

# Bonus Plan

## Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

## Product

The name of this product is “**Bonus Plan**”. It is provided by The Shepherds Friendly Society Limited. Our website address, where you can find detailed information about us, is [www.shepherdsfriendly.co.uk](http://www.shepherdsfriendly.co.uk) and our telephone number is 0161 428 1212. We are supervised by the Financial Conduct Authority in respect of the production and delivery of this Key Information Document (KID). This KID was produced on 23rd July 2021.

## What is this product?

It is a Friendly Society tax exempt 10 year With-Profits Savings Plan and it includes life insurance. The minimum term of 10 years can be extended to up to 25 years.

The objective of this plan is to provide you with a tax-free lump sum at the end of the 10 year premium paying period. The plan also has life insurance within it should you die within the 10 year period, and have paid your premiums when due. It invests your premiums in a pooled With-Profits fund which is invested in a mix of equities, government gilts, corporate bonds, property and cash. This spread of assets allows a cautious investment strategy to be pursued. The Society’s Board, acting upon the Actuary’s advice, decide annually how much of the achieved investment return should be distributed as bonuses to plan holders.

The plan is intended for investors who want to save tax-efficiently by paying regular premiums, usually monthly. The most you can save monthly is £25 or you can save a maximum of £270 per year if you pay an annual premium. If you save more than this then the tax benefits are reduced depending upon your tax status. Investors should consider if they need the life insurance element - if not this plan may not be appropriate. The minimum insurance benefit is defined when you take out the plan and is called the sum insured. When bonuses are added to the plan they are an additional payment to the sum insured.

## What are the risks and what could I get in return?

Summary Risk Indicator (SRI)



The Summary Risk Indicator (SRI) assumes you keep the plan for 10 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.

The SRI is a guide to the level of risk of this product compared to other products and aims to show you how likely it is that the product will lose money because of the movement in investment markets or because we are not able to pay you.

We have classified this plan as 3 out of 7 which is “medium-low”. This rates potential losses from future performance as unlikely. You are entitled, on maturity or death, to receive back at least the initial sum insured. Any amount over this, and any additional return, depends on future market performance and is uncertain.

Each year the plan is in force we seek to add a bonus, and there may also be an additional final bonus on maturity, to smooth out investment return peaks and troughs. However, these protections against future market performance will not apply in full if you cash in the plan early or fail to make payments into the plan on time. If certain stressed market conditions exist then a Market Value Reduction (MVR) may be applied on encashment. An MVR is a reduction in the value of your plan. It is caused by stressed market conditions causing worse than expected investment returns at the point in time when you may wish to encash the plan. It may be applied to protect other policyholders in the fund who have decided not to encash their plan.

If we are not able to pay you what is owed you may lose some or all your capital but you may benefit from a consumer protection scheme (please see the following section “What happens if Shepherds Friendly Society is unable to pay out?”).

## Performance scenarios

Investment premium - £1,000 per annum		1 year	5 years	10 years recommended holding period
<b>Survival scenarios</b>				
<b>Stress scenario</b>	What you might get back after costs	£483	£3,545	£8,333
	Average return each year	-51.74%	-11.25%	-3.35%
<b>Unfavourable scenario</b>	What you might get back after costs	£579	£4,249	£9,346
	Average return each year	-42.07%	-5.38%	-1.23%
<b>Moderate scenario</b>	What you might get back after costs	£622	£4,656	£10,577
	Average return each year	-37.80%	-2.37%	1.02%
<b>Favourable scenario</b>	What you might get back after costs	£667	£5,108	£12,008
	Average return each year	-33.30%	0.71%	3.30%
<b>Accumulated investment amount</b>		£1,000	£5,000	£10,000
<b>Death scenario</b>				
<b>Insured event</b>	What your beneficiaries might get back after costs	£8,437	£8,854	£10,577

This table shows the money you could get back over the next ten years assuming an investment of £1,000 per annum, under different scenarios. These scenarios illustrate how your investment could perform, and you can compare them with the scenarios of different products. The scenarios shown are an estimate of future performance based on evidence from the past, and are not an exact indicator. What you actually get back will vary depending on how the market performs, and how long you keep the product/ investment. The stress scenario shows what you might get back in extreme market circumstances.

## What happens if Shepherds Friendly Society is unable to pay out?

We are covered by the Financial Services Compensation Scheme (FSCS) who you can write to at PO Box 300, Mitcheldean, GL17 1DY. Telephone 0800 678 1100. Further information is available on their website - [www.fscs.org.uk](http://www.fscs.org.uk)

This product is categorised as a long - term investment and under the above compensation scheme that means you are covered for 100% of loss on this product through the FSCS should Shepherds Friendly Society default. The investments underlying this product are managed on behalf of Shepherds Friendly Society by a professional investment management firm, Royal London Asset Management, and they use custodians, HSBC Securities Services, in respect of investments purchased and held. These counterparties are not covered by a compensation scheme but were they to default, and this in turn caused Shepherds Friendly Society to default, then you would still be covered by the FSCS because your contract is with Shepherds Friendly Society.

## What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties.

The figures assume you invest £1,000 each year. The figures are estimates and may change in the future.

The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor.

### Table 1: Cost over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Premium £1,000 per annum	If you cash in after 1 year	If you cash in after half the recommended period of 10 years (5 years)	If you cash in at the recommended period of 10 years
Total costs	£400.00	£800.00	£1,300.00
Impact on return (RIY) per year	41.46%	6.00%	2.61%

### Table 2: Composition of costs

The table below shows:

- The impact each year of the different type of costs on the investment return you might get at the end of the recommended holding period
- What the different cost categories mean

This table shows the impact on return per year			
<b>One-off costs</b>	Entry costs Impact on Return (RIY) per year	0.86%	The impact of costs you pay when entering your investment.
	Exit costs Impact on Return (RIY)	0%	The impact of costs of exiting your investment when it matures.
<b>Ongoing costs</b>	Portfolio transaction costs Impact on Return (RIY) per year	0%	The impact of the costs of us buying and selling underlying investment from the product.
	Other ongoing costs	1.75%	The impact of the costs that we take each year for managing your investment.
<b>Incidental costs</b>	Performance/other costs	0%	This product does not have any performance or other incidental fees.

## How long should I hold it and can I take money out early?

You should keep the plan for 10 years and pay all premiums when due to ensure you achieve the maximum return, maintain the life insurance cover and receive the maximum tax advantage under the life insurance qualifying policy rules. You can take out money early but unless a minimum of 12 months premiums has been paid the plan and all its benefits will be cancelled, and you will receive no money back. If you choose to cancel the plan after 12 months you will get some money back but it may be less than the total you have paid in. If market conditions are stressed we may also apply a Market Value Reduction charge which will be calculated at the time.

## How can I complain?

If you wish to make a complaint about us, or another person who sold or advised you on this product, then please contact us either in writing, or by telephone or by email: Compliance Officer, Shepherds Friendly Society, Haw Bank House, High St, Cheadle, Cheshire, SK8 1AL. Phone 0800 526 249. Email - [complaints@shepherdsfriendly.co.uk](mailto:complaints@shepherdsfriendly.co.uk). A full explanation of our approach to complaints handling can be found on our website at [www.shepherdsfriendly.co.uk/help-and-support](http://www.shepherdsfriendly.co.uk/help-and-support)

## Other relevant information

The tax treatment of the plan may change in the future. This could reduce the amount you receive when the plan matures or increase the personal tax you pay.

The European Union Solvency II Directive requires us to make available to the public a Solvency and Financial Condition Report each year. This can be found by at [www.shepherdsfriendly.co.uk/your-mutual/about-us/reports-and-accounts](http://www.shepherdsfriendly.co.uk/your-mutual/about-us/reports-and-accounts)

Further information on our Bonus Plan is available at [www.shepherdsfriendly.co.uk/tax-exempt-savings-plan](http://www.shepherdsfriendly.co.uk/tax-exempt-savings-plan)