

Key Features of the

# Guaranteed Investment Bond



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This Key Features document provides you with important information to help you decide whether the Police Mutual Guaranteed Investment Bond is right for you. You should carefully read this document along with 'A guide to your Police Mutual investment' so that you are comfortable you understand what you are buying, and then keep it safe for future reference.

## Who is it for?

The Guaranteed Investment Bond is for someone who is looking to invest a lump sum over a period of at least five years. The plan may be suitable for someone who already has Bank or Building Society savings and is now looking for an alternative investment with a little more risk that can offer the potential for better returns. It is for someone who wants the flexibility of access at any time with the comfort of a guarantee every five years, but understands that they could receive back less than their initial investment at any time apart from on the guarantee dates.

## Its aims

- To give you capital growth over a medium to long term period
- To guarantee at least your original investment capital on each five year anniversary
- To allow withdrawals at any time

## Your commitment

- To invest a lump sum
- To consider investing over the medium to long term (usually for a period of over five years). There is no fixed term, so you can access your money at any time

## Risk factors

- As the bond is mainly invested in stocks and shares the value of your investment can go up and down and you may get back less than you invested (See 'What is the guarantee?')
- Our charges may turn out to be higher than expected (See 'What are the charges?')
- Tax rules may change which could reduce what you get back or increase the amount you pay (See 'What about tax?')
- If you make withdrawals or take an income from your investment this will affect the amount you get back or the level of your guarantee (See 'What might I get back?' and 'What is the guarantee?')
- Making a withdrawal could reduce your income tax personal age allowance (See 'What about tax?')

📞 Call us on:  
**0845 88 22 999+**  
(Monday–Friday,  
8.30am–5.30pm)

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# Questions and Answers

## What is the Guaranteed Investment Bond?

- It is an investment designed for growth or income over the medium to long term (of at least five years). It includes a small amount of life cover and a guarantee every five years (See *'What happens if I die?'* and *'What is the guarantee?'*)
- It is available on a joint life second death basis with your spouse or civil partner. Once set up the lives assured cannot be changed

## How flexible is it?

- You can invest from £1,000 to £250,000
- Additional investments can be made at any time by starting new policies of at least £1,000
- You can withdraw funds at any time
- You must be aged between 16 and 85 to start a bond

## Where is my payment invested?

- We pool your money with other investors by investing in the Police Mutual Life Fund (See *'Guide to your Police Mutual investment'*)
- The fund invests mainly in a mix of company shares, property, bonds (which are a type of loan to governments or companies) and cash
- As a mutual organisation, the Society's Life Fund investors share in the results of all the Society's business activities
- Note, we make a deduction from your plan for charges (See *'What are the charges?'*)

## What might I get back?

- The amount you get back will depend on how long you invest for, the performance of the fund, our charges, the withdrawals you make, the impact of tax (See *'What about tax?'*) and the outcome of our other business areas where the Life Fund shares the risks and rewards

- What you might get back after 10 years if our investments grow each year by:

	3%	5%	7%
What you could get back if £15,000 is invested	£18,100	£21,900	£26,500
What you could get back if £30,000 is invested	£36,200	£43,900	£53,100

- These figures are examples only and are not guaranteed – they are not maximum or minimum amounts. Lower than standard projection rates have been used due to market conditions. Our charges may vary (see *'What are the charges?'*)
- Remember, inflation will reduce what you can buy in the future
- You could get back more or less than the amounts shown

## Can I take my money out?

- You can cash in part or all of your fund at any time. We will pay the money into your bank account. If you cash in between the five year guaranteed points you may get back less than you invested
- Regular income can be taken at any time in the form of partial withdrawals, subject to a minimum of £50 per payment
- If partial withdrawals are taken your guarantee will be reduced (See *'What is the guarantee?'*)
- At least £500 must remain invested after withdrawals to keep the investment open

## What is the guarantee?

- The guarantee is that at each five year anniversary the bond is guaranteed to be worth at least the same or greater than its initial value (after withdrawals are taken into account)

## Questions and Answers continued

- How it works is that, at each five year anniversary, the current value of the bond is compared to its value five years previously. The higher of these becomes the new amount 'guaranteed' at the next 5 year anniversary, and if necessary, the value of your bond is automatically increased up to the same value
- If you make a withdrawal or receive an income at any time this will reduce the value of your bond. It will also cause the guarantee to reduce by the same proportion as the amount being withdrawn is to the value of your bond. This means that if at the time of the withdrawal the bond value is below the guarantee, your guarantee will reduce by more than the amount withdrawn. If the bond's value is higher than the guarantee, the guarantee will be reduced by less than the amount withdrawn

### How does the investment work?

- Your money is pooled together with that of other investors in the Police Mutual Life Fund. You will receive a share in the fund which is valued each week. In allocating you this share we operate a policy of smoothing the investment returns. Without smoothing, the value of this share and therefore your plan would vary in line with the ups and downs of the performance of the assets in which the fund is invested. Smoothing helps by reducing the variation in value your investment could experience from week to week
- The smoothing policy is that we will allocate to you a smoothed share of the fund value over the previous twenty six weeks. The smoothed share of the fund would normally be used to value your investment for all transactions (unless the guarantee applies), for example when you invest or when you cash in
- If unusual market conditions cause a significant change in the value of the assets in which the fund invests, we may decide to use an unsmoothed share of the fund for a period. This might happen for example if the unsmoothed value varies from the smoothed value by 5% or more
- It will only affect those individuals who are investing or cashing in at the time and could either increase or decrease cash-in values. This would normally be done to protect the interests of the remaining members in the fund. For more information see the '*Guide to your Police Mutual investment*'

### What happens if I die?

- On death, the amount paid will be the greater of 101% of the guarantee or 101% of the current value
- If there is only one investor we'll pay the lump sum to your estate. If held jointly we pay out the death benefit when the second person dies
- The first person named on the application form is the bond owner. If they hold the bond jointly and die first it will continue, and ownership is transferred via their estate to the beneficiary
- If the second person dies first the bond continues and remains in the name of the owner
- If the plan is written under trust, the lump sum will be paid to the trustees

### What are the charges?

- We make an initial charge of 3.25% of your investment. We also take an annual charge of 0.25% of your fund value which is spread across each month throughout the year
- To cover the costs of providing the guarantee we also make a deduction of 0.5% a year from the investment return we achieve. For example, if the underlying

investment performance of the Society's fund is 5%, your investment grows by 4.5%. It is reviewed regularly, usually once a year and any changes will be made in accordance with the 'When can we vary the charges?' section

- The charges do not reduce the guaranteed value of the plan. The current charges are detailed in a personal illustration, which can be obtained before taking the plan out
- The most recent, annual and guarantee charges will be set out in your yearly statement. Each year we will tell you the most up to date charges for your plan

### When can the charges be varied?

- We can at any time vary our charges if it is to your advantage, for example if we reduce or abolish any charge
- Where we make a change to our charges that is to your disadvantage or we add new charges, it will be for any one or more of the following reasons:
  - To take account of changes in our costs in running the service for which the charge is made
  - To take account of variations in costs for any changes or improvements we make to the services we already provide to our Guaranteed Investment Bond holders, including making technological changes
  - To take account of any changes we may reasonably make in activities we carry out or new activities
  - To take account of any changes in the law or the interpretation of the law, codes of practice or regulations
  - To take account of any decision, requirement or recommendation by a court, ombudsman or regulator with which we intend to comply
  - To correct an error, if it is reasonable to do so
  - To enable us to maintain our financial strength in the interests of all our customers
  - To take account of increases in inflation

- By agreement with you
- To enable us to harmonise the charges concerned following any acquisition or transfer of whole of life insurance bond business or any takeover of, or merger with, another whole of life insurance bond provider
- These reasons may relate to circumstances existing at the time or those that we reasonably expect to apply in the near future
- Where we change our charges for one or more of these reasons, we will do so in a reasonable and proportionate manner
- We will tell you about any changes to existing charges or about the introduction of a new charge for any reason mentioned above in your yearly statement

### How will charges affect my investment?

- The example shows what you might get back from your Guaranteed Investment Bond after charges
- The table below assumes our investments grow at 5% a year. This example assumes you have invested £15,000. If you cash in during the early years you could get back less than you have paid in

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£15,000	£623	£15,100
2	£15,000	£769	£15,700
3	£15,000	£928	£16,400
4	£15,000	£1,099	£17,100
5	£15,000	£1,285	£17,800
10	£15,000	£2,454	£21,900

- The deductions include, charges and other adjustments for example to cover the costs of providing guaranteed benefits
- Over ten years the deductions will have the same effect as bringing investment growth from 5.0% a year down to 3.9% a year

### What about tax?

- You do not have to pay basic rate income tax or capital gains tax on your bond. This is because we pay tax on the underlying fund. If you're not a taxpayer you will not be able to reclaim this tax
- Basic rate tax payers normally have no further tax to pay
- Whenever cashing in part or all of a plan, a gain may arise. The gain is added to your income so if you are, or this makes you, a higher rate tax payer, there may be further tax to pay
- For higher rate tax payers the tax due is based on the difference between the higher and basic rate of taxation
- Each year you are allowed to make withdrawals equivalent to 5% of the amount you initially invested, free from immediate taxation (5% per year for 20 years). This allowance is cumulative and if it is not used in a year can be carried forward to future years.

When each plan within the bond is finally cashed in, any previous withdrawals are taken into account to determine the gain made on the investment. Some investors find it useful to make withdrawals up to the 5% allowance each year from each plan in order to defer the taxation to later years (when they may be a basic rate tax payer). Alternatively, some investors prefer to make withdrawals by cashing in whole individual plans which make up the bond. If your withdrawals in any year amount to more than the 5% allowance, the excess may be treated as a chargeable gain for that year

- For those entitled to any enhanced personal age allowance, (typically those aged over 65), the addition of any gain to your income may reduce your age allowance entitlement. The proceeds from this bond form part of your estate when you die so there may be inheritance tax to pay.

You may not have to pay this if you put your plan in trust. To do this you should consult a professional adviser (See '*What happens if I die?*')

- This represents a summary of our current understanding of the position on taxation. This does not represent advice. Tax legislation may change in the future
- Different tax regulations apply if the bond is opened under trust or if you reside in the Channel Islands or the Isle of Man

### Do you provide advice on the Guaranteed Investment Bond?

- You can discuss the general features of the product with us, but we will not assess your personal and financial circumstances. We will be unable to advise you whether the product is suitable for you. If you are in any doubt about the suitability of the product you should contact a financial advisor. Police Mutual does not provide advice on this product and will not pay any commission to intermediaries in respect of this transaction

### Can I change my mind?

- It's your legal right to change your mind within 30 days. We will give you your money back if you sign and return the cancellation notice, or confirm your wishes in writing. Send it to our contact address (See '*How to contact us*') within 30 days of receiving your documentation. If you do not do this within 30 days and wish to cancel your plan, you will be entitled to a current value, which may be less than your initial investment

### How will I know how my Guaranteed Investment Bond is doing?

- We will send you a statement every year to let you know how it is doing
- You can also call us on 0845 88 22 999† if you want a current value at any other time

# How to contact us

- If you have any questions, wish to make an additional investment or a withdrawal at any time, you can contact us using the details on the back of this brochure under the registered office

## Other Information

### How to complain

- If you wish to complain about any aspect of the service you receive please contact us at the address on the reverse of this brochure
- A copy of our complaint handling procedure is available on request
- If you're still not satisfied you can complain to:
  - Financial Ombudsman Service
  - South Quay Plaza
  - 183 Marsh Wall
  - London
  - E14 9SR
- Complaining to the Ombudsman will not affect your legal rights

### Terms and conditions

- This Key Features document and the application form you sign contain the legally binding terms and conditions governing the Police Mutual Guaranteed Investment Bond
- We may vary these terms and conditions (other than in respect to charges) at any time for the following reasons:
  - To take account of changes in the products or services we provide or the way we provide them
  - To take account of any changes or improvements we make to the services we already provide to our Guaranteed Investment Bond holders, including making technological changes
  - To take account of any changes in the law or the interpretation of the law, codes of practice or regulations
  - To take account of any decision, requirement or recommendation by a court, ombudsman or regulator with which we intend to comply

- To correct errors, if it is reasonable to do so
- If we reasonably believe the change is necessary in the interests of our business as a whole, for example to protect our financial strength
- If the change is to your advantage
- By agreement with you
- To enable us to harmonise the terms and conditions following any acquisition or transfer of whole of life insurance bond business or any takeover of, or merger with, another whole of life insurance bond provider
- We will tell you about any changes to these terms and conditions for any reason mentioned above in your yearly statement
- Where we change our terms and conditions for one or more of these reasons, we will do so in a reasonable and proportionate manner

### Law

- In any legal disputes this plan is subject to the law of England and Wales unless the parties agree otherwise

### Language

- For the duration of your plan, all correspondence will be communicated in English

### Compensation

- We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. There are various levels of compensation available, which depend on the type of business and the circumstances of the claim. This bond is covered as follows: – Long term insurance - 90% of the whole claim
- Further information is available from the Financial Services Compensation Scheme or the Financial Services Authority

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†Calls provided by BT will be charged at up to 4 pence per minute at all times. A call set-up fee of up to 8 pence per call applies to calls from residential lines. Mobile and other providers' charges may vary.

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