

# Lifetime ISA – Product Guide



## Overview

The Lifetime ISA is a tax-efficient savings plan, invested in our With-Profits fund. The product is designed to help members build a deposit for their first home or a tax-free pot accessible from age 60. To be eligible, applicants must be aged 18 to 39 and resident in the UK for tax purposes.

The minimum monthly contribution is £50 and the maximum contribution is £333 or alternatively, you can invest an initial lump sum of £1,200 or more.

The maximum overall contribution is £4,000 per tax year, which counts towards the overall ISA limit of £20,000. You can stop, start or adjust monthly contributions and also make top-ups into the account (subject to limits).

Contributions are eligible for a government bonus of 25%, added to each payment. This LISA provides you with the opportunity to receive £1000 of government bonuses each tax year (when the maximum allowance of £4,000 is invested each tax year).

## Escalator

If the escalator option is selected at any time, then premiums automatically increase by a pre-determined sum selected. The minimum increase in monthly contribution is £10, with the increase taking place on the 6<sup>th</sup> of April starting from the next calendar year.

The escalator can be switched on or off at any time. The escalator will be switched off if the contributions exceed the annual ISA limit. In this instance the premium would be set to the maximum permitted.

## Eligibility

Investors must be 18 or over but under age 40 and resident in the UK for tax purposes. Once opened, payments can be made up to, but not on or after age 50.

To save or invest, you must work or have worked in the police service or be the partner or close relative of such a person.

## Qualifying Property Purchase

The withdrawn funds must be put towards the purchase of a first-time residential property purchased either solely or jointly.

The purchase price is £450,000 or less and the investor must live in the property.

It must be at least 12 months since the first payment into a Lifetime ISA prior to withdrawal.

The property must be purchased with a mortgage or secured loan.

## Other Qualifying Purposes

To avoid the government penalty of 25% of the amount withdrawn, any withdrawal must be for a qualifying purpose. At the time of publication, these are:

1. Qualifying Property Purchase (see above), or
2. after 60<sup>th</sup> birthday, or
3. on death at any time, or
4. on diagnosis of terminal illness.

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## Risks

The Lifetime ISA is classed medium risk and returns are based on investment performance. Please note that if you cash in for anything other than a qualifying purpose, the government will deduct 25% from the withdrawal. Therefore, you may get back less than you put in.

Normally the plan value will not be less than the money paid in plus all annual bonus (and higher with the possible addition of a final bonus after four years). However, we reserve the right to apply a Market Value Reduction (MVR) during a period of adverse investment experience so that the value when you cash in more fairly reflects our performance over the period of investment. On past experience this is only likely to affect withdrawals during the early years. Any MVR would not apply to death claims, only on voluntary cashing-in.

## Bonuses

At the end of each tax year, we typically add an annual bonus to your investment. Please note that once added, annual bonuses cannot be taken away.

Bonuses are compounded, so that in subsequent years you earn bonuses on bonuses. Over the medium to long term, ideally five years or more, a final bonus would typically be added to the value when you cash it in.

The ISA has no set term so you can leave it invested for as long as you wish. You should however consider it a medium to long term investment of at least five years.

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.

For each tax year of opening, a guaranteed bonus rate applies to regular or lump sum contributions made. Other policies may receive a higher or lower annual bonus for that tax year, but the guaranteed bonus rates set will remain unchanged.

## With Profits Fund

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 our 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.

## Smoothing

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.

## Tax

There is no liability for Income or Capital Gains Tax during the life of the plan, nor on cashing it in. Your ISA should not be taken into account when completing your Tax Return.

A payment on death would be paid into your estate which may be subject to Inheritance Tax, unless it is transferred to your surviving spouse under the “Additional Permitted Subscriptions” arrangements.

This information is correct to the best of our knowledge at the time of printing; however, any aspect of tax treatment could be changed by the Government at any time. In case of doubt you are strongly encouraged to seek advice on tax matters.

## Transfers

You can transfer an ISA to us from another provider and only contributions made in the current tax year (6<sup>th</sup> April to 5<sup>th</sup> April) will count towards your annual limit. For cash or stocks and shares, any transfer value will count towards the current years Lifetime ISA allowance.

You can transfer your accumulated LISA to another LISA provider, but please remember that our ISA is designed as a medium to long term investment.

## Withdrawing

Penalties will apply on withdrawals within the tax year of investing and on non-qualifying withdrawals in the next following tax year after investing. You can save towards your first property and then continue to save towards retirement.

For qualifying property purchases, funds will be released to the conveyancing solicitor. If you are in the process of buying your first home, please ask your solicitor to get in touch with us as soon as possible.

To make any other withdrawal please call us on 01689 891454. Alternatively, you can e-mail us at [info@mpfs.org.uk](mailto:info@mpfs.org.uk) detailing your request.

## Penalties

Qualifying withdrawal during any other tax year/at any other time – No charge

Non-qualifying withdrawal during same tax year as contribution was made - 5% then 25% HMRC withdrawal charge

Non-qualifying withdrawal during tax year next following that during which contribution was made - 3% then 25% HMRC withdrawal charge

Non-qualifying withdrawal during any other tax year/at any other time – 25% HMRC withdrawal charge

Transfer of funds invested during current tax year – 5%

Transfer of funds invested in the previous tax year – 3%

During times of adverse market conditions, we reserve the right to also apply a Market Value Reduction (MVR) so that the value when you cash in more fairly reflects our performance over the period of investment.

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## Insurance Benefits

Upon death the current value of your plan will be paid to your estate. If this occurs, no penalties will apply. Also, the death benefit would not be reduced by any applicable MVR.

## Contact Details

Address - MPFS, Central Court, Knoll Rise, Orpington, Kent, BR6 0JA

Phone – 01689 891 454

e-mail – [info@mpfs.org.uk](mailto:info@mpfs.org.uk)

Website – [www.mpfs.org.uk](http://www.mpfs.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 upon request.

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).

Complaining to the Ombudsman will not affect your legal rights.

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.

We are 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 the Society.

On taking out any 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.

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## **Terms & Conditions – as specified by HMRC**

### **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 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 maximum 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 maximum period of 30 days), an ISA or part of an ISA shall be transferred or paid to you.

### **Closing your ISA**

You have a right to close your ISA, please contact us if you wish to do so.