



Key Features of the Prudence Inheritance Bond

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: If you would like a Braille, large print or audio version
: of this Key Features, please contact us at:

: Prudential

: Stirling

: FK9 4UE
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› About this booklet

- › This booklet is the Key Features for our Prudence Inheritance Bond.
- › If you are thinking about whether our Prudence Inheritance Bond may be right for you, this booklet, together with your illustration, will help you make that decision.
- › If you still have questions about our Prudence Inheritance Bond after reading this booklet, please call us on 0845 640 3000. If you have a financial adviser, please contact them in the first instance.

The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. It requires us, Prudential, to give you this important information to help you decide whether our Prudence Inheritance Bond is right for you. You should read this information carefully so that you understand what you are buying and then keep it safely for future reference.

› About our Prudence Inheritance Bond

The Prudence Inheritance Bond is a discounted gift plan that can help you reduce your liability to Inheritance Tax (IHT) while also providing you with regular payments.

› Its aims

- › To reduce your liability to IHT.
- › To provide you with regular payments from the investment until your death or the Bond anniversary following your 105th birthday.
- › To provide the potential for long-term capital growth on the investment.
- › To provide a payment of capital to one or more people (known as your beneficiary or beneficiaries) on your death.

› Your investment

- › You invest a single payment of at least £15,000.
- › You choose whether to use an absolute trust or a discretionary trust.
- › By doing so, you pass control of your investment to the trustees of the Prudence Inheritance Bond Trust. They will look after it for your chosen beneficiaries. You will be one of the trustees.

› Risks

Risk factor	Where you can find more information
› The amount of the regular payments you'll receive can change and the capital your beneficiaries will get back is not guaranteed.	We explain this in "When does Prudence Inheritance Bond pay out?" on page 6.
› While you still have access to regular payments, you can't cash-in your Bond.	We explain this in "Can money be taken out of the Prudence Inheritance Bond?" on page 5.
› The state of your health may affect the amount of the discount you may receive.	We explain this in "What's the discount" on page 5.
› HM Revenue & Customs may not agree with the discount we provide.	We explain this in "What's the discount?" on page 5.
› You have 30 days from the date you receive your Bond documents to cancel your Bond, you may get back less money than you paid in. After 30 days you will not be able to cash in your Bond.	We explain this in "Can I change my mind?" on page 9.
› There may be a liability to tax on the proceeds of this Bond.	We explain this in "What about inheritance tax?" on page 8 and "What about other taxes?" on page 8.
› Tax rules may change in the future.	We explain this in "Important notes" on page 11.

› Questions and Answers

How does the Prudence Inheritance Bond work?

We split your Bond into two plans: the "Whole of Life" plan and the "Endowment" plan

The Whole of Life plan

This plan is held in trust for your beneficiaries and will pay out on your death. This plan holds your gifted capital and any growth.

The Endowment plan

This plan belongs to you and provides you with tax-efficient regular payments. If there are two investors and one dies, ownership of the entire Endowment plan will pass to the survivor.

What's the discount?

Usually, when you set up a trust, the whole amount placed into the trust is considered to be a "gift" for IHT purposes. However, as this is a discounted gift trust, you have retained a right to regular payments, and therefore the amount you gift may be discounted. The size of any discount depends on your life expectancy, which we estimate based on your age, sex and state of health at the time you made a gift. If you're in poor health you may not receive a discount. The discount is calculated using HMRC guidelines as a basis.

What trusts can I choose?

Prudence Inheritance Bond offers a choice of two trust types:

Absolute trust

You can't change the beneficiaries or their share of the trust fund after the trust's been set up. The gift into the trust will be a potentially exempt transfer for tax purposes.

Discretionary trust

You can change the beneficiaries and the share of the trust fund they receive. The gift into the trust will be a chargeable lifetime transfer for tax purposes.

For more information on these trusts and their tax treatment please see the Client Guide we've included with your illustration pack or speak to your financial adviser.

Can I invest in a Prudence Inheritance Bond?

This Bond is designed to suit older investors in reasonable health who are looking to mitigate a potential IHT liability.

You can invest individually or with another person. The other person must be a spouse or civil partner.

To discuss whether or not the Prudence Inheritance Bond might be suitable for you, please speak to your adviser.

Where's my payment invested?

Your payment buys units in:

- › The Prudence Inheritance Bond Capital Fund, which is linked to the Whole of Life plan
- › The Prudence Inheritance Bond Income Fund, which is linked to the Endowment plan

The value of units in these funds rises or falls in line with the values of the assets in the underlying funds.

Allocation rate

If you invest more than £50,000 we'll increase your payment by 0.5%.

The amount of commission paid to your financial adviser affects your allocation rate – please see your personal illustration.

Can money be taken out of the Prudence Inheritance Bond?

Whole of Life plan

No, this plan has been gifted into trust, which will only pay out on your death.

Endowment plan

- › Yes you can choose to take full natural income every three months, or
- › you can choose to restrict your natural income to 5% of your payment into the Endowment plan, or
- › you can choose to redirect your natural income into a maximum of three other funds and either take no money from the Endowment plan or subsequently take either one-off or regular withdrawals.
- › The minimum withdrawal amount for a one-off withdrawal is £200 and for a regular withdrawal is £100.

For a list of available funds and their associated charges please see "What are the charges?" on page 6.

What is Natural Income?

This is the income produced by the assets in the Capital Fund during the course of a 3 month period.

When does Prudence Inheritance Bond pay out?

Whole of Life plan

On your death (or for a Bond on joint lives, when both have died), the Whole of Life plan ends.

We'll pay out the value of the units, to the Trustees, in the Prudence Inheritance Bond Capital Fund. However, we'll deduct a charge if you die during the first five years of your Bond.

See "What are the Charges?" section opposite.

Endowment plan

On maturity or on your death, if earlier.

If you die (or for a Bond on joint lives, when both have died) before the Bond anniversary after your 105th birthday, we'll pay out to your executors a death benefit of £100 plus the value of any units held under the Endowment plan that were purchased by redirected natural income and the balance of any natural income waiting to be paid at the time.

If you survive, the Endowment plan will mature on the Bond anniversary after your 105th birthday. For a Bond on joint lives, the rules are slightly different. Please see the Policy Rules for full details. At this point, we'll pay you an amount equal to the value of the units in the Whole of Life plan, the value of any units held under the Endowment plan that were purchased by redirected natural income and the balance of any natural income payment waiting to be paid at the time. The Whole of Life plan will not end until your death, as explained above.

The amount you or your beneficiaries get back is not guaranteed and will depend on how much you've paid in, how long your money's been invested, investment performance over the time you've invested and our charges.

What are the charges?

We take charges to cover the cost of administration, marketing and commission. For more information on commission and charges please see your quotation.

Annual Management Charge

We charge 0.75% a year on the value of the Prudence Inheritance Bond Capital Fund and 0.75% a year on the value of the Prudence Inheritance Bond Income Fund (including Unit Trust Expenses). We may include these charges in the price of units or take them directly by cancelling units. We may use a combination of these methods.

For more information on the funds please contact your financial adviser.

Establishment Charge

This is 1.25% a year of the value of the Prudence Inheritance Bond Funds for the first five years of the Bond. This does not apply to redirected natural income.

Switch Charge

Switching is not permitted on the Prudence Inheritance Bond Capital Fund or Income Fund. However, switching of redirected natural income is permitted. One free switch in any 12-month period is allowed. We currently charge £25 for any subsequent switches.

Service Charge

We apply a service charge when you select fund related commission. Where applicable, we'll take this as a deallocation of units on the three-monthly payment date of commission. We calculate the service charge as 80% of the fund related commission payable at the time. It applies to all units held under the Bond including redirected natural income.

Other charges

If you, or the second of you in the case of a joint life Bond, die within the first 5 years of your Bond, we'll deduct a charge from your Bond.

Death during year	Amount we pay (percentage of the value of your units in the Prudence Inheritance Bond Capital Fund)
1	92.5%
2	94.0%
3	95.5%
4	97.0%
5	98.5%
6+	100.0%

Our charges may vary in the future and may be higher than they are now. Further details can be found in your Policy Rules.

The table below provides a summary of the level of charges for the Prudence Inheritance Bond re-direction funds.

Prudential Fund	Annual Management Charge each year	Unit Trust/OEIC Expenses each year*	Total Charge (p.a.)
American	0.75%	0.00%	0.75%
Asia-Pacific	0.75%	0.10%	0.85%
Cash	0.75%	0.00%	0.75%
Corporate Bond	0.75%	0.20%	0.95%
Equity	0.75%	0.00%	0.75%
Equity Income	0.90%	0.25%	1.15%
Ethical	0.75%	0.20%	0.95%
European	0.75%	0.05%	0.80%
Fixed Interest	0.75%	0.15%	0.90%
FT-SE 100 Tracker	0.65%	0.05%	0.70%
Global Balanced (UK View)	0.75%	0.05%	0.80%
Index-Linked Gilt	0.75%	0.15%	0.90%
International	0.75%	0.05%	0.80%
Invesco Perpetual Managed**	1.10%	0.20%	1.30%
Japanese	0.75%	0.05%	0.80%
Managed	0.75%	0.00%	0.75%
Newton Managed**	0.95%	0.05%	1.00%
Newton UK Equity Income**	0.95%	0.05%	1.00%
Property	0.75%	0.00%	0.75%

* Where the funds invest in underlying unit trusts/OEICs additional expenses will be incurred as shown. These expenses may change from time to time.

** These funds are Prudential Funds that are managed on our behalf by the fund management group stated. They should not be confused with the same or similar named funds or unit trusts offered independently by these fund management groups.

Some of the externally managed funds may also apply a "dilution levy". We do not currently apply this charge directly to your plan, however we reserve the right to explicitly charge for any dilution levy that applies. We will let you know if we plan to do this.

Different funds invest in different types of assets. For example, some only invest in property, others invest directly in the stock market, and others invest in a wide range of assets. Each fund has its own level of risk and potential growth. Usually, funds with more potential for growth carry more risk.

For any fund that you redirect natural income to, we may delay the buying, selling or switching of units. These delays will only apply in exceptional circumstances and, if this applies to you, we will let you know. For more information please refer to your Policy Rules document.

What about inheritance tax?

This is only a general tax summary and individual circumstances may differ.

Whole of Life plan

The Whole of Life plan will be included in your estate for IHT purposes if you die within 7 years of taking out the plan.

Endowment plan

The death benefit of £100 plus the value of any units held under the Endowment plan that were purchased by redirected natural income and the balance of any natural income waiting to be paid at the time, will always be included in your estate for IHT purposes and may incur some tax liabilities.

If you survive until the Endowment plan matures, you'll receive the maturity proceeds from it. This may affect the IHT position of your estate when you die.

If you have set up the Bond jointly and one of the owners dies, within 7 years of starting the Bond, there may be a liability to IHT based on a share of the amount invested. As the Bond doesn't pay out until both have died, you'd have to meet any liability to IHT from your own resources.

Other IHT provisions will depend on whether you have an absolute trust or a discretionary trust.

The Bond can't be cashed-in during your lifetime to pay any tax charges that may arise.

Absolute trust

- If you die within seven years of starting your Bond, the value of your gift less any applicable discount will be included in the value of your estate and may be liable to IHT.
- If a beneficiary of the trust dies, the value of their share of the trust will form part of their estate for IHT purposes.
- You can't encash the Bond during your lifetime to pay any tax charges that may arise

Discretionary trust

- If you choose the discretionary trust, there may be an IHT liability in the following circumstances:
 - When you first set up the Bond and Trust
 - Every 10 years throughout the life of the trust
 - When the Bond ends and the Trustees distribute the Trust Fund
 - If you die within 7 years of setting up the Bond.

For more information see the Client Guide we sent with your illustration pack.

What about other taxes?

This is only a general tax summary and individual circumstances may differ.

Corporation Tax

We'll pay tax on the funds you invest in. This tax is not reclaimable.

Capital Gains Tax

We'll pay tax on the capital gains in our funds.

Income Tax

You can currently receive regular payments of up to 5% each year of your payment into the Endowment plan without creating any immediate tax liability. If you don't use any or all of the allowance in any year, the unused portion rolls over to the following year until you have received 100% of your original payment into the Endowment plan.

However, there may be income tax to pay if:

- your Bond ends as a result of your death, or
- you receive the maturity proceeds of the Endowment plan, or
- you take more regular payments from the Bond than your accumulated 5% tax deferred allowance, or
- you transfer the ownership of the Endowment plan that forms part of your Bond in return for money or something of value.

Gains from your Endowment plan may mean that you lose some or all of your entitlement to the age-related allowance or income related benefits.

The Whole of Life plan has been specifically designed not to produce a gain as a result of a chargeable event.

For more details about tax and how it affects you, please speak to your financial adviser. Further information is also available in our "Guide to tax on your investment" leaflet, which you can request by calling 0845 640 3000 or by visiting www.pru.co.uk.

Can I change my mind?

You have 30 days from the date you receive your bond documents to cancel your Bond. This is called a cancellation period.

To cancel it, please complete and return the Cancellation Notice that we send you with your plan documents, or write to us at:

Prudential Customer Services
Stirling
FK9 4UE

Please include your reference number.

If you decide to cancel you may not get all your money back. If the value of your units has fallen, you will get back less than you paid in.

For cancellations within the 30-day cancellation period only, where a Bond is held in joint names, we'll accept cancellation by any one of the owners.

After the 30-day cancellation period, the contract will become binding and we will not return any cancellation money to you. The Bond has no surrender value.

How will I know how my Prudence Inheritance Bond is doing?

We will send you an annual statement.

You can get an up-to-date valuation by calling our Customer Services Department on 0845 640 3000.

› Other information

How to contact us

If you have a financial adviser, please continue to use them as your first point of contact.

Alternatively, you can call us on **0845 640 3000**. Calls may be monitored or recorded for quality and security purposes.

You can also write to us at:

**Life Customer Services
Prudential
Stirling
FK9 4UE**

Or via our website: www.pru.co.uk

How to make a complaint

If you have a complaint about your Prudence Inheritance Bond, please contact your financial adviser first, as they may be able to resolve it quickly for you.

If we do anything that you're unhappy about, we'll always try to put it right.

To do this, we need to know exactly what the problem is. So it would really help if you or your adviser could write to us with all the details of what has happened. Please send your complaint to:

**Prudential
Customer Relations Unit
Stirling
FK9 4UE**

If you'd rather phone, you can call us on 0845 640 3000. To make sure we have an accurate record of what you tell us, we may monitor or record your call. Calls may be monitored or recorded for quality and security purposes.

We hope that we will be able to handle your complaint in a way that satisfies you. But if we can't, you can speak to the independent Financial Ombudsman Service. You can contact the Service at:

**The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR**

Telephone: 0845 080 1800

Terms and conditions

This booklet is a brief guide to the Prudence Inheritance Bond. You should also read the Client Guide we sent with this booklet. For more details, please consult your financial adviser.

The details of the legally binding contract between you and us are contained in the Policy Rules booklet. This booklet is available from us on request.

Your client category and why it matters

The Financial Services Authority (FSA) is the independent financial services regulator. The FSA asks companies to categorise their clients based on their involvement in and familiarity with financial services. This is a way of making sure we send the right information to the right people. For example, information for an individual customer should assume less knowledge than information for a financial services company.

You're categorised as a 'retail client'. This means that we make sure the information we give you is clear, balanced and indicates any relevant risks. Your category does not affect your right to lodge a complaint with the FSA.

If you have any questions about your client category, please call our Customer Service Team on 0800 000 000.

Conflict of Interest

A conflict of interest can arise when a business or personal interest influences, or appears to influence, an independent and objective decision.

We want to make sure that we uphold our reputation for conducting business with integrity. That's why we have drawn up a policy to deal with any conflicts of interest.

If you would like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on 0800 000 000.

Law

The Law of England and Wales will decide any dispute.

How we'll communicate with you

We will communicate with you in English by letter, by phone or by email.

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. This depends on your eligibility, the type of business and the circumstances of the claim.

For more information, contact:

**The Financial Services
Compensation Scheme
7th floor, Lloyds Chambers
Portsooken Street
London
E1 8BN**

Telephone 0207 892 7300.

www.fscs.org.uk

It is important to note that the compensation scheme detailed above applies to the potential insolvency of Prudential Assurance Company and not any underlying investments held within your plan. If you redirect natural income into funds run by third party fund managers our current understanding is that you would not be able to claim under the scheme for any shortfall in the value of the redirected natural income, if any of these companies become insolvent.

FSA Registration

Prudential Assurance Company Limited is entered on the Financial Services Authority (FSA) Register, FSA Reference Number 139793. The FSA Register is a public record of all the organisations that the FSA regulates.

You can contact the FSA at:

**The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS**

Telephone: 020 7066 1000

Important notes

The information in this booklet is based on our understanding as at January 2010 of current taxation, legislation and HM Revenue & Customs practice. All of these are liable to change without notice. The impact of taxation and any tax relief depends on individual circumstances.

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www.pru.co.uk

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