

Key features of the **Investment Bond**

Here you can find the main points about your AEGON Scottish Equitable **Investment Bond**. You'll also get a personal illustration, so you can put figures to the benefits you may receive in the future. Please take some time to go through both of these documents carefully and keep them somewhere safe – you may well want to look at them again.

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This guide refers to our product terms as at August 2007.

Its aims

- To give you growth on your lump sum investment by investing in the range of funds available.
- To offer you a range of funds, from low risk to high risk, to match most risk profiles.
- To give you a tax-efficient way of making withdrawals on a monthly, quarterly, half-yearly or yearly basis. You can also make one-off withdrawals.

Your investment

- You can invest a cash sum of £5,000 or more.
- You should view the Investment Bond as a medium- to long-term investment.
- It has no fixed term.

Risk factors

- What you get back can't be guaranteed and depends on the performance of the funds you've chosen. Investment performance may go down as well as up.
- You may get back less than the amount shown in your personal illustration if, for example:
 - investment growth is less than that assumed in the illustration
 - you withdraw more than shown in the illustration
 - our charges increase above those in the illustration
 - we apply a smoothing reduction on withdrawal from any with-profits fund. This adjustment is to make sure investors receive a fair share if they leave a with-profits fund. It also protects the interests of remaining investors. You can find more details about these funds in our brochure, *A guide to investing in Scottish Equitable's with-profits funds*, which you should get with this key features
- If you decide to cancel, and in the time you've been invested the value of your investment has fallen, you may not receive back the full amount you paid in.
- Legislation may change and this may affect the tax status of the bond.
- If you're not looking for a long-term investment, and are likely to need access to more than 5% of your investment each year within the first seven years, the enhanced allocation option probably isn't suitable for you.
- We can defer any switch or cash-in (of units) for up to a month. However, this can be extended up to a year if you're switching or cashing in:
 - units of the Property fund, or
 - units of a fund that's fully or partly invested in real/heritable property, for example land, buildings and leaseholds

Questions and answers

What is an Investment Bond?

It's a single contribution, unit-linked investment bond, issued as a number of identical policies for flexibility and tax efficiency. The minimum number of policies is one and the maximum is 99.

The bond can be set up by up to four people or by trustees of a trust.

By setting up the bond on more than one life assured, the bond can continue until the death of the last person covered. We'll pay out life cover on the death of that last person, known as the last life assured.

How flexible is it?

- You can add additional amounts of £500 or more at any time.
- You have access to a wide range of funds. You may split your investment between these funds at the start or switch into them at any time during the lifetime of your bond. You can invest in a maximum of 20 funds as long as at least £250 is invested in each fund.
- You can make withdrawals from your bond at any time (providing you leave at least £250 in each fund you're investing in within the bond).
- You can cash in your bond at any time.

What might I get back?

The amount you get back isn't guaranteed and will depend on several factors, such as:

- how much you invest
- how long you invest for
- the performance of the funds you've chosen
- for investments in any with-profits fund, if appropriate, any smoothing increase or reduction which we apply to your bond
- our charges and any withdrawal charges we may apply
- the amount you withdraw

Your personal illustration gives you an indication of what you could get back.

Can I take money out?

You can take money out at any time, but this will lower the value of your bond. You can make regular withdrawals, one-off withdrawals or fully cash in your bond.

You can make regular withdrawals monthly, quarterly, half-yearly or yearly – either from the start of your bond or beginning at any point later. The minimum monthly withdrawal is £40. For all other regular withdrawals, the minimum is £100. We'll make the payment direct to your bank account.

The minimum one-off withdrawal is £250. The maximum you may take out depends on the value of your bond at that time. You must leave at least £250 invested in your bond if you want it to continue.

How and where is my money invested?

The amount we invest depends on the charging structure you and your financial adviser choose. So we may invest either the full amount or we may use part to cover charges. Please see your personal illustration for more details.

You may choose from a wide range of funds, including our own internal funds and a range of externally managed funds.

Details of the funds you've chosen are shown in your personal illustration. You should be aware that each fund has different aims. For details of all the funds available, please see our brochure, *Investment Bond – the freedom to choose funds*, which you can get from your financial adviser.

Within our unit-linked funds:

- each of our funds is made up of units
- we use your money to buy units in the funds you choose
- the price of one unit in each fund depends on the value of investments

We work out the value of your bond based on the total number of units you have in each fund. If the unit prices rise or fall, so will your bond value.

Our with-profits funds aim to smooth out the ups and downs normally associated with direct investment in financial markets.

Our with-profits funds currently don't offer bonuses. We change the unit prices daily to reflect smoothed investment returns. These are calculated using the actual growth on the assets in the fund and our expected growth rate for the fund.

The expected growth rate isn't guaranteed and can change. Smoothing won't be able to counteract the impact of sustained decline in investment returns. You can find more details in our brochure, *A guide to investing in Scottish Equitable's with-profits funds*.

We may apply a smoothing increase or reduction to any withdrawal you make from our with-profits funds.

You may switch between funds at any time. You can have 12 free switches each year. Further switches cost 0.5% of the value of units switched, subject to a minimum charge of £10.

What happens to the Investment Bond if I die?

If additional people are covered, the bond can continue until the death of the last person covered.

If you're the last person covered, we'll pay a cash sum of 101% of your current fund value on your death, if you've chosen the establishment charge or single-priced option.

If you've chosen the enhanced allocation option, the death benefit is as follows:

- If the last person covered dies seven years or more after you've taken out the bond, we'll pay a cash sum of 100.1% of the fund value on their death.
- If the last person covered dies within seven years of taking out the bond, we'll pay:
 - the fund value on the last life assured's death less the original enhanced allocation or the withdrawal charge, whichever is the lower, multiplied by 100.1%. For example when you take out the bond, you get an enhanced allocation of 6%. This means we increase your original investment by 6%. For example, if the last person covered dies three years after you took out the bond, a withdrawal charge of 10% would apply. However, in calculating the death benefit, we would take the lower of 6% and 10%. The cash sum we would pay out would be the current fund value less 6% and then multiplied by 100.1%

Please see your personal illustration to confirm the charging structure that you chose.

If you've set up the bond under trust, it will continue under the ownership of the trustees, or they'll receive the death benefit payment.

There are a number of trusts available which may help you minimise your tax liability. Your financial adviser will be able to explain which of these match your requirements.

What are the charges?

We charge for managing and administering your bond. We recover these charges and any other charges by making deductions from your bond. How much these deductions are depends on how much you invest and how much commission we pay your financial adviser. We may vary these charges. You can find further details in your personal illustration.

We may apply a charge if you make a withdrawal in the early years. If we do, we'll show this in your personal illustration.

Each investment made into your bond will have its own charging period.

What about tax?

The tax rates for any gains on your bond are 20% for basic rate taxpayers and 40% for higher rate taxpayers.

We pay income and capital gains tax on the funds you invest in. As a result of this:

- if you're a non-taxpayer or you pay income tax at the lower rate of 10%, you won't have to pay tax on the gains from your bond; however, you can't claim back any tax we've already paid
- if you pay basic rate income tax at 22%, you won't have any further tax to pay on the gains from your bond
- if you're a higher rate taxpayer, or if the gain divided by the number of years you've owned the bond takes you into the higher rate, you'll have to pay the difference between the lower and higher rates that apply to the bond – currently 20%

Chargeable gain

You may be liable for income tax if a chargeable gain arises on your bond. Among other things, this could happen when you cash in the bond or if you withdraw more than 5% of the initial investment. If you don't use your full allowance one year, you can carry the remainder forward to use in following years.

If there's a chargeable gain, it will be included in your taxable income. If you qualify for income tax age allowance, a chargeable gain may, in some circumstances, increase the tax you pay on your other income. Also, a chargeable gain may affect your entitlement to children's tax credits and other means-tested tax credits and benefits.

Your financial adviser can give you more information on chargeable gains.

Inheritance tax

If you didn't set up the bond under a trust, it will form part of your estate on your death and may be liable for inheritance tax.

If you've set up the plan under trust, the issue of whether the bond forms part of your estate and how much is liable to inheritance tax depends on the type of trust and when you set it up. Please ask your financial adviser for more information.

Legislation may change and this may affect the tax status of this bond.

Any reference to taxation in this document is based on our understanding of current taxation law and practice in the UK. The value of tax relief you'll get depends on your financial circumstances.

Can I change my mind?

After you've invested, we'll send you a notice telling you of your right to change your mind and how to cancel. You'll have 30 days to cancel your bond. If you decide to cancel, we'll give you your money back. This may be less than you invested if the value of the underlying investment has fallen during this time.

How will I know how my Investment Bond is doing?

We'll send you a statement each year telling you the current value of your bond. You can also get details of your bond, including its current value, online at www.aegonse.co.uk with our Bond View facility. You'll need a username and password to access this secure service.

To find out how our funds are performing, you can check our prices daily on the fund pages of our website at www.aegonse.co.uk

How to contact us

If you want any more information on your bond, please contact us:

The Individual Contact Helpdesk
[AEGON Scottish Equitable](#)
Edinburgh Park
Edinburgh
EH12 9SE

Phone: 08456 10 00 10

Fax: 0131 549 4220

enquiries@aegon.co.uk

We may record and monitor any calls for security purposes, to help improve our service standards and to resolve any complaints.

If you want to make an additional investment or a one-off withdrawal, switch funds or cash in your bond, please speak to your financial adviser.

Other information

How to complain

We hope you never have to complain, but if you do, the first step is to write to us. If you're not satisfied with our response, you can then raise the issue with:

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

Phone: 0845 080 1800

Website: www.financial-ombudsman.org.uk
Email: enquiries@financial-ombudsman.org.uk

Referring the matter to the Ombudsman won't affect your right to take legal action later on.

If you'd like a copy of our complaint procedures, please ask us, or you can download it from the 'Contact us' section of our website at www.aegonse.co.uk

AEGON Scottish Equitable

AEGON Scottish Equitable is a trading name of Scottish Equitable plc. As part of the AEGON Group, we benefit from the financial strength of one of the largest insurance companies in the world, which has assets under management of around €368 billion (£248 billion) (this includes all revenue-generating investments).

Our main areas of business are life (for example investment bonds and critical illness cover) and pensions (for example personal pensions, group personal pensions, stakeholder pensions, group stakeholder pensions, self-invested personal pensions and company pension schemes).

The services we provide include processing your application and administering your bond, trust or arrangement. We provide technical support and information to financial advisers and bondholders.

Scottish Equitable plc is on the Financial Services Authority register (No 165548).

Special risks

In this document, we've clearly highlighted any risks associated with taking out this AEGON Scottish Equitable product.

Time limits

We'll let you know of any time limits that may apply and that aren't covered here or in your personal illustration.

Once you've completed the relevant application forms, you must let us know if there are any changes in your circumstances between then and the date your bond starts.

Terms and conditions

This document only gives you a summary of the features of our Investment Bond. You can find full details in your policy conditions booklet. We'll write and let you know if there are any changes to the terms and conditions of your bond.

Law

If, when the contract starts, you live in the UK, then the applicable law is the law of that part of the UK where you live. Otherwise, Scots law will apply. The applicable law can only be changed if both you and Scottish Equitable plc agree.

Communication

Our contract with you is in English and any communications about it will be in English.

Compensation

If a financial adviser recommended this bond to you, you may have a legal right to compensation if it's established that the recommendation was unsuitable when it was made.

The Financial Services and Markets Act 2000 covers your bond. If you need information on compensation arrangements, please ask us. If you need any further information, you can get it from the Financial Services Authority or the Financial Services Compensation Scheme.

customer impact

Meeting the customers' needs by putting them at the heart of our industry

We're determined to treat you fairly and communicate clearly with you at all times.

As well as following the Financial Services Authority's Treating Customers Fairly principles, we're fully signed up to the Association of British Insurers' Customer Impact scheme.

Both of these cover how products are designed and marketed, and ensure we deal fairly with all claims and payments.

As part of the Customer Impact scheme, we publicly commit to putting customers at the core of our business and must show how we're achieving this.

For more information visit: www.aegonse.co.uk/customerimpact