have a pension plan with another company you can transfer its value into this plan. There is no guarantee that doing this will increase your total benefits. There may be a charge for doing this and you should seek professional advice from a financial adviser. **Please see our 'Key Features of the Individual Stakeholder Pension – Transfer Value Account' leaflet for more information.**
- Any Pension Credit from a divorce or dissolution of a civil partnership can be transferred into our Individual Stakeholder Pension – Pension Credit Account. **If you would like further information, please ask for our 'Key features of the Individual Stakeholder Pension Scheme – Pension Credit Account' leaflet.**

Can I transfer the value of my Individual Stakeholder Pension to another pension plan?

- You can transfer the value of your Individual Stakeholder Pension to another pension plan at no cost before you start taking your benefits.
- The illustration will give examples of how much you could transfer to another plan depending on when you transfer.
- If you do transfer to another plan, you cannot continue to have payments made into your Individual Stakeholder Pension.

How do I join?

- Read these key features and the other documents you've received. If you're not sure the plan is right for your needs, you should contact a financial adviser for advice.
- Once you're satisfied that the plan is right for you, please fill out the application form and send it to us.


Can I change my mind?

- Yes. You have a right to change your mind.
- Once you've joined, you'll have 30 days to let us know in writing if you change your mind. We'll remind you about this by post when we set up your plan.
- If you cancel the plan, we'll give you your money back. If you've made a lump sum payment and the investment value has fallen, the amount you'll get back will be less than you've paid in.
- If you don't cancel within the 30 days, the plan will continue as set out in these key features and the terms and conditions.

Other information

How to contact us

- Remember your financial adviser will normally be your first point of contact.
- If you have any questions you can:

 Call us on **0845 602 9221** at the following times:
Monday to Friday between 8.30am and 5.30pm.
We may record calls to improve our service. Calls may be charged and these charges will vary, please speak to your network provider.

 Fax us on **0845 600 0624**

 email us at
customer.services@friendsprovident.co.uk

 Write to us at
Friends Provident, PO Box 1550, Salisbury SP1 2TW

How to complain

- Please contact our **Customer Relations Manager using details in the 'How to contact us' section.**
- To see our procedures for dealing with complaints, **please ask for our 'FRIENDS® Listen' leaflet.**
- If you are 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.

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.

Terms and conditions

- This leaflet sets out the main points about the Individual Stakeholder Pension. 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 us.
- 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.

About Friends Provident

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

Friends Provident Pensions Limited

Registered and Head Office: Pixham End, Dorking, Surrey RH4 1QA
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