

Junior ISA

Key features document

What is the purpose of this document?

The Financial Conduct Authority is the independent financial services regulator. It requires us, The Shepherds Friendly Society Ltd, to give you this important information to help you to decide whether our Junior Individual Savings Account (JISA) is right for your child. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Its aims

To provide:

- An increase to the value of the money that has been invested for the child until their 18th Birthday.
- The proceeds of the investment free of Income and Capital Gains Tax under current JISA rules.
- Children with the opportunity to learn about Financial matters and Investments.

Your investment

- You can invest a single lump sum and/or monthly premiums into a JISA within HM Revenue and Customs limits.
- You or any other family members or friends can make further payments into the JISA up to your annual allowance.
- The account and the money in it belongs to the child, although it is managed by a person with parental responsibility until the child is 16. When children reach 16 they can manage their own JISA accounts.

Risks

- The value of the JISA depends on the future performance of the investments held in the fund and the bonuses we distribute from any profits arising from these investments.
- H M Revenue and Customs may change the tax status of an JISA in the future.
- This plan cannot be cashed in until the child is 18.
- Inflation may affect the purchasing value of the investment in the future.
- Your child may get back less that you have paid in. (Please see MVR section for details).

Questions & Answers

What is the Junior ISA?

A Junior ISA is a new tax efficient account replacing the Child Trust Fund; it is designed for adults to save and invest on behalf of children.

Who can have an Junior ISA?

Any child resident in the UK, who is not eligible for a Child Trust Fund, who was born on or after 3rd January 2011 or who is aged under 18.

How much can I invest on behalf of the child?

The Junior ISA allowance for each tax year can be invested in a Stocks and Shares Junior ISA. You can only have one Stocks and Shares Junior ISA.

OR

Your child can also have a Cash ISA with another Provider but the combined total of payments in any one tax year into both Junior ISAs must not exceed the Government's limit.

OR

You can transfer an existing Cash or Stocks and Shares Junior ISA to a Shepherds Junior ISA.

How do I invest?

You can invest regular monthly premiums and/or lump sum investments to your Stocks and Shares Junior ISA as long as the amount does not exceed the HM Revenue and Customs limit per tax year.

The minimum monthly premium is £10 a month, which can be increased at any time by a minimum of £10 a month: monthly payments can also be reduced as long as the payment does not go below £10 a month. You will need to make regular monthly premium payments by Direct Debit.

The minimum initial lump-sum invested is £100, additional lump-sum investments of at least £10 can be made at any time. Lump-sum payments are required to be paid by cheque.

Family and friends can also contribute to the child's Junior ISA as long as the amount invested per tax year does not exceed your annual allowance.

How will the child's Investment grow?

We will invest the money in our Profit Sharing Fund, which holds a mix of assets including stocks and shares, property, gilts, bonds and cash. The market values of these assets move up and down over time but such movements are outside our control. These movements may affect how much we add to investments as bonuses.

The aim of the fund is to provide each customer with steady investment growth over the full savings period of their investment. To do this we keep back some of the investment returns we make in good years so that we can pass them on in years when performance is not so good. We add the returns as a yearly bonus.

The amount of bonus paid each year depends on payments received during the year.

Once a bonus has been added to the plan we guarantee to include it in the amount we pay out when the plan reaches maturity. At the end of the plan a final bonus may also be added depending on how the fund has performed.

You can find out more information about how our fund works in our document called "A guide to how we manage our with-profit business" which comes with this document.

What might the benefits be after 5 and 10 years?

Example of a £1,000 Invested
If the investment grew at 2% a year the value after 5 years would be £975 and after 10 years would be £951.
If the investment grew at 5% a year the value after 5 years would be £1,130 and after 10 years would be £1,280.
If the investment grew at 8% a year the value after 5 years would be £1,300 and after 10 years would be £1,700.

Example of a £50 a month Regular Premium Junior ISA
If the investment grew at 2% a year the value after 5 years would be £2,960 and after 10 years would be £5,850.
If the investment grew at 5% a year the value after 5 years would be £3,190 and after 10 years would be £6,810.
If the investment grew at 8% a year the value after 5 years would be £3,440 and after 10 years would be £7,950.

Will the child's investments work out exactly as in the example?

The example we've provided is meant to be an illustration of what the investment may be worth.

What the child will actually get back depends upon how our investments perform.

The child could get back more or less than this. Do not forget that inflation could reduce what the child could buy in the future.

What happens if the child dies?

Should the child die during the term of the plan the estate will receive the value of the fund without penalty.

What happens if the child is terminally ill?

The Investment in the Junior ISA may be withdrawn when the terminal illness has been diagnosed. Inside the Junior ISA is a life insurance contract for the child where we will also give an additional benefit equal to the previous tax years premiums paid. If diagnosis is in the first year of the plan we will pay the total premiums paid to date.

How will I be kept informed about my child's Junior ISA?

Each year you will receive a Statement showing the amount and value of any bonus payments, and the total value of the Junior ISA.

How does the child withdraw money from the Junior ISA?

Just before the child reaches the age of 18 we will send them information about their options and how to continue to save or take their money. If we do not hear from them the money will remain in our tax-exempt fund.

The child has the option to transfer the investment to the Shepherds adult Stocks and Shares ISA on receipt of a completed application form.

What happens at age 16?

The child may become the registered contact at age 16, meaning any correspondence will be addressed to the child; they will however not be able to withdraw any money from the Junior ISA until age 18.

Also when a child reaches 16 they can hold both a Junior ISA and an 'adult' cash ISA and subscribe up to each individual subscription limit. The subscription limits for all 'adult' ISA products apply independently of whether or not a child holds, or has held, a Junior ISA in the relevant year.

How will charges affect the investment and what are the deductions?

Charges are deducted from the investment to cover our expenses and the cost of administering and managing the investments - this is currently 2.5% as an annual management.

Example of £1,000 invested.			
The figures below assume the investment will grow at 5% a year			
Effect of deductions table			
At end of year	Total paid to date	Effect of deductions	What you might get back
1	£1,000	£25	£1,020
2	£1,000	£52	£1,050
3	£1,000	£81	£1,070
4	£1,000	£111	£1,110
5	£1,000	£144	£1,130
The later years			
10	£1,000	£348	£1,280

The last line of the table above shows that over the term illustrated the effect of the deductions could amount to £348.

Putting it another way, this would have the same effect as bringing the investment growth from 5% a year down to 2.5% a year.

Example of a £50 a month Regular Premium ISA			
The figures below assume the investment will grow at 5% a year			
Effect of deductions table			
At end of year	Total paid to date	Effect of deductions	What you might get back
1	£600	£8	£608
2	£1,200	£32	£1,230
3	£1,800	£72	£1,870
4	£2,400	£130	£2,520
5	£3,000	£208	£3,190
The later years			
10	£6,000	£936	£6,810

The last line of the table above shows that over the term illustrated the effect of the deductions could amount to £936.

Putting it another way, this would have the same effect as bringing the investment growth from 5.0% a year down to 2.5% a year.

What is a Market Value Reduction (MVR)?

If our investment returns have been low we may apply an MVR if the Plan is transferred to another Provider at any time or if the proceeds are held in our Tax Exempt fund for longer than 3 months after the child's 18th birthday.

We will not apply an MVR if the child dies at any time or if the child takes the proceeds within 3 months of passing their 18th birthday and the Plan has been running for more than 5 years.



What if I want to change my mind about opening the Junior ISA?

From the date you open the account you have 30 days in which to cancel the Junior ISA and your money will be returned. If you cancel within the 30 days you will be treated as though you had not used the child's Junior ISA allowance and would be able to subscribe to another Junior ISA in the current tax year.

If you cancel the Junior ISA after the 30 days

Once the 30-day 'cooling' off period has finished, the Plan becomes a valid Stocks and Shares Junior ISA and cannot be cancelled. If payments are stopped, the Junior ISA would be left dormant until the child reaches the age of 18 or it is transferred to another Provider. You would not be able to open a new Stocks and Shares Junior ISA and leave the Junior ISA dormant with us.

The amount subscribed is a gift to the child and cannot be repaid if you change your mind after 30 days.

How much will the advice cost?

Your financial adviser (if you have one) will tell you details about the cost of advice.

Where can I find out more?

Before your Junior ISA starts we will send you the full terms and conditions. These explain how the Junior ISA works.

If you would like to see these terms and conditions before you apply, please contact us:

Phone: 0161 428 1212

Fax: 0161 428 3666

e-mail: info@shepherdsfriendly.co.uk

Web: www.shepherdsfriendly.co.uk

More information

Claims - to make a claim please contact us by phone on 0161 428 1212 and ask for the Claims Department. They will explain the claims process and send out a claim form.

Cancellation Rights - after we accept your application, we will send you a notice of your right to cancel. You will then have 30 days to change your mind and leave the plan.

Complaints - if you want to make a complaint; please contact:

Compliance Officer, Shepherds Friendly, Haw Bank House, High Street, Cheadle, Cheshire SK8 1AL.
Phone: 0161 428 1212. Email: info@shepherds.co.uk

If we don't deal with your complaint to your satisfaction you can complain to the:
Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. Phone: 0845 080 1800

Making a complaint will not affect your right to take legal action.

Financial Services Compensation Scheme (FSCS) - we are covered by the FSCS, which means you may be entitled to compensation under the terms of the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

For long term plans such as this the scheme covers 100% of the claim with no upper limit.

Further information about the scheme is available from the FSCS -

Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St. Botolph Street, London, EC3A 7QU.

Visit: www.fscs.org.uk
or call: 0207 892 7300 or 0800 678 1100.

Financial Crime - we will take measures to protect members against financial crime. We may need proof of identification on application or claim and if required we may gather this proof by electronic means, for example checking Electoral Registers.

Tax - information that we provide in this leaflet about taxes in the UK is based on our understanding of current laws and HM Revenue and Customs practice which may change in the future.

The Data Protection Act - you have the right to ask to see any personal information which we may hold about you and to have any mistakes in this information corrected. You can do this by writing to the data protection officer at our head office. There may be a charge for this.

Law - the plan is governed by the laws of England and Wales.

If you require guidance please speak to your financial adviser or visit:

www.shepherdsfriendly.co.uk



to make members feel valued

to remain mutual when in our members interests

to provide simple, value for money financial solutions

to be a place where people want to work

We believe that mutuality is the best way of providing maximum benefit to our members and at the heart of the Society we have the mutual core values of trust, mutual benefit and ownership. We ensure that the money you invest with us is treated in a responsible and sensible manner to give as good a return on your investment as possible.

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The Head office and Registered office of The Shepherds Friendly Society is based in the United Kingdom.