

# Monthly Savings ISA

## 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 Monthly Savings ISA** 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 **Metfriendly** Monthly Savings ISA.

## Its aims

- To achieve capital growth by the addition of annual bonuses.
- To provide returns which are free of income tax and capital gains tax.
- To give higher returns, compared to our other non tax-efficient products.
- To allow for flexible savings and encashment.

## Your commitment

- You agree to save at least £50 per month (or £30 if you are in your first five years of service as a police officer or member of police staff).
- You agree not to take out another Stocks & Shares ISA in any tax year you subscribe to the **Metfriendly** ISA.
- You agree not to pay more than the maximum permitted to a Cash ISA and the **Metfriendly** ISA in the same tax year.

## Risks

- If you cash in or stop paying premiums in the early years, then you may not get back as much as you have paid in.
- What you get back will depend on investment performance - returns may be lower than illustrated.
- Our charges may be higher than illustrated.
- The tax treatment of ISAs may be changed by future legislation.
- If you become non-resident for tax purposes, you cannot make any further contributions.

# Questions and Answers

## What is a Metfriendly Monthly Savings ISA?

It is a tax-efficient savings plan for regular savings, designed as an ISA to comply with ISA regulations to shield your savings from income and capital gains taxes.

The Monthly Savings ISA is a Stocks & Shares ISA but you can, in addition, invest in a Cash ISA elsewhere if you wish.

## How does the Metfriendly Monthly Savings ISA work?

The Metfriendly Monthly Savings ISA has no fixed term. Monthly premiums may be varied subject to our minimum limits and your maximum ISA allowance. Your premiums will continue into each new tax year, unless you choose otherwise. You may also pay in lump sums (again subject to limits).

## Who can take out a Metfriendly Monthly Savings ISA?

You must be resident in the UK for tax purposes and over the age of 18. To save with us you must work or have worked in the police service - or be the partner or close relative of such a person.

## What are the limits on premiums?

**Maximum:** There is a maximum limit on the total amount that can be paid into ISAs for any individual over one tax year (6th April to 5th April) - this is announced by HM Revenue and Customs each October for the following tax year. For the 2017/18 tax year this limit is £20,000 in total spread over both Cash and Stocks and Shares ISAs. Bear in mind that the allowance is per individual tax payer, so - if you have a partner - the allowances double.

**Minimum:** There is a minimum monthly premium of £50 for our Monthly Savings ISA or, £30 while you are in your first five years of service as a police officer or member of police staff.

## How flexible is it?

You can alter the amount you invest, subject to the minimum monthly premium of £50 (or £30). You can also stop contributions and restart them at any time - but please remember that you only earn the annual bonus rate on the money invested. You can transfer ISAs from one provider to another or cash-in whenever you wish.

## Can I top up my savings plan with a lump sum?

Yes. The minimum amount allowed for lump sum top-ups is £300. The maximum is £1,999 (in any 30 day period). However, if you wish to invest £2,000 or more our [Lump Sum ISA](#) may be better suited to your needs.

## How do my savings grow?

Returns are added to your savings in the form of bonuses. For each year's savings, the bonus rate is guaranteed during the initial tax year and the tax year immediately following. After this the bonus rate is variable.

During the tax year that any amount is paid, you cannot withdraw that money without incurring a charge of one month's premium, but you can stop premiums without penalty. A small charge applies for encashment of monies invested in the previous tax year.

After the first two tax years of investment you can normally access your savings in full or in part, with added bonuses. However a deduction may apply if our investments have fallen significantly in value.

## What is the bonus rate?

- **2017-18:** For savings made during the tax year 2017-18, the bonus rate is guaranteed at 2% p.a. until 5 April 2019.
- **2018-19:** We have not yet set the initial bonus rate for savings made during this tax year, but we will let our members know the new guaranteed rate before they renew into each tax year.

After the guaranteed bonus rate period, savings will attract a variable bonus rate and that rate will normally be 1% higher than on our Lump Sum ISA. However the Lump Sum ISA normally attracts a Final Bonus, whilst the Monthly Savings ISA does not.

## What happens at the end of the guaranteed bonus period?

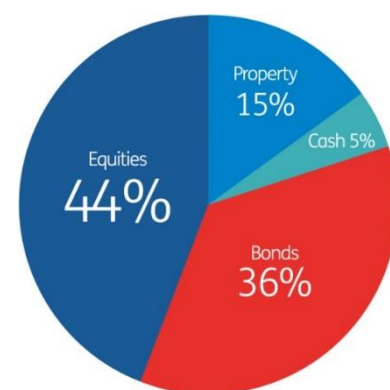
In the third tax year of investment, the annual bonus rate is no longer guaranteed for that premium. We may amalgamate savings for different tax years once they are on a variable bonus rate. If you have at least £2,000 in value outside the guaranteed bonus period you could consider transferring this into the Metfriendly Lump Sum ISA. Our Lump Sum ISA will, in the longer term (at least 5 years), produce higher returns.

## What happens after my ISA starts?

- Your monthly premium will continue from one tax year to the next unless you tell us otherwise.
- At the start of each new tax year your monthly contribution will go into a new numbered certificate and we will send you a certificate showing your investments during the previous tax year.
- At the end of each calendar year, we add the bonus to all your investments and send you a bonus notice in February or March.
- Once added, bonuses are permanent additions to your investment with us.
- Bonuses are compounded, so in subsequent years you earn bonuses on the bonuses.
- The ISA has no fixed term and you can leave it invested for as long as you wish. You should, however, view it as a medium term investment - at least 3 years.
- You can transfer your accumulated **Metfriendly** ISA to any other ISA provider, but please remember that our ISA is designed as a medium term investment.

## 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 31st December 2016.



As at 31/12/2016

## How are variable 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.

## 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.

Normally the plan value will not be less than the money you paid in plus all annual bonuses. However, we reserve the right to apply a market value reduction so that the encashment value more fairly reflects our investment performance. (The death benefit can never be affected by a market value reduction.)

## When can I take money out?

You can invest for as long as you want; there is no fixed term and no maximum age limit. You can contact us at any time to cash in part, or all, of your plan, although you should bear in mind that the plan is designed as a medium term investment (3 years or more). Charges apply on cashing in within 2 years of investing.

## What are the early redemption charges?

We seek to keep our charges to a minimum. However should you seek to cash in within 2 years of investing the following apply:

- Withdrawal or transfer of savings during their tax year of investment – one month's premiums
- Withdrawal or transfer of any amount invested in previous tax year – 3% of the value.

## What might I get back?

**An example - What you might get back after 10 years for a regular monthly premium of £100:**

- If investments grew at 2.0% a year - you would get back £11,800
- If investments grew at 5.0% a year - you would get back £13,200
- If investments grew at 8.0% a year - you would get back £15,300

## The early years

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

At the end of year	Total premium paid in to date	Effect of deductions to date	What you might get back
1	£1,200	£49	£1,180
2	£2,400	£91	£2,430
3	£3,600	£185	£3,690
4	£4,800	£321	£4,970
5	£6,000	£502	£6,290

**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	£12,000	£2,200	£13,200

## What difference will the deductions make?

- The deductions include the estimated cost of expenses, charges, any early encashment fees and other adjustments.
- The last line in the table shows that over a ten year period the effect of the total deductions could amount to £2,200.
- This would have the same effect as bringing down the investment growth from 5.0% a year to 2.0%.

## 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.

For premiums paid during previous tax years, requests received by Friday are normally credited to your account the following Wednesday. For premiums paid during the current tax year, requests received prior to the month's end are normally credited to your account on the 7th of the following month. Where there is an intervening public holiday, different arrangements apply. Please contact us for more details.

## How much can I withdraw?

You can withdraw any money (plus any growth added) that has been invested for at least one clear tax year, in full or in part without charge (subject to minimum and maximum withdrawal limits).

All other money invested, including that invested in the current (open) tax year can only be surrendered in full and will be subject to early redemption charges (see "What are the early redemption charges" on previous page).

For more details see [www.metfriendly.org.uk/members/cancellation](http://www.metfriendly.org.uk/members/cancellation)

## How do I apply for a Metfriendly Monthly Savings ISA?

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.

## What happens if I move abroad?

You cannot make any further contributions but you can leave what is already in the ISA to remain there and this will continue to qualify for normal ISA bonuses and tax treatment.

## What happens if I die?

This plan will cease and the current value of your plan will be paid to your estate.

## What about tax?

There is no liability for Income or Capital Gains Tax during the life of the plan, nor on cashing it in. You can even disregard it when completing your Tax Return (however this could be changed by the Government at any time).

## How much will it cost for advice?

- We do not offer or give financial advice.
- We do not make any form of commission or incentive payments.
- The cost of providing verbal or written information about this product is included in our overall expenses.

## Is it suitable for me?

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 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.

## How do I contact you?

**Metfriendly, Central Court, Knoll Rise, Orpington, 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.

# Terms & Conditions – as specified by HMRC

Terms and Conditions specific to the Metfriendly ISA are given below.

## Assignments or Loans

This ISA investment will be, and must remain in, the beneficial ownership of the investor and must not be used as security for a loan. Therefore, you cannot take out this ISA for or on behalf of anyone else, and you cannot assign the ISA to anyone else (e.g. by way of a mortgage, divorce settlement, ordinary assignment or as a gift).

## Delegation of Metfriendly duties

We will satisfy ourselves that any person to whom we delegate any of our functions or responsibilities under the terms agreed with the investor is competent to carry out those functions and responsibilities.

## Voiding the ISA by mistake

We must notify you if, by reason of any failure to satisfy the provisions of the ISA regulations, an ISA has, or will, become void.

## Transfers to another ISA provider

On your instructions and within the time you stipulate (subject to a minimum period of 30 days), an ISA or part of an ISA shall be transferred to another ISA manager.

## Cashing in your ISA

On your instructions and within the time you stipulate (subject to a minimum period of 30 days), an ISA or part of an ISA shall be transferred or paid to you.

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

## 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.