

keyfacts®



Terms and Conditions of the with profits Investment Bond



Invest for your future

These are the full Terms and Conditions of the Healthy Investment with profits Investment Bond. It is an important document which you should keep with your Policy Document. It should be read in conjunction with the Key Features Document, which provides just a brief overview of the product, the personal illustration and 'A guide to how we manage our with profits business'.

We have made every effort to write these Terms and Conditions in plain English however, if you have any questions please contact this office and we will be able to help you.

1. Healthy Investment

- 1.1 Healthy Investment is the trading name of The Rechabite Friendly Society Limited.
- 1.2 The organisation is an incorporated Society within the meaning of the Friendly Societies Act 1992 and is registered in the UK.
- 1.3 We are authorised and regulated by the Financial Services Authority (FSA). Our FSA registration number is 109994 and you can confirm this with the FSA by visiting their web site www.fsa.gov.uk or by telephoning them on 020 7066 1000.
- 1.4 Healthy Investment is a mutual organisation which means that all members have a say in the way that the organisation is run. Through having this policy you become a member of the Society. All adult members (aged 16 and over) receive an invitation to our AGM and are entitled to vote on various issues, including the appointment of directors. As a Friendly Society we have a rule book which sets out the way we are governed. You can request a copy of the rule book at any time or download one from our web site www.healthyinvestment.co.uk
- 1.5 When the Society was formed in 1835 we only allowed members to join who signed a pledge to abstain from alcohol. Whilst we now allow anyone to join we still ask all our new members to sign, as part of their application, that they either drink alcohol moderately or abstain altogether. We also support a number of charitable initiatives that promote healthy living.

2. The contract with us

- 2.1 By signing the application form you enter into a formal legal contract with Healthy Investment.
- 2.2 You must ensure that all the information on your application form is correct. If it is not we may not be able to accept your contract in the first place or it may become void in the event of a claim.
- 2.3 In the case of legal disputes the law of England and Wales will apply.
- 2.4 Nothing in these conditions will reduce your statutory rights. For further information about your statutory rights contact your local authority's trading standards department or a Citizens Advice Bureau.
- 2.5 Subject to the FSAs rules we may vary these Terms and Conditions at any time by giving you 90 days written notice together with an explanation of the proposed changes. A valid reason might be to reflect any changes in taxation, insurance or other law affecting our obligations under it.
- 2.6 If you have any doubts whether the plan is right for you or your needs you should seek independent financial advice.

3. Length of contract and age restrictions

- 3.1 There is no minimum age for taking out an Investment Bond.
- 3.2 There is a maximum age of 80 for taking out an Investment Bond. For Joint applications one life may be over 80 as long as the second life is 80 or under.
- 3.3 The bond can be taken out on a single or joint life basis.
- 3.4 The contract is open ended which means there is no minimum or maximum term.

4. Paying your single premium

- 4.1 You can pay your single premium investment by cheque.
- 4.2 To comply with UK money laundering regulations the account holder from which the cheque is paid must be the same person as the applicant.
- 4.3 If the bond is for a child the investment in this policy can be made by anyone (parent, grandparent, family friend) however we must have the signature of one of the child's parents or guardian on the application form.
- 4.4 If the bond is for a child the investment made in this policy is for the sole benefit of the child. All proceeds will be payable direct to the child on cashing in.

5. Minimum and maximum investments

- 5.1 The minimum investment is £500.
- 5.2 The maximum that can be invested in a single premium Investment Bond is £250,000.
- 5.3 Once the policy has been taken out you cannot change the amount of the investment, it is fixed.

6. Cancelling your policy

- 6.1 After your application is accepted you will receive a notice from us explaining your right to cancel the policy. You then have 30 days in which to change your mind. If you cancel your policy within this 30 day period you will receive a full unconditional refund of any money you contributed.
- 6.2 You may cancel your policy at anytime, although you may get less back than you have paid in.
- 6.3 You can not sell on or trade this policy.
- 6.4 If you want to cancel your policy you must write to us enclosing your policy document.
- 6.5 You can ask us at any time what you would receive if you cancelled the policy. This is called a surrender value.

7. Cashing in your policy

- 7.1 The policy may be fully cashed in at any time.
- 7.2 When you cash in the policy the amount you receive will be your initial investment plus any regular bonuses we have added plus any final bonus that might be payable. This amount might then be reduced by any Market Value Reduction (MVR) that we apply, see section 8 and any early surrender penalty, see section 9, that we apply if you withdraw all or part of your investment.

- 7.3 The level of final bonus can change at any time and can be withdrawn.
- 7.4 You can also take out part of the money from your bond, subject to a minimum one off withdrawal of £500. You must leave a minimum of £500 invested in the bond. If you withdraw over 5% of your original investment in any one year, you may be charged an early surrender penalty or Market Value Reduction on the amount you withdraw.
- 7.5 You can arrange a regular income (monthly, quarterly or annually) to be paid to you providing your initial investment was at least £5000. The minimum regular payment is £50 and you must leave at least £500 invested in the bond. If our bonus rate is less than the percent you withdraw your capital will be eroded. You can withdraw up to 5% per year of your original investment, on a regular basis, free of early surrender penalties or any MVR in force.
- 7.6 If the bond is for a child, on cashing in, the benefits will be made payable to the child.
- 7.7 Remember that inflation will reduce what the proceeds of the bond may buy in the future.

8. What is a Market Value Reduction?

- 8.1 If you cash in all or part of your bond we may apply a MVR to your investment. This will reduce the amount of money you receive back and may mean that you get back less than you invested, especially in the early years.
- 8.2 The MVR is designed to ensure that the amount you receive is fair and reflects the value of the actual investments that make up your share of the with profits fund.
- 8.3 MVRs also ensure that members leaving their investment in the fund are not disadvantaged by those withdrawing.
- 8.4 A MVR might be applied if there is a significant fall in the value of stocks and shares we have invested in or if there is a significant increase in the number of members wishing to cash in their bond.
- 8.5 If the policy is cashed in on its 10th anniversary or any 5th anniversary after that we guarantee that a MVR will not be applied to your withdrawal.
- 8.6 MVRs are never applied on death.

9. What are the surrender penalties?

- 9.1 If you cash in all or part (over the 5% allowance, see section 7) in the first four years of your investment an early surrender penalty will be applied. This will reduce the amount you receive.
- 9.2 The early surrender penalty is a percentage of the amount you withdraw above 5% at the following rates:

Year 1 6.0%

Year 2 4.5%

Year 3 3.0%

Year 4 1.5%

- 9.3 After the bond has been invested over four full years there are no early surrender penalties.

10. Life assurance

- 10.1 Whilst primarily an investment this policy includes life assurance, which means that should the policyholder die an amount will become payable, in this case to the estate.
- 10.2 This amount will be the greater of 101% of the initial investment, or the fund value plus any final bonuses that may be payable at the date of death, see section 11.10, less any withdrawals you have made.
- 10.3 Life assurance cover commences on acceptance of the investment.
- 10.4 For single or joint life policies you have the right to nominate a person or persons to whom payment should be made in the event of the death of the policyholder(s). Only the first £5000 can be nominated the remainder is always paid to the deceaseds estate. For children's policies the parent has this right.
- 10.5 Once the bond has paid out a lump sum on death it would end and would have no further value.
- 10.6 On the death of a joint investor the bond is simply transferred into the sole name of the survivor.

11. Bonuses

- 11.1 This bond is a traditional 'with profits' investment. This means that the investment grows through the bonuses which are added to your initial investment.
- 11.2 There are two different types of bonuses, regular, or reversionary bonuses and final or terminal bonuses, to give them their correct names.
- 11.3 All the various monies that are invested within Healthy Investments with profits policies are invested in a number of different ways; stocks and shares, property, government and company bonds and bank deposits.
- 11.4 At the end of every year our with profits fund is valued and a bonus rate is agreed.
- 11.5 It is the responsibility of the Society's Board, after taking professional advice from our with profits actuary, to agree the level of bonus rate.
- 11.6 The level of bonus depends on investment performance, expenses and our solvency margin over the last year as well as the Boards expectations of future performance.
- 11.7 When a regular bonus has been added to your policy it can never be taken away.
- 11.8 We will write to you every year to tell you the level of bonus that has been added to your policy.
- 11.9 The bonus is calculated each year on the fund value.
- 11.10 An additional final bonus may also be added on cashing in or in the event of a death claim. The rate of final bonus can be changed at any time or can be withdrawn.
- 11.11 Healthy Investment has written a guide to how we manage our with profits business and how we calculate our bonuses. This is called our Principle and Practices of Financial Management (PPFM). We have also produced a customer friendly version of it called 'A guide to how we manage our with profits business'. You can get a copy of these from our web site or from our offices.

12. Charges

- 12.1 Part of your investment is used to pay for the cost of the life cover which is automatically included in your policy.
- 12.2 Our additional costs are deducted from the overall fund and are taken into account when we calculate the level of bonus we are able to pay.
- 12.3 Our charges cover the cost of administration, investment management and commission. If you have organised this policy through a financial adviser they may have received commission from us.
- 12.4 The actual amount of charges is based on the costs to the Society, and depends on the initial investment and the bonds ongoing value. Healthy Investment is a mutual insurer and its members who have with profits policies share in its profits and losses. The Board will try to smooth the effect of profits and losses on bonuses. Please see the documents referred to in 11.11 if you want a full explanation of how this will be done.
- 12.5 We will deduct an allowance for the expenses of running the policy and the marketing costs. Currently, we deduct a level of 1.75% of the fund value each year from the fund before considering the level of bonuses we declare. This can be changed in the future and the bonuses will be subject to smoothing and discretion by the Board.

13. Tax

- 13.1 When the investment is paid out on death there may a liability to UK income and capital gains tax on the proceeds.
- 13.2 If you cash in the bond you may have a tax liability on the proceeds.
- 13.3 At present the fund in which your investment is made is taxed on any investment income or capital gains.
- 13.4 HM Revenue & Customs allow up to 5% of the initial investment to be withdrawn every year without any tax consequences at the time of payment.
- 13.5 There is a possibility that these tax rules may be changed in the future by HM Revenue & Customs.
- 13.6 If you are in any doubt about the tax implications of taking this policy for you we recommend that you seek professional tax advice.

14. Assignments

- 14.1 This policy can be assigned. This means that you may be allowed to use it as security for a mortgage or a loan with say a bank or building society.
- 14.2 We reserve the right to make a charge for registering an assignment.
- 14.3 If the policy is assigned the value of the policy on cashing in or on death is paid to the bank, building society or person to whom you have assigned the policy.

15. Ethical Investment

- 15.1 Healthy Investment strives to be ethical in all its business dealings.
- 15.2 In respect of this policy we will not knowingly invest your money directly in companies in the arms, tobacco or alcohol industries.

16. Data Protection

- 16.1 The Society will use the information provided in your application (and any associated documents) to process the application and to administer the policy. Some of this information may include sensitive personal data as defined in the Data Protection Act 1998. We will process and store information in accordance with the Act and will not disclose it to any third party without explicit consent. We may contact you in the future by adviser, post, telephone, e-mail or fax regarding your investment, financial and insurance needs.

17. Complaints

- 17.1 Whilst we make every effort to provide quality products and service we recognise that on occasion things do go wrong.
- 17.2 If for any reason you are not satisfied you should contact us (see section 20) and we will try our best to sort out your problem.
- 17.3 We have a formal complaints procedure and you can have a copy of this whenever you want simply by contacting us.
- 17.4 If we do not deal with your complaint to your satisfaction you may refer your complaint to the Financial Ombudsman Service. Their address and contact details are:

Financial Ombudsman Service

South Quay Plaza

183 Marsh Wall

London

E14 9SR

Telephone: 0845 080 1800

Web: financial-ombudsman.org.uk

- 17.5 Making a complaint will not prejudice your right to take legal proceedings.

18. Compensation

- 18.1 The Society is covered by the Financial Services Compensation Scheme.
- 18.2 You may be entitled to compensation from the scheme if we cannot meet our obligations.
- 18.3 Further information is available from us or from the Financial Services Compensation Scheme.

Financial Services Compensation Scheme

7th Floor

Lloyds Chambers

Portsoken Street

London

E1 8BN

Telephone: 020 7892 7300

Web: fscs.org.uk

19. Client categorisation

19.1 As a member of the society we must assign a client classification to you. The available classifications are retail client, professional client and eligible counterparty. We have classified you as a retail client which gives you the highest level of protection under current legislation.

20. Contact us

20.1 There are a number of ways in which you can contact us:

Healthy Investment

2 The Old Court House

Tenterden Street

Bury

BL9 0AL

Telephone: 0161 762 5790

Fax: 0161 764 3557

Email: enquiries@healthyinvestment.co.uk

Web: healthyinvestment.co.uk

20.2 Our office is open Monday to Friday from 9am until 5pm. An answer phone is available outside of these hours.



“ethical savings and investments”

2 The Old Court House, Tenterden Street, Bury, BL9 0AL

Tel: 0161 762 5790 Fax: 0161 764 3557

Email: enquiries@healthyinvestment.co.uk

www.healthyinvestment.co.uk

Healthy Investment is the trading name of The Rechabite Friendly Society Limited and is an incorporated Society within the meaning of the Friendly Societies Act 1992. Authorised and regulated by the Financial Services Authority FSA register no. 109994