

Metfriendly

A guide to understanding your Annual Statement for 2019

For more information, please refer to our website at metfriendly.org.uk/annualstatement

Alternatively, you can call or email us with any questions you may have on:

Telephone: **01689 891 454**

Email: enquiries@metfriendly.org.uk



metfriendly
save, invest and protect

Metfriendly's Range of Plans

For each product you take out we issue a plan which contains one or more separate policies which are issued for tax efficiency.

Fixed Term Plans	<p>A plan whose benefit is for a set period, after which it ends.</p> <p>Metfriendly products include:</p> <ul style="list-style-type: none">• Life Cover such as Level Term Assurance and Decreasing Term Assurance• Critical illness• Income Protection• Five-year Savings Plan, (which provides a payment to the plan holder at the end)
Conventional With-Profits (CWP)	<p>A plan that is guaranteed to pay out an agreed amount when it matures or reaches an option date. Some provide the option to remain invested after the 10th anniversary when premiums cease.</p> <p>Metfriendly products include:</p> <ul style="list-style-type: none">• Ten-year Savings Plan• Fixed Term Endowment• Tax-exempt Savings Plan• Standard Savings Plan• Fully paid Tax-Exempt Savings Plan• Fully paid Standard Savings Plan
Accumulating With-Profits (AWP)	<p>An accumulating with-profits plan is a plan where your savings increase as contributions are made. These plans have no set end date. Metfriendly will aim to increase the value of your plan for as long as you hold it with us by adding regular bonuses, and may add a final bonus when you cash-in the policy.</p> <p>Metfriendly products include:</p> <ul style="list-style-type: none">• Lump Sum ISA• Monthly Savings ISA• Lifetime ISA• Junior ISA (becomes an adult ISA at age 18)• With-Profit Bond

Market Value Reduction (MVR): The Society reserves the right to reduce the cash-in value of the plan to reflect sustained falls in markets which could mean that the cash-in value of your plan is less than the contributions you have made. This reduction is called an MVR and will only be enforced when you cash-in your investment during the period when it applies. It's important to note that it does not apply to death claims and that MVRs are not currently in force. These were last applied to Metfriendly products from October 2008 to September 2009.

Guarantees: The cash-in value is guaranteed to be at least the contributions made plus bonus (less any income paid) except on policy anniversaries for certain AWP business written before 31/12/12. For CWP the cash-in value is guaranteed to be at least the current sum assured.

With-Profits Plans: Guide to Your Statement

Certificate Number / Plan Number	A unique reference number that identifies your plan(s) with Metfriendly
Start Date / Investment Date	The date on which your plan commenced
Maturity Date	The date at which your plan ends and pays out (if applicable)
Total Contributions	The total amount paid into your plan to 31/12/2019
Original Sum Assured	The amount that your plan guaranteed to pay at its start date
Current Sum Assured	The value of your plan (made up of the Original Sum Assured plus bonuses) as at 31/12/2019
Accumulated Bonuses	The total annual bonuses accumulated under your plan from the start date to 31/12/2018
Fixed Contribution	A fixed amount paid into your plan that cannot be changed after your plan has started
Monthly Contributions	The regular monthly amount that you pay into your plan
Payments Made	The accumulated amount in £ paid out of your plan up until 31/12/19
Bonus Rate 2019 (%)	The annual bonus rate credited to your plan(s) for 2019
New Annual Bonus 2019	The total bonus added to your plan in 2019
Total Contributions plus Bonuses	The total value of the contributions and annual bonuses paid into your plan. If you have taken money out of your plan this will be reflected in the Current Value
Final Bonus	We will add a final bonus to some of our plan(s). Further details are given on page 6
Cash-in value	The cash in value of your plan on 01/01/2020. This is available when you decide to fully cash in your plan or when you die. The cash-in value can be higher than the 'Current Value' of your plan when a final bonus has been added. The cash-in value can vary and is not usually guaranteed

Fixed Term Plans: Guide to Your Statement

Policy Number	A unique reference number that identifies your policy with the Society
Sum Assured	The amount payable on the occurrence of an insured event, such as death or diagnosis of a listed critical illness
Monthly Premium	The amount paid every month to benefit from cover under your policy
Smoking Status	The smoking status that we hold on record for you
Initial Sum Assured	The original amount of cover provided by your policy. See below for Decreasing Term
Current Sum Assured	For a Decreasing Term policy, the current amount that your policy covers you for
Policy Term	The length of your policy from start date to end date
Joint Life	The names of the people who will benefit from a payment from the policy on the death of the first or second policyholder
Insured Earnings	For Income Protection - the earnings on which the benefits of your policy are based
Start Date/Investment Date	The date on which your policy commenced
Maturity Date	The date at which your policy ends and pays out (if applicable)
Fixed Contribution	A fixed amount paid into your policy that cannot be changed after your policy has started
Guaranteed Payment at Maturity	The guaranteed amount paid at the end of the policy



How we manage the With-Profits Fund

What is a with-profits investment?

With-profits investments are a method of providing a saver with access to a fund which aims to provide consistent, stable returns on savings over the medium to long term.

How does the With-Profits Fund work?

The premiums we collect from with-profits members are pooled together into Metfriendly's With-Profits Fund. We use three fund managers to manage most of the with-profit assets. These include bond funds, a cash fund, a multi asset fund and property funds. Approximately half of the fund's return-seeking assets are invested in a "multi-asset" fund with a broad spread of investment risk, approximately a third in corporate bonds with the remaining assets invested in three different commercial property funds and cash. By spreading our investments this way, the Society is not solely dependent on one market. For instance, if the value of the stock market were to go down but other investments go up then one effect would counteract the other.

Metfriendly aims to be fair to all members and to uphold the promises made to them when they took out their plan(s) with us. However, any payments made to members 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.

We aim 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 members 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?

Your Annual Statement gives details of the bonuses that have been added to your plan. There are two types of bonus:

Annual bonuses – members receive an annual bonus on with-profits plans. Annual bonuses are sometimes also described as reversionary bonuses. These bonuses can 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

contributions due are paid). Our Board usually sets annual bonuses 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 cashed in, we will usually 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. These are usually set by the Board in October but may be varied at any time. Final bonuses on lump sum products are revised quarterly. Final bonuses do not apply to Monthly Savings ISA and Monthly Junior ISA plans taken out between 2016 and April 5th 2020 inclusive.

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 contributions paid in, accumulated to allow for:

- our expenses or charges
- the investment return, after fund managers’ charges, and allowing for smoothing, and
- any allowance for taxation and the cost of providing death benefits, where applicable.

Although Metfriendly has low administration costs, these costs have a greater effect on the return to members for plans of short duration, which is why you should see your savings plans as medium to long term investments.

Metfriendly aims to pay out the money made by its investments back to its members, after the costs of running the society have been accounted for. If the Society has more assets than it needs to pay members at any particular point in time, these assets will be carried forward to protect members against potential large drops in returns in the future and to ‘smooth’ investment returns as described above. It is also used to support the guaranteed benefits including the sum assured (where applicable) and annual bonuses already added.

Additionally, the greater financial strength that this prudent approach gives the Society enables us 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 your behalf.



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. If you are thinking about surrendering a plan, please call us on **01689 891454**.

What are your charges for?

The Society incurs costs for taking on and processing new business together with ongoing staff, premises and administration expenses. As an organisation which is owned by our members, we strive to keep these costs as low as possible and under constant review.

The Society does not pay commission to anyone.

We also make a charge for the cost of providing the valuable guarantees in our products.

How can I find out more information about with-profits?

All firms that carry out with-profits business are required to publish their **Principles and Practices of Financial Management (PPFM)**, which gives you more detailed information on how we manage the With-Profits Fund. The PPFM is usually reviewed annually and was last updated on 2 January 2020. A copy of the PPFM is available on the Metfriendly website at metfriendly.org.uk

If you would like to speak to someone about anything in this guide then please give us a call on **01689 891454**.



Current Bonus Rates

Current Bonus rates are published on our website at www.metfriendly.org.uk and are shown in the tables below

Annual bonus rates

Product	Tables	2019	2020*
Tax Exempt Savings Plans	8, 10, 11, 21, 22	0.80%	0.80%
Standard Savings Plans	12, 14, 15, 16	0.64%	0.64%
Lump Sum ISA / Monthly ISAs (prior to 01/01/2016)	24, 25, 28	1.00%	1.00%
Monthly ISAs (from 01/01/2016) **	29, 30	2.00%	2.00%
Lifetime ISA (after initial guarantee period)	31	1.00%	1.00%
With-Profit Bonds & Flexible Savings Plans	19, 26, 27	0.80%	0.80%
Fully Paid Tax-Exempt Savings Plan	11	1.00%	1.00%
Fully Paid Standard Savings Plan	12	0.80%	0.80%

*Annual Bonus rates for 2020 will not be decided until the end of the year. For policies maturing or surrendering in 2020 we currently allow for annual bonuses at the interim rates shown above (paid pro-rata, depending on the maturity or surrender date).

** For Monthly Savings ISAs outside their guaranteed bonus period, a variable bonus rate applies which is currently 2.0%. For new Monthly Savings and Lifetime ISAs, a guaranteed bonus of 1.5% will be allocated to all contributions made in the 2020/21 tax year. Final Bonuses do not apply to the Monthly Savings ISA.



Final bonus rates

With-Profit and ISA Bonds

Final Bonuses as at 1 January 2020				
Last Anniversary Date	2019 Q2	2019 Q3	2019 Q4	2020 Q1
5 Year	11%	10%	10%	10%
10 Year	35%	35%	35%	34%
15 Year	59%	59%	58%	58%
20 Year	73%	73%	73%	73%

The With-Profit and ISA Bond final bonus rates are for Single Premiums.

Regular Premium ISA (pre 1 January 2016) final bonus is for completed tax years (currently based on 2019 Q2 anniversary).

Flexible Savings Plan final bonus is for completed calendar years (currently based on 2020 Q1 anniversary).

Ten Year Savings Plan / Fixed Term Endowment

Year of Maturity				
Duration	2017	2018	2019	2020
10 Years	15%	18%	12%	13%

The Ten-Year savings plan has a maturity option at 10 years but can be left invested as a lump sum with a maturity option each year thereafter.



Current Metfriendly Products

The table below shows basic information about products that are currently available.

Product	Minimum Contribution	Maximum Contribution	Minimum Top Up	Maximum Top Up	Age Limits	Final Bonus	Taxable
Monthly Saving ISA	£50	£1,666.66	£300	£1,999	18	N	N
Guaranteed annual bonus rates applied for up to two tax years prior to 5th April 2020 and will apply for up to one tax year from 6th April 2020.							
Lump Sum ISA	£2,000	ISA Limit	£2,000	ISA Limit	18	Y	N
Annual bonus with a final bonus normally applied after three years. ISA limit £20,000 for 2019/2020 and 2020/2021.							
Monthly Lifetime ISA	£100	£333.33	£400	Lifetime ISA Limit	18-39	Y	N
Must be held for 12 months before purchasing a property. LISA limit £4,000. For the 25% Government bonus to apply, LISA savings must be put towards the purchase of a first home or taken from age 60.							
Lump Sum Lifetime ISA	£1,200	£4,000	£400	Lifetime ISA Limit	18-39	Y	N
Must be held for 12 months before purchasing a property. LISA limit £4,000. For the 25% Government bonus to apply, LISA savings must be put towards the purchase of a first home or taken from age 60.							
With-Profit Bond	£2,000	No Limit	£2,000		18	Y	Y
Higher or additional rate tax payers may be liable for income tax when the plan is cashed in.							
Guaranteed 5 Year Savings Plan	£20	No Limit	N/A	N/A	18	N	Y
61 month's contributions paid back to plan holder after 5 years. 62 month's contributions paid back to plan holder for plans started before 01/01/2017. Higher or additional rate tax payers may be liable for income tax when the plan is cashed in.							

Product	Minimum Contribution	Maximum Contribution	Minimum Top Up	Maximum Top Up	Age Limits	Final Bonus	Taxable
10 Year Savings Plan (Tax-Exempt)	£25	£25	N/A	N/A	18-54 (49 if smoker)	Y	N
The maximum contribution to tax-exempt plans across all providers is £25 per month. Must be retained for 10 years to remain Qualifying for tax purposes.							
Children's Savings Plan (Tax-Exempt)	£25	£25	N/A	N/A	0-17	Y	N
Only 1 Tax-Exempt plan per child across all providers. Must be retained for 10 years to remain Qualifying for tax purposes.							
10 Year Savings Plan (Standard)	£25	£300	N/A	N/A	18-54 (49 if smoker)	Y	Y
Must be retained for 10 years to remain Qualifying for tax purposes.							
Monthly Junior ISA	£30	£364	£100	Junior ISA Limit	0-17	N	N
Guaranteed annual bonus rates apply for one tax year. Variable annual bonus rates apply after this.							
Lump Sum Junior ISA	£1,500	Junior ISA Limit	N/A	N/A	0-17	Y	N
Annual bonus with a final bonus normally applied after three complete tax years. Cannot be withdrawn until age 18. Junior ISA limit for tax year, 2019/2020: £4,368.							
Income Protection	£14.68		N/A	N/A	18-49	N/A	N
Available to salaried police staff and police officers in England and Wales only.							
Critical Illness	£4.95		N/A	N/A	18-34	N/A	N
Also available to police specials, in addition to police officers and staff.							
Life Insurance	£3		N/A	N/A	18-69	N/A	N
Available as joint life. Critical Illness cover up to age 60 available on single lives for extra cost.							

If you would like to discuss anything in this guide please call us on **01689 891454**.

For the latest information about Metfriendly and its products please visit **metfriendly.org.uk**

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