

# 10 Year Savings Plan

## Key Features

### "Why should I read this document?"

The Financial Conduct Authority is a financial services regulator. It requires us, the Metropolitan Police Friendly Society, to give you this important information to help you decide if the **Metfriendly** 10 Year Savings Plan 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.

We want you to be comfortable that you understand the 'Key Features' of this product before you decide to proceed. If you do not understand something in this document, please feel free to contact us.

# Key Features

These are the 'Key Features' of the 10 Year Savings Plans.

## Its aims

- To provide a lump sum at the end of 10 years.
- To allow you the option of leaving the money accumulated in the plan invested with Metfriendly until you choose to cash it in.
- To provide a guaranteed minimum payment - called the "Sum Assured" - on death.
- To enable you to take advantage of the Friendly Society tax-exempt savings allowance

## Your commitment

- You agree to save a regular premium (minimum £25 per month) by salary deduction or direct debit for 10 years.
- You must give us all medical and other information we ask for when applying for your plan and advise us of any changes occurring after you complete your application form but before the plan starts.

## Risks

- Your circumstances may change, forcing you to cash in early.
- If you cash in or stop paying premiums in the early years, then you may not get back as much as you pay in.
- Our charges may be higher than illustrated.
- What you get will depend on investment performance - returns may be lower than illustrated.

# Questions and Answers

## What are Metfriendly 10 Year Savings Plans?

They are tax-efficient plans for regular monthly saving, designed to shield your savings from income and capital gains taxes for a period of 10 years or more. As such they are suited for individuals who are or may become higher rate tax payers.

## How do the Metfriendly 10 Year Savings Plans work?

- You invest a regular monthly premium (minimum £25 per month) with Metfriendly for 10 years.
- These are life assurance plans and they have a death benefit, the Sum Assured (which meets the requirements of tax legislation).
- Your money is invested in our With-Profits Fund.
- At the end of each calendar year, we add a bonus to the Sum Assured and send you a bonus notice.
- Once added, that bonus is a permanent addition to your investment with us.
- Bonuses are compounded, so in subsequent years you earn bonuses on the bonuses.
- The Sum Assured and bonuses are payable on death.
- After 10 years you have the option to take the value or leave the accumulated fund invested with Metfriendly where it will continue to attract bonuses and enjoy the tax advantages.
- We also normally add a final bonus when the benefit is paid.

## Who can take out a Metfriendly 10 Year Savings Plan?

You must be a UK resident aged 18 or over, and you must work or have worked in the UK police service, or be the partner or close relative of such a person. The plans have to be taken out before age 50 (55 for non-smokers).

## What is a 'Qualifying Policy'?

Qualifying policies are life assurance policies with a special tax status. This means that the proceeds are free of tax for the beneficiary. There is a £300 per month limit on all qualifying policies. In order to accept your application, we will need confirmation that you do not exceed this limit.

If you are unsure whether you are the beneficiary of any other qualifying policies, or you have any other questions, please call us and we will be able to assist you. Please note that neither the Metfriendly ISA nor our Guaranteed Five Year Savings Plan count towards this limit.

## How flexible are they?

The 10 year premium term is fixed and once started the premium cannot be altered. At the end of ten years your accumulated investment can remain invested with Metfriendly for as long as you wish. If you stop paying the premium the plan will cease and a "surrender value" will become payable.

For longer terms up to 25 years with a fixed maturity date and no option to leave money invested after maturity you can apply for a long term savings plan.

## Are there limits on premiums?

For the **Tax Exempt Savings Plan** you and your partner are each limited to £25 per month (provided you do not have tax-exempt contracts with other Friendly Societies).

For the **Standard Savings Plan** there is a minimum monthly premium of £25 and an upper limit of £300, including any amount paid into a Tax-Exempt Savings Plan.

## What might I get back?

### Tax Exempt Savings Plan

An example - What you might get back after 10 years for a regular monthly premium of £25:

- If investments grew at 2.0% a year - you would get back £3,000
- If investments grew at 5.0% a year - you would get back £3,330
- If investments grew at 8.0% a year - you would get back £3,880

The following examples show what you might get back. They assume that investments will grow at 5.0% a year.

### The early years

At the end of year	Total premium paid in to date	Effect of deductions to date	What you might get back
1	£300	£58	£250
2	£600	£56	£575
3	£900	£95	£875
4	£1,200	£126	£1,200
5	£1,500	£200	£1,500

Warning - if you cash in during the early years, you could get back less than you paid in.

### The later years

At the end of year	Total premium paid in to date	Effect of deductions to date	What you might get back
10	£3,000	£533	£3,330
15	£3,000	£1,230	£3,710
20	£3,000	£1,940	£4,360
25	£3,000	£2,900	£5,140

## What are the charges?

- The deductions include the estimated cost of expenses, charges, any early encashment fees and other adjustments.
- The table shows that over the ten year savings period the effect of the total deductions could amount to £533.
- This would have the same effect as bringing down the investment growth from 5.0% a year to 2.2%.

## What might I get back?

### Standard Savings Plan

**An example - What you might get back after 10 years for a regular monthly premium of £25:**

- If investments grew at 1.5% a year - you would get back £3,000
- If investments grew at 4.0% a year - you would get back £3,250
- If investments grew at 6.5% a year - you would get back £3,690

**The following examples show what you might get back. They assume that investments will grow at 4.0% a year.**

### The early years

At the end of year	Total premium paid in to date	Effect of deductions to date	What you might get back
1	£300	£56	£250
2	£600	£50	£575
3	£900	£81	£875
4	£1,200	£100	£1,200
5	£1,500	£158	£1,500

**Warning - if you cash in during the early years, you could get back less than you paid in.**

### The later years

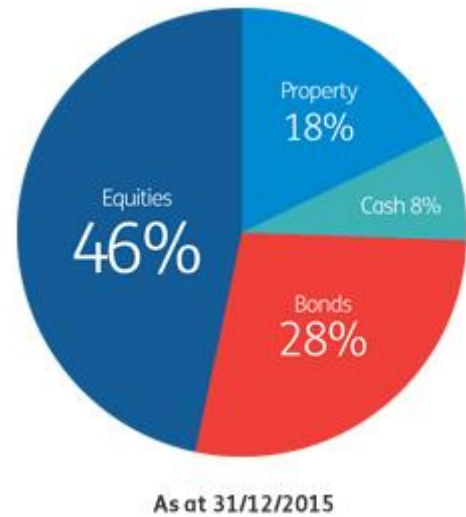
At the end of year	Total premium paid in to date	Effect of deductions to date	What you might get back
10	£3,000	£419	£3,250
15	£3,000	£929	£3,540
20	£3,000	£1,410	£4,020
25	£3,000	£2,040	£4,580

## What are the charges?

- The deductions include the estimated cost of expenses, charges, any surrender penalties and other adjustments.
- The table shows that over the ten year savings period the effect of the total deductions could amount to £419.
- This would have the same effect as bringing down the investment growth from 4.0% a year to 1.7%.

## Where is my premium invested?

The premiums are invested in the Metfriendly With-Profits fund which is made up of equities, commercial property, bonds and cash. The example in the diagram shows the approximate "mix" as at 31 December 2015.



## What happens if the stock-market falls?

All of our assets can rise and fall with the stock-market, although investing in a range of assets does provide some protection to the fund. It is possible that this will result in the value of your plans reducing from time to time.

## How are bonuses determined?

Bonuses are decided by the Board acting on the advice of the with-profits actuary. A key factor in determining bonuses is the investment return in recent years.

## How will I know how my plan is doing?

We will send you a bonus notice every year, showing you the annual bonuses that have been earned; any final bonus (payable on encashment) will not be shown. We will also be happy to advise you of an up-to-date value at any time over the telephone on proof of identity.

## What happens after 10 years?

Under the plan premiums cease after 10 years, and you are given the option to take the value at that point or leave the money invested to grow. You can then choose to cash-in your plan anytime you wish.

## Can I cash in earlier?

Yes. The plan can be cashed in for a surrender value at any time. You can only cash in the plan completely – we will not permit part surrenders. Once you have been paying premiums for 6 years, the surrender value may exceed what you have paid in – but it could be less in the early years. The surrender value reflects our investment return over the period of your savings. On taking money out of either plan there may be tax implications.

## What about tax?

There is no liability for income or capital gains tax after 10 years. However, there may be a liability for income tax on earlier surrender – currently this is levied on the gain you make at the highest rate of income tax you pay (for the Tax Exempt Savings Plan), or at the difference between the highest rate of income tax you pay and the basic rate (for the Standard Savings Plan). **Note:** The Government may change tax treatment at any time.

## How do I withdraw money when I need it?

All you have to do is download a Redemption Form from our website ([www.metfriendly.org.uk/redeem](http://www.metfriendly.org.uk/redeem)), fill it in and post it to us. Alternatively you can send or fax us a signed letter detailing your request and giving details of the bank or building society account (which must be in your name) where we should pay your money.

Payment will be made on the 7<sup>th</sup> of the following month (or next working day). Where there is an intervening public holiday, different arrangements apply. Please contact us for more details.

## What happens to my plan if I die?

The value of your plan including any bonuses added will be payable to your estate. This sum will not be less than the Sum Assured.

## How do I apply for a Metfriendly 10 Year Savings Plan?

Applications can be initiated online. If you are not currently serving in the London Police Services we will require reasonable proof of identity (Copy Birth Certificate, Driving Licence or Passport).

Serving officers or staff in the Metropolitan and officers in the City of London Police Services can authorise us to take monthly premiums from their salary - both for their plan and that of their partner. Any amount subscribed in this way for a partner must be their own money.

If you are retired or a relative, or simply wish to pay by direct debit, we will send you a direct debit form (unless you already pay this way).

As an alternative to the online application you can print off a PDF Application Form from the website and send it to us.

## What if I change my mind?

We will send you a certificate showing your benefits and a cancellation notice. If you change your mind, you can return the notice within 30 days for a full refund.

## How much will it cost for advice?

- Metfriendly does not make any form of commission or incentive payments.
- The cost of providing verbal or written information about these plans is included in Metfriendly's overall expenses.

## Is it suitable for me?

If you are unsure as to the suitability of these products, and wish to obtain personal advice, you should contact an independent financial adviser.

## How do I contact you?

Metfriendly, Central Court, Knoll Rise, Orpington, Kent, BR6 0JA

**Phone:** 01689 891454

**Fax:** 01689 891455

**Email:** [info@metfriendly.org.uk](mailto:info@metfriendly.org.uk)

**Web:** [www.metfriendly.org.uk](http://www.metfriendly.org.uk)

## How to complain

- If you have a complaint about any aspect of the service you have received, in the first instance please contact us. A summary of our complaints handling procedure is available from us.
- If you feel your complaint is not dealt with to your satisfaction, you can then contact the Financial Ombudsman Service, Exchange Tower, London, E14 9SR or visit their website [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk). This will not affect your right to take legal proceedings.
- In the event of any complaint, we would treat you as a normal retail customer and not make any assumptions of specialist investment knowledge on your part.

## Compensation

- Information on compensation arrangements is available from us.
- We are a member of the Financial Services Compensation Scheme.
- **Metfriendly** is an insurance provider.

## Law

- In legal disputes the law of England and Wales will apply.
- Full details of the plan are contained in the Society's Tables and Rules - which evidence the legally binding contract between you and **Metfriendly**.
- On taking out this plan, you will be issued with a certificate showing your benefits. As you are then a member of the Society you are subject to our Rules, which are available on the website or on request from us.

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Register No 110026). Incorporated under the Friendly Societies Act 1992 and registered in the UK No.496F. Metfriendly is a trading name of the Metropolitan Police Friendly Society Limited.



## How We Manage the With-Profits Fund

### (A consumer friendly version of our full Principles and Practices of Financial Management)

The Financial Conduct Authority requires us to publish and maintain the principles and practices we use in operating the Society. This document, known as the "*Principles and Practices of Financial Management*" (PPFM), is available on request to any member.

We are also required to publish this easier to read version of the document called the "*Consumer Friendly Principles and Practices of Financial Management*" (CFPPFM). This must be sent to all members and potential members, either when they request information about one of our products or start a new plan.

The CFPPFM covers the same ground as the PPFM but puts the information into more day-to-day language in an abbreviated form.

## What is a with-profits investment?

With-profits investment is a method of providing a saver with access to a fund, where their money is pooled with others and all customers share in the investment return. A bonus may be added to their contract, which once added cannot be taken away.

## How does the with-profits fund work?

The premiums we collect from with-profits members are pooled together into our with-profits fund. The fund is invested in a mix of equities, commercial property, government bonds, corporate bonds and cash. By spreading the investment between the various investments the Society is not solely dependent on one market. For instance, if the stock-market went down but other investments went up then the effect would be that one counteracts the other.

The Society aims to be fair to all its members and to uphold the promises made to them when they took out their plan. However, any payments made to customers by way of an annual or final bonus must reflect the way in which the value of the with-profits fund has performed throughout the period of investment.

The Society aims to avoid large changes in the amounts paid on comparable plans from year to year. This is known as "smoothing" and is designed to protect investors from some of the sudden movements in the stock-market. In practice, smoothing means that we hold back some of the high investment returns from the good years and use them to boost with-profits payments in years when returns are lower.

## What are bonuses?

Each year we will send you a bonus statement telling you what bonuses have been added to your plan. There are two types of bonus.

**Annual bonus** - members receive an annual bonus with their with-profits plans. These are also known as reversionary bonuses. They may vary depending on the type of contract you have and once added cannot be taken away (provided that the contract is held to the end of its term and any premiums due are paid). The Board sets these in October each year after receiving the advice of a professional adviser (the "with-profits actuary") who considers investment performance, current interest rates and the Society's financial strength.

**Final bonus** - when a plan is paid out we will often add a final bonus. This will vary according to the type of contract you have. Final bonuses are not guaranteed and are not known until the time of payment. Again these are agreed by the Board in October but may be varied at any time.

## How do you work out what the final bonus should be?

The final bonus is intended to ensure that payments to members are broadly equivalent to the premiums paid in, accumulated to allow for:

- our expenses or charges

- the investment return, allowing for smoothing, and
- any allowance for taxation or the cost of providing death benefits, where applicable.

Although the Society has low administration costs, they have a greater effect on the return to members for plans of short duration.

Overall, it is the intention of the Society to pay out the money made by its investments on their premiums back to its members. To the extent that the Society has more assets than it needs to pay these members at a particular moment in time these assets or "estate" will be carried forward to protect members against large drops in returns in the future and in particular to smooth their benefits as described above. It is also used to support the guaranteed benefits, that is, the sum assured under the contract and annual bonuses already added to it.

Additionally this greater financial strength enables the Society to make investments with a higher risk in an effort to seek higher returns for our members. We will always keep these under review, and will not take any unnecessary risks with the potential benefits of members.

## How do you invest my money?

The Society has an investment strategy that is regularly agreed by the Board. There are risks but we aim to keep these as low as possible and investment managers are restricted in how they can invest our funds.

We maintain a mixed investment portfolio in order to maintain stability of returns, but we also have sufficient depth to our finances to allow for some of our assets to be invested in higher risk investments such as equities where returns may be greater.

Risks to the business are regularly assessed and adjustments made as necessary.

## If I surrender my plan what will I get back?

All surrender values remain subject to the discretion of the Society and are not generally guaranteed. You will normally receive a return of the premiums you have paid but within the first 4 years of a savings plan we make a small deduction.

For savings plans that have been running for at least 6 years, you will also receive the benefit of any bonuses that have been added. You may also receive a final bonus.

Investment plans will normally receive the full benefit of any annual bonuses which are added to the sum assured (the single premium). Those that have been running for at least three years may also receive a final bonus. Investment plans include both lump sums and variable contributions which are treated as lump sums for each year they are paid (ISA and Flexible Savings Plan).

For investment plans, the Society may apply a market value reduction (MVR) to its contracts if there was a sudden or prolonged drop in the value of the stock market affecting the assets of the Society under investment. Details of any MVR being applied will be given in the **With-Profits section** of our website. Guarantee arrangements may apply on older business once it has been in force for 10 years - the relevant **Table** on our website will give details.

## What are your charges for?

The Society aims to keep any administration charges as low as possible and these are reviewed on an annual basis. Charges are applied to all members of the Society through their plans and include those members who do not invest in the with-profits fund. They also cover any new business costs in attracting new customers to the Society. However, the Society does not pay commission to anyone. We also make a charge to the fund for the cost of providing guarantees.

## How can I find out more information?

If you would like to see a full copy of our Principles and Practices of Financial Management (PPFM) or you would like to speak to someone about anything else then please call us on 01689 891454.