

With Profits Bond from Standard Life

KEY FEATURES

Before you take out a With Profits Bond, it is important that you understand what the product is, how it works, what the risks are and what the decision will mean for you. This Key Features Document gives you the main points about the investment bond you are buying. We have enclosed an illustration showing you the benefit you may get in the future. Please read it carefully and keep it with your other With Profits Bond Documents. This Key Features Document is for a UK plan and is for use by UK residents only.

Its aims:

- To offer you the potential for capital growth, an income, or a combination of both.
- To offer you a return over the period of your investment that benefits from smoothing. Smoothing aims to increase the amount we would pay you during periods of poor stock market returns by holding back some of the gains made during periods of high stock market growth.
- To offer you access to your money by making withdrawals on a monthly, three monthly, four monthly, six monthly or yearly basis. You can also make one-off withdrawals at any time.
- You can cash in your bond whenever you like.

Your commitment

- You can invest a lump sum of at least £10,000 up to a maximum of £500,000.
- You should view your bond as a medium to long-term investment which means it should usually be held for a period of at least five years.
- The bond has no fixed term.

Risk factors

- What you get back depends on the bonuses we set and our deductions. There is no guaranteed value on surrender or on any withdrawal amount greater than the Guaranteed Regular Withdrawal Amount.
- You may get back less than the amount illustrated if, for example:
 - bonuses added during the term of your bond result in a lower return than illustrated
 - withdrawals are greater than illustrated
 - charges increase
 - we may apply a reduction to the value of the units in your bond.
- If you cancel the bond in the first 30 days and its value has fallen, then you would get back less than you paid in.



Questions and answers

What is a Standard Life With Profits Bond?

- It is an investment plan which invests in Standard Life's Life With Profits Fund.
- The maximum age for life cover is 75, or 85 for a joint life case if all the lives covered are at least 75. If you take out a bond on a joint life basis, up to six people can own the bond.
- You can make a lump sum investment from £10,000. The maximum you can invest is £500,000.

How flexible is it?

- You can make additional payments of £1,000 or more to your investment at any time, subject to a total investment of £500,000.
- You can make withdrawals from your bond at any time.
- There is no fixed term so you can cash in your bond at any time.
- You cannot switch out of the with profits fund into another fund.

What might I get back?

- The amount you get back is not guaranteed and will depend on several factors, such as:
 - how much you invested
 - the length of time you invested for
 - the bonuses we pay and any reduction applied to your bond
 - how much our charges are
 - the amount of any regular or one-off withdrawals you have made.
- Your personal illustration shows what you might get back. When you cash your bond in, we will pay you the value of your bond.

Can I take money out?

- You can take money out at any time but this will reduce the value of your bond. You can make regular withdrawals, or one-off withdrawals or fully cash in your bond.
- You can make regular withdrawals every:
 - month
 - 3 months
 - 4 months
 - 6 months
 - year

either from the start of your investment or starting at any point later. The minimum regular withdrawal amount is £50. Payment will be made direct to your bank account. You must keep at least £300 invested in your bond if you wish it to remain open.

- You can also make one-off withdrawals of £125 or more as long as you keep at least £300 invested in your bond.

What is the Guaranteed Regular Withdrawal Amount?

- If you choose to take income from the start of your bond we guarantee not to reduce the unit prices on any amount up to the Guaranteed Regular Withdrawal Amount (GRWA). For any withdrawal amount in excess of the GRWA we reserve the right to apply a Unit Price Adjustment. You must tell us at the start of your bond if you wish to take this option, but you can wait for up to 13 months before you start to take withdrawals.
- Initially, the GRWA will be equal to the lower of the regular withdrawal amount you request at the outset of the bond and the Bonus Withdrawal Amount calculated at the bid price. The Guaranteed Regular Withdrawal Amount may change if the Bonus Growth Rate changes or you change the amount of Regular Withdrawal you require or you add to or remove money from your bond.
- If you request an increase in the amount of withdrawals in certain financial conditions, we reserve the right not to increase your Guaranteed Regular Withdrawal Amount. This is to protect the interests of all with profits policyholders.

Where is my payment invested?

- Your payments are used to buy units in the Life With Profits Fund.
- With profits policyholders share in the financial results of the Standard Life Group.
- The Life With Profits Fund is invested in a wide spread of investments, including UK and overseas shares, property holdings, fixed interest stocks and cash deposits. The unit price does not directly reflect the value of these investments. Your investment in this fund normally benefits from a bonus in the form of a daily increase in the unit price. This increase is usually reviewed in February each year. The price is guaranteed not to fall unless a price reduction applies (as set out below).
- In addition, a final bonus may be payable when you sell your units. This is designed to reflect the investment returns, adjusted for administration expenses and the share in the financial results of the Standard Life Group, not already taken into account in the unit price. It is the main method we use to smooth fluctuations in payouts. Final bonuses may be altered or withdrawn at any time.
- In order to ensure fairness and equity between policyholders, we may reduce the unit prices of the Life With Profits Fund. The price reductions may be applied at any time to full or partial surrenders and to regular withdrawals in excess of the Guaranteed Regular Withdrawal Amount. The conditions most likely to lead to a reduction to unit prices are:
- If Standard Life experiences or expects to experience a significant amount of withdrawals and there is a rapid fall in the value of the assets of the with profits fund, or investment returns from the with profits fund are poor over a sustained (or long) period.
- Please see our With Profits Summary Guide that you received along with these Key Features for a more detailed explanation of how with profits work.

What happens to my With Profits Bond if I die?

- If more than one person is covered by the life assurance included with the bond, the bond can continue until the death of the last person covered. Up to six people can be included in the life cover.
- If you are the last person covered, the amount paid on death will be at least 101% of the bid value of units.
- If the bond is written under trust the lump sum will be paid to the trustees.

What are the charges?

- There are various costs involved with setting up and maintaining your bond and we make charges to cover these costs.
- Your money is used to buy units in the Life With Profits Fund. When units are bought there is a difference of 5% between the offer price and bid price. You buy units at the 'offer' price and sell them at the 'bid' price. This is a charge which is called the bid-offer spread. We take this charge when investing your money.
- The current allocation rate is 102%, which means that 102% of your payment is used to buy units at the offer price. The allocation rate is the percentage amount of your money we use to buy your units.
- We can increase the charges we make. We may do so in the future if our costs are higher than originally expected. This might happen if, for example:
 - Tax rules change
 - Our staff or overhead costs are more than we expected
 - Our income from charges is less than we expected

What about tax?

- This section only applies if the bond is owned by an individual/individuals. If the bond is set up under trust, or not owned by an individual, you should ask a tax specialist for advice.
- Any proceeds from your bond are taxed as income. The proceeds are treated as if basic rate Income Tax has already been paid.
- You will only have additional Income Tax to pay if you are a higher-rate taxpayer, or if the chargeable gain puts your income into the higher rate tax bracket.
- The chargeable gain is calculated by the Inland Revenue as follows:
 - The chargeable gain when you cash in your bond is generally the amount you receive plus any amounts you have previously taken as withdrawals, less the amounts you have paid into the bond, less any previous chargeable gains on withdrawals.
 - The chargeable gain if a cash sum is paid on death is generally the cash in value of the bond immediately before death plus any amounts previously taken as withdrawals from the bond, less the amounts paid into the bond, less any previous chargeable gains on withdrawals.
 - Each year you can withdraw upto 5% of the total payments made to your bond without an immediate chargeable gain. Once you have made withdrawals totalling 100% of the payments made, this allowance stops. Any part of this allowance that you don't use can be carried forward to the next year.
 - The chargeable gain on a withdrawal across the bond is generally the amount you withdraw less the allowance.
- Your bond is split into as many as 20 identical policies. This can help reduce any tax you might have to pay if you need to cash in part of your bond. The amount you invest decides how many separate policies your bond is divided into.
- If you are entitled to age allowance or tax credits, these may be reduced due to any chargeable gain on your bond.
- If your bond is not set up under trust, it will form part of your estate on death, and thus increase the inheritance tax liability.

- We pay tax on the fund you invest in at the rate applicable to life assurance companies. We allow for this when calculating the value of your bond.
- As husbands and wives have separate tax allowances it may be better for the spouse with the lower tax rate to own the bond. This could reduce any tax you might have to pay. You should consult a tax specialist for advice.

Can I change my mind?

- You have a legal right to cancel your contract if you change your mind. When we accept your application we will send you a Cancellation Notice. You will have 30 days from when you receive this to tell us if you want to cancel. We will then return any payments you have made. However, if the value of your investment falls before we receive your Cancellation Form, we will deduct an equivalent amount from your refund.

How will I know how my With Profits Bond is doing?

- We will send you a statement each year giving the value of your bond.
- You can also call our customer help line on 0845 60 60 002 for an update.

How to contact us

- Remember your financial adviser will normally be your first point of contact.
- If you have any questions or would like to make any changes to your With Profits Bond, you can phone us, or write to us.

Call us on 0845 60 60 002 during the following times: Monday to Friday 8am – 6pm.

Write to us at:

The Standard Life Assurance Company
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH

Other information

How to complain

- If you wish, we can send you a leaflet summarising our complaint handling procedures.
- If you ever need to complain, first write to us at the above address. If you are not satisfied with our response, you may be able to complain to:

The Financial Ombudsman Service
 South Quay Plaza
 183 Marsh Wall
 London
 E14 9SR

Telephone: 0845 080 1800
 Switchboard: (020) 7964 1000
 Fax: (020) 7964 1001

Website: www.financial-ombudsman.org.uk
 E-mail: enquiries@financial-ombudsman.org.uk

- Complaining to the Ombudsman will not affect your legal rights.

Terms and conditions

- This Key Features Document gives a summary only. Full details of the With Profits Bond can be found in the Policy Provisions document Please ask either us or your financial adviser for a copy.
- We may change some of the terms and conditions. We will write and explain if this happens. We will also send you a copy of anything that has changed.

Law

- In legal disputes, the law that applies is usually the law of the country in which you are resident when you take out the bond.
- When we speak about tax and legislation, we base our views on our understanding of law and Inland Revenue practice when we produced this document. Tax and legislation is likely to change in future.

Compensation

- Qualified financial advisers will recommend products that are suitable for you. You have a legal right to compensation if, at any time, it is shown that you have bought a recommended product that was not suitable for your needs at that time.
- The Financial Services Compensation Scheme has been set up to deal with compensation if firms are unable, or likely to be unable, to meet claims against them. For further information contact us on 0845 60 60 002.
- Your financial adviser will recommend products that are suitable for you.

This guide explains the main points about investing in our with profits fund.

The guide summarises our current approach to managing our with profits fund. If we make a significant change to our approach in future, we'll write to tell you.

We've answered some of the questions you might ask. Most of the guide assumes you take no more than the Guaranteed Regular Withdrawal Amount (described in the Key Features Document) out of your bond. However, the final section explains some important differences if you take more than this.

If, when you've read this guide, you still feel unclear or unsure about investing in with profits, you should seek further advice from your financial adviser or contact us directly. If you would like more information, please ask for our detailed version of this guide. Our full contact details are in the Key Features Document.

What is a with profits investment?

With profits is a type of investment that shares out the performance of the with profits fund to its investors. In doing this, we smooth the return on your bond. So you'll normally see a steadier return year on year, rather than watching the value of your bond fully reflect the rises and falls of stock markets. In addition, Standard Life is a mutual company and this brings other important benefits, because there are no shareholders to take any of your share. (See the later 'Mutuality' section.)

The fund

We combine your money with that of other with profits investors to form a fund. The fund invests in a mix of investments (known as assets) consisting of company shares, property, bonds (which are loans to the government or companies) and cash. The proportion that is put into each of these different classes of assets varies for different with profits funds. We allocate you a number of units that represent your investment in the fund.

You also share in the financial results of the Standard Life group. We intend that this makes profits for the with profits fund, but there is also the possibility that losses could occur.

Smoothing

Company shares and property typically rise more in value than bonds and cash over a long period, but they also carry a higher risk. One year the investment may do very well – but the next could see a big drop.

So instead of simply sharing out what the fund makes or loses each year, a with profits fund evens out some of the fluctuations in performance. Smoothing means that we spread returns from one year to the next. However, we aim to pay out all returns we hold back to with profits investors over time.

By combining your savings with those of other investors, you can get a better spread of assets than you could achieve by investing on your own. Because the fund also smooths the return on your bond, the investment risk of a with profits fund is lower than many other ways of investing in company shares.

Guarantees

We also offer some guarantees if you invest in our with profits fund. This is explained later in 'What are the guarantees?'

Bonuses

We use bonuses to pay you your share of the performance of the with profits fund. We have discretion over bonuses. How they work and how we decide them is explained later in the guide.

What affects how much I might get?

The main factor determining how much you'll get is:

- the performance of the investments in the fund.

Other important factors are:

- the way we smooth investment returns
- the financial results from the Standard Life group
- our charges
- whether any guarantees apply.

Mutuality

The fact that Standard Life is a mutual company is very important. It means that the with profits fund shares in the financial results of the Standard Life group.

The mix of assets in the fund

The investment performance will depend on the mix of assets in the fund. For example, it is likely that a fund that invests 85% of the money in company shares or property will perform better in the long term than one that invests only 70%. This is because company shares and property generally provide a higher return than bonds or cash.

We aim to invest as much of the fund as possible in company shares and property. However, because company shares and property are also higher risk, there are restrictions on how much of the fund we can invest in them. These depend on how strong the company is. Standard Life's financial strength has meant that we have in the past typically invested between 80% and 90% of the fund in company shares and property.

The performance of different types of asset varies considerably over time. So we may change the balance of assets in the fund to:

- improve long term performance
- maintain the financial security of the company.

Currently all our products that use the same with profits fund have the same mix of assets. This may not be so in future.

What are the bonuses?

There are two types of bonus:

- **Regular bonus**
 - Regular bonuses increase the value of your bond over time.
 - We add regular bonuses to your bond by increasing the price of units you have in the with profits fund each day.
 - We normally decide the regular bonus once a year.
- **Final bonus**
 - We aim to pay a final bonus if you make a withdrawal from the fund, or if those covered die, or if you cash in your bond.
 - We decide the final bonus daily.
 - Any final bonus paid will be in addition to the regular bonuses already added.

We apply different levels of bonus depending on when you invest in the with profits fund.

The yearly statement we send will include details of your bonuses.

How do you decide the bonuses?

Regular bonus

The main factor in deciding the regular bonus is how we expect the assets to perform in future. For example, if our long term view changes so we expect lower investment returns, we may reduce the regular bonus to be more in line with our expectations, even if actual returns in recent years have been high.

Final bonus

When your bond comes to an end, or when you make a withdrawal from the fund, we decide what to pay as your final bonus. We assess what would be a fair share (after smoothing) of the total fund value and so what your final bonus should be. A final bonus is not guaranteed because it will depend on how returns have built up over the years.

In extreme conditions, the total returns could be less than those we have already added to your bond as regular bonuses. If so, no final bonus would be added to your bond. A guaranteed minimum value would then apply in the circumstances described in the answer to the next question.

The way that smoothing works means that in any one year the amount we pay out may be equivalent to more, or less, than the actual return achieved on the fund at that time. However, over time we aim to make the average payout equivalent to the actual return achieved.

The investment performance of the assets in the fund can vary considerably over time. Although we aim to smooth out some of the effects of the fluctuations in the payout that you get, final bonuses can still vary substantially from one year to the next.

What are the guarantees?

We guarantee to pay a minimum value for each of your units if you make a regular withdrawal from the fund that is no more than the Guaranteed Regular Withdrawal Amount. We also guarantee to pay a minimum value if those covered die.

We work out the guaranteed amount by valuing each of your units using the price on the date units are sold. So this includes the regular bonuses we've added to each unit.

But if you choose to move out of the with profits fund for any other reason the guarantee won't apply. See below for details if you move out of the with profits fund.

What if I decide to move out of with profits?

You may decide to make a withdrawal from the fund that is larger than the Guaranteed Regular Withdrawal Amount, or to cash in your bond. If so, we may make an increase or reduction so that you get a fair share of the with profits fund. In these circumstances the guaranteed minimum value does not apply. In addition we may not apply our normal smoothing process to the same extent. This means we may reduce the price of your units or your final bonus or a combination of both.

Paying a final bonus

Because of the way we manage the fund, in normal circumstances we expect to add a final bonus. Any final bonus paid will be in addition to the regular bonuses already added.

Paying less than the value of your units

In more unusual circumstances the value of your units may be more than your fair share. In this case we may make a reduction. We would only make a reduction if we expected large numbers of other with profits investors to move out of the with profits fund.

If you make a withdrawal from the fund this reduction only applies to the amount above the Guaranteed Regular Withdrawal Amount.

We never apply a reduction if you make a regular withdrawal that is no more than the Guaranteed Regular Withdrawal Amount, or if those covered die. In these circumstances the guaranteed minimum value applies.