keyfacts®

# Children's Savings Plan

## Stocks and Shares

## 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** Children's 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.

metfriendly
save, invest and protect

# Key Features

These are the 'Key Features' of the Children's Saving Plan

## Its aims

- To build up a lump sum payable when the child is 18, 21 or 25.
- To enable you to take advantage of the child's Friendly Society Tax- Exempt savings allowance.
- To provide a guaranteed minimum payment - known as the "Sum Assured" - on maturity or in the event of the child's death during the savings period.

## Your commitment

- To save £25 per month on behalf of the child by salary deduction or direct debit while the plan is in force.

## Risks

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

# Questions and Answers

## What is the Metfriendly Children's Savings Plan?

It is a tax-efficient plan for regular monthly saving, written in the name of the child, designed as a way for an adult (the "payer") to save for the benefit of a child.

The plan is always set to run to the plan anniversary preceding the child's 25th birthday, but penalty-free surrenders are available on the child's 18th and 21st birthday, as long as the plan has been in force for at least 10 years at that time. See 'Can the child leave their money with you at the end of the plan?'

## How does the Children's Savings Plan work?

- A regular monthly premium of £25 is paid to us by the payer. The child may take over paying premiums at age 18.
- Each premium is treated as a "gift" to the child for legal and tax purposes.
- These are life assurance plans and they have a death benefit, the Sum Assured. However, under age 10, the death benefit is limited to a return of premiums. See 'What happens if the child dies?'
- The Sum Assured is based on the term - which goes through to the policy anniversary before the child's 25th birthday.
- There are options to cash in the plan penalty-free on the child's 18th or 21st birthday. See 'Can the plan be cashed in before it's due to mature?'
- 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 the parent a bonus notice.
- Once added, that bonus is a permanent addition to the child's investment with us.
- Bonuses are compounded, so in subsequent years the child earns bonuses on the bonuses.
- The Sum Assured and bonuses are payable at maturity (or on the child's earlier death after their 10th birthday).
- We also normally add a final bonus when the benefit is paid.

## Who can apply for a Children's Savings Plan?

A parent (or someone with parental responsibility) must sign the application on behalf of the child. The child must be the child, grandchild, nephew or niece of someone who works (or has worked) in the UK Police Service. The child must be resident in the UK and needs to be under 15 at outset.

## Who can pay into a Children's Savings Plan?

The payer can be either:

a) the child's parent, or;
b) a relative or family friend (with the parent's agreement).

The payer must be age 18 or over and have a UK bank account. Any payer who is NOT a parent will not receive annual statements and will have no rights to surrender the plan early. If the payer stops paying premiums the plan will cease (and the current benefit will become payable) unless someone else takes over as the payer.

It is not possible for more than one person to pay into the same Children's Plan at the same time.

# Are there limits on premiums?

Each child is limited to £25 per month in these plans, and that includes Tax- Exempt plans with other Friendly Societies. This limit applies to the child, not the payer (who can therefore also have a Tax-Exempt plan as an adult in their own name - see our Ten Year Savings Plan for details). For children's savings plans with higher premium limits see our Junior ISA.

# What might the child get?

An example - What the child might get after 24 years for a regular monthly premium of £25:

- If investments grew at 2.0% a year - they would get back £7,200
- If investments grew at 5.0% a year - they would get back £10,100
- If investments grew at 8.0% a year - they would get back £15,100

**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 the child might get |
|---|---|---|---|
| 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 the plan stops during the early years it may be worth less than was paid in.**

## The later years

| At the end of year | Total premium paid in to date | Effect of Deductions to date | What the child might get |
|---|---|---|---|
| 10 | £3,000 | £662 | £3,200 |
| 15 | £4,500 | £1,390 | £5,240 |
| 17 | £5,100 | £1,660 | £6,280 |
| 20 | £6,000 | £2,360 | £7,800 |
| 24 | £7,200 | £3,500 | £10,100 |

## What are the charges?

- The deductions include the estimated cost of expenses, charges, any early encashment charges and other adjustments.
- The last line in the table shows that over a 24 year period the effect of the total deductions could amount to £3,500.
- This would have the same effect as bringing down the investment growth from 5.0% a year to 2.8%.

## Can I save on behalf of more than one child?

Yes, you can invest in separate plans for as many children as you like.

## How flexible is it?

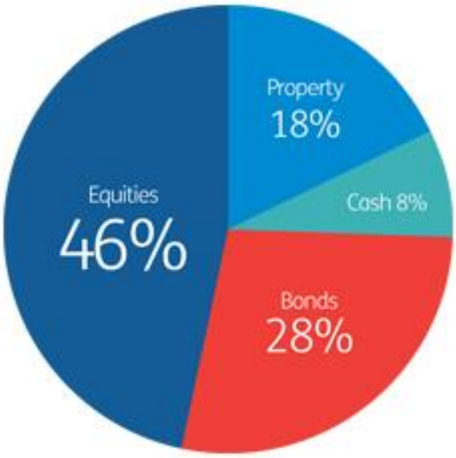
Once the plan has started the premium amount cannot be changed. For more flexibility with children's savings see our Junior ISA.

## Can I choose how long to save for?

No - the child has to be under age 15 at outset, and the term will be set so that the plan matures before age 25. However, the plan can be cashed in early - see 'Can the plan be cashed in before it is due to mature?'

## Where is the 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.




As at 31/12/2015

## 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 the plan reducing from time to time.

## How are bonuses determined?

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

## Can the child leave their money with you at the end of the plan?

The plan must pay out at maturity (the anniversary before the child's 25th birthday) and cannot be left to grow, although the child will be eligible to reinvest the proceeds in one of Metfriendly's lump sum investment products.

## Who can cash in the plan?

If the child is under 16, the parent can request the plan be cashed in, but once the child is 16 or over only the child can make such a request.

We will always make payments payable to the child, who will therefore need a bank account in their own name.

## Can the plan be cashed in before it's due to mature?

Plans can be cashed in for a surrender value. A plan can only be cashed in completely - we will not permit part surrenders.

Once premiums have been paid 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 the savings.

There is the option to cash-in the plan penalty-free on the child's 18th or 21st birthday, provided the plan has been running for 10 years. The Sum Assured and annual bonuses will reflect the actual period for which premiums have been paid. The final bonus is at the rate applicable to maturing policies. There may be a tax liability if the plan is cashed in during the first ten years (see 'What about tax?').

## What about tax?

There is no liability for income or capital gains tax on the pay-out at the end of the plan, nor on any payment if the plan has been running for at least 10 years (or 3/4 of its original term if less).

However, if it is cashed in earlier, income tax may be payable on the amount by which the cash in value exceeds the total premiums paid. Tax would be payable at the child's highest rate of income tax - and if the child does not have sufficient income to pay tax, then no tax is payable.

## What happens if the premium payer dies?

The plan can continue if a replacement payer can be found to continue the regular payments. Even the child (if over 18) could volunteer. However if no one is prepared to pay the remaining premiums, then the policy will cease and a surrender value will be paid to the child - see 'Can the plan be cashed in before it is due to mature?'

## What happens if the child dies?

The plan will immediately cease and the Sum Assured and bonuses to date will be paid to the child's personal legal representatives (usually the parents). However, if the child was under 10, the death benefit is limited to the amount of the total premiums paid.

## How do I apply for a Children's Savings Plan?

Do not apply until you have read the Key Features of the plan.

If you are the parent AND also paying for the plan AND you are eligible to be a member of Metfriendly in your own right, you can do an online application. On receipt we will then write to you requesting a copy of the child's birth certificate and any other documentation that may be required. Application Forms can also be downloaded in pdf form and sent in to us.

If someone other than the parent is going to be paying the premiums, both the parent and the payer will need to fill out the pdf Application Form from the website and send it to us with a copy of the child's birth certificate and any other documentation that may be required.

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. Otherwise please ask for a direct debit form (unless you already pay us this way).

If the parent or payer is not already making payments to Metfriendly, they must provide us with reasonable proof of identity (copy of your Birth Certificate, Driving Licence or Passport) and a recent utility bill as proof of their address.

## What if I change my mind?

On starting a plan, we will send a certificate to the parent on behalf of the child and a cancellation notice. If you change your mind, the parent can return the notice within 30 days for a full refund.

## How much will it cost for advice?

- Metfriendly is not authorised to give financial advice nor does Metfriendly pay any form of commission or make any incentive payments.
- Any cost of providing verbal or written information about the Metfriendly's plans is included in Metfriendly's overall expenses.

## Is it suitable for us?

If you are unsure as to the suitability of this product, 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

**Web:** 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. 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.

# How We Manage the With-Profits Fund

## 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, corporate bonds and cash. By spreading its investments this way the Society is not solely dependent on one market. For instance if the value of the stock market was to go down but other investments go 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. Final Bonuses do not apply to the Monthly Savings ISA or Monthly Savings Junior ISA (start dates from 1/1/2016).

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

The final bonus (or the rate of annual bonus in the case of the Monthly Savings ISA and Monthly Savings Junior ISA) 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 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 some investments with a higher risk. We will always keep these under review, and will not take any unnecessary risks with the investments we make on behalf of our 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.

## What are your charges for?

The Society aims to keep charges for acquisition and administration costs as low as possible and these are reviewed on an annual basis.

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.

The PPFM is also available on our website.