

FOR ADVISER USE ONLY – NOT APPROVED FOR USE WITH CLIENTS

## **THE PORTFOLIO ACCOUNT - KEY REASONS**

In giving your clients advice, you will have carefully considered their personal and financial circumstances, financial needs, priorities and risk profile. These factors will determine what recommendations you make.

We have provided the following paragraphs to help you create suitability letters for your clients.

Suitability letters must be personalised and specific to individual clients. These paragraphs are designed to help you substantiate your recommendation of the Portfolio Account. They are not intended to form the whole of the suitability letter.

Please note that, before using these paragraphs, or similar text, you must ensure compliance with the appropriate regulations. Whilst every care has been taken to ensure the accuracy of this information, Prudential International cannot accept liability resulting from its use.

These paragraphs are suitable for UK residents only.

Full terms and conditions of the Portfolio Account are available on request.

[www.pruadviser.co.uk/international](http://www.pruadviser.co.uk/international)

The registered office of Prudential International is in Ireland at Montague House,  
Adelaide Road, Dublin 2.

Please take note of the risk warnings on page 8.

## WHY INVEST OFFSHORE

- |                                       |                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Gross roll-up</b>                  | 1. Prudential International is based in Dublin, Ireland and as a result your money will roll up free of tax other than withholding tax (which applies to the dividend income on some assets held in the funds). This can give you a potentially higher return than investing in UK-based funds.                                                  |
| <b>Tax deferral</b>                   | 2. <i>(Individual investors only)</i> You want to invest tax efficiently. Normally you will not have any UK tax liability on your investment growth until you withdraw money from your bond. You may be able to reduce your eventual tax liability by making a withdrawal or cashing in your bond at a time when you are in a lower tax bracket. |
| <b>Wide investment choice</b>         | 3. The Portfolio Account gives access to over 2,500 different funds.                                                                                                                                                                                                                                                                             |
| <b>Cash option and tax efficiency</b> | 4. Cash investments are also available. <i>(Individual investors only)</i> You can use these in the same way as a UK-based deposit account, but any interest you don't take out will accumulate free of tax. Until you cash in your bond or exceed the 5% annual allowance, it will not normally affect your personal allowances                 |
| <b>Currency options</b>               | 5. The Portfolio Account offers a choice of currencies: for making the initial investment, for the investment funds and for withdrawals. This could be useful if, for instance, you decide to move abroad in future.                                                                                                                             |

## GENERAL PRODUCT DETAILS

- |                           |                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Minimum investment</b> | 6. You wish to invest a lump sum of £50,000 (or the equivalent in other currencies) or more.                                                                                                                                                                                                                                                                                                          |
| <b>Top-ups</b>            | 7. You will be able to add to your bond in future from a minimum of £5,000.                                                                                                                                                                                                                                                                                                                           |
| <b>Accessibility</b>      | 8. You are prepared to invest for the medium to long term, but you want to be able to access your money if you need to. With the Portfolio Account, you can make withdrawals at any time, subject to a minimum payment of £500. There may be an Early Cash-in Charge if you cash in your bond completely in the first five years. There is no Early Cash-in Charge on partial or regular withdrawals. |

**Withdrawal options**

9. *Select from the following paragraphs as appropriate.*

a) Amount of withdrawals

You have chosen to take regular withdrawals from your bond of <£X> every <month/three months/four months/six months/year>. If you wish, you can change this amount in future, subject to a minimum payment of £500.

b) Frequency of withdrawals

If you wish, you can change the frequency of your withdrawals in the future. Other options are every (*delete as appropriate*) month, three months, four months, six months or year.

c) Future withdrawals option

You do not wish to take withdrawals immediately from your bond but you may wish to do so in the future. The Portfolio Account allows you to start taking regular withdrawals at any time, subject to a minimum payment of £500.

**Tax-efficient withdrawals**

10. *(Individual investors only)* You can supplement your current income without increasing your current tax bill. You can take up to 5% of your initial investment as withdrawals each year and the tax liability will be deferred until you cash in your bond. Any of this allowance you do not use one year can be taken up later and it can continue until you have taken the full amount that you put into your bond. If you exceed the allowance there may be an income tax charge.

**Loan relationships rules**

11. *(UK corporate investors only)* As a UK corporate investor, any life assurance bonds you hold will be taxed under the Loan Relationships legislation. This means the 5% annual tax-deferred allowance will not apply and the bond will not be taxed under chargeable event rules. Instead, depending on the company's circumstances, it may be valued at each accounting date and the consequent gain or loss will be taxed or relieved as appropriate each year.

**Assignment**

12. If you wish, you can assign the bond at any time to someone else. If you assign it as a gift (not for money or money's worth), there will be no tax charge at that time and any future tax charges will normally be assessed on the new owner. This could offer a tax advantage if the new owner pays tax at a lower rate than you do.

**Self-assessment**

13. You won't need to include details of your bond on your self-assessment form until a "chargeable event" arises, for example, if you withdraw more than the 5% tax-deferred allowance. If this happens, you will only need to include the bond itself, not each of the funds you hold within it. This means your paperwork will be simpler than if you held the

same funds as separate investments, especially with funds that produce income, which you would otherwise have to declare annually.

**Death benefit**

14. (*Life assured version only*) If you die while still holding your bond, Prudential International will pay 100.1% of the cash-in value of the bond. (*Where there is more than one life assured*) This applies to the last of you to die.

**Capital redemption option/Maturity benefit**

15. (*Capital redemption version only*) You have chosen the capital redemption option, which means the bond will not end on your death. It has a set term of 99 years, although you can cash it in before then. If the bond is not cashed in before the maturity date, the maturity benefit will be the higher of the bond value at that time and a Guaranteed Maturity Value. The Guaranteed Maturity Value is 100.1% of the total amount of investments into the bond, less 100.1% of any withdrawals that are made. There is a minimum maturity benefit of £100. There is an additional charge for the capital redemption option, which is 0.25% a year of the value of your bond fund.

**INVESTMENT OPTIONS**

**Fund choices**

16. The Portfolio Account allows you to access a wide variety of investment funds, including unit trusts, OEICs (Open-Ended Investment Companies), SICAVs (Sociétés d'Investissement à Capital Variable), and UCITS (Undertakings in Collective Investments in Transferable Securities). The funds available have a range of risk profiles from the cautious to the more adventurous. This allows you to tailor your bond to your needs and risk preferences and also adapt it to any future changes in your circumstances.

**PruSelect fund range**

17. The PruSelect fund range is a selection of funds from among all those available for Portfolio Account. They have been chosen by Old Broad Street Research, which is a leading independent investment analyst, as offering high quality and performance potential. They represent a mix of fund managers, markets, investment styles and risk levels. You can choose to invest in funds from just this range or mix them with any others.

**Cash option**

18. In addition to investment funds, the Portfolio Account allows you to access a range of cash deposits, with different rates and terms. These provide you with further options: for instance, if you want a fixed return at low risk or a short-term haven during times of stock market volatility.

- Funds selected** 19. You have chosen to invest in <specify choice of funds>. (Adviser to add reasons for specific fund and currency choices. You can find details of the funds available on [www.pruadviser.co.uk/international](http://www.pruadviser.co.uk/international).)
- Switching option** 20. You can change your fund choices at any time, using the switching facility. In the first year of your bond, you are allowed 20 free deals (purchases or sales) and in subsequent years, 10 free deals. Further deals will incur a switching charge.
- Capital gains tax** 21. If you switch part of your investment from one fund to another, you will not have any capital gains tax liability on any profit you make from the switch. This may save you tax compared with, say, switching investments from one unit trust to another. You will also not need to include it on your self-assessment form.
- Fund Adviser option** 22. (Where applicable) You have chosen to nominate <insert name> as your Fund Adviser, to provide Prudential International with investment instructions on your behalf. The fee for your Fund Adviser will be deducted from your bond and paid directly to the adviser. (For individual investors) It will count towards your annual 5% deferred tax allowance (see paragraph 10).  
Or:  
You may choose at any time to appoint a Fund Adviser, who will provide Prudential International with investment instructions on your behalf.
- Discretionary Asset Manager** 23. (Where applicable) You have chosen to appoint <insert name(s)> as Discretionary Asset Manager(s). You may end this/these agreement(s) at any time, in which case you may select another Discretionary Asset Manager with whom Prudential International has an agreement or choose to manage the assets yourself. You can also choose to appoint an additional Discretionary Asset Manager at any time. There is an additional charge for the Discretionary Asset Manager option of 0.1% a year of the value of your bond fund, or that part of your bond which is managed by the Discretionary Asset Manager(s). The Discretionary Asset Manager(s) will make their own charges for their services, details of which will be shown on your Discretionary Asset Manager nomination form(s).

## CURRENCY OPTIONS

- Choice of currencies** 24. You can choose from a range of currencies for different aspects of your bond. The available currencies are: Australian Dollars, Canadian Dollars, Danish Kroner, Euro,

Hong Kong Dollars, Japanese Yen, Norwegian Krone, Swedish Krona, Swiss Francs, UK Pounds Sterling and US Dollars.

**Base fund currency** 25. You have selected *<insert currency>* as the base fund currency for your bond. This is the currency the plan will be denominated in, which will be used on policy documents and statements. This cannot be changed once the bond is in force.

**Investment currency** 26. You have selected *<insert currency>* for making your investment. If you make any additional investments in future, these can be in the same or a different currency.

**Cash-in benefit currency** 27. You have selected *<insert currency>* as the cash-in benefit currency. This is the currency in which withdrawals and cash-in proceeds will be paid.

**Death/maturity benefit currency** 28. You have selected *<insert currency>* as the *<death/maturity>* benefit currency. This is the currency in which the benefit on *<death/maturity>* will be paid.

## TRUST OPTIONS

**At issue trust** 29. *(Where applicable)* You are applying for this bond in conjunction with a *<insert type of trust>*. *(Please refer to 'Trusts for inheritance tax planning – Key Reasons' (HTB10030) for suitability paragraphs on Prudential International trusts.)*

**After issue trust** 30. Prudential International offers trusts that may be used for inheritance tax planning. If appropriate, you could put your bond into either the Gift Trust or the Excluded Property Trust.

## CHARGING OPTIONS

**Charging options** 31. You have chosen the *<specify charging option>*. This will also apply to any additional investments you make into your bond in future.

*(Select from the following paragraphs as appropriate)*

*Establishment charge option:* There will be an establishment charge on your bond, taken on each quarterly valuation date during the first five years. Please see your personal illustration for the amount of this charge.

*Initial charge option:* An initial charge will be deducted from

your payment before it is invested into your bond. Please see your personal illustration for the amount of this charge.

*Ongoing charge option - establishment version:* There will be an establishment charge on your bond, taken on each quarterly valuation date during the first five years, and an ongoing charge, taken on each quarterly valuation date during the life of your bond. Please see your personal illustration for the amounts of these charges.

*Ongoing charge option - initial version:* An initial charge will be deducted from your payment before it is invested into your bond and an ongoing charge will be taken on each quarterly valuation date during the life of your bond. Please see your personal illustration for the amounts of these charges.

## WHY PRUDENTIAL INTERNATIONAL



### Size

32. Prudential International is part of the Prudential Group, which is one of the largest financial organisations in the UK. It has £309 billion under management (as at 30 June 2010), looked after by investment professionals around the world.

### Financial strength

33. Prudential is one of the most recognised names in financial services. Prudential International benefits from the financial and investment strength of the Group, enabling it to provide flexible and effective investments for its customers.

### Regulation

34. Prudential International is based in Dublin, which has a strict legal and regulatory framework. Prudential International is subject to European law and must meet all European regulations. It is licensed by the Irish Government to operate from Dublin and is regulated by the Financial Regulator. Prudential International is subject to limited regulation by the Financial Services Authority for UK business. Details on the extent of the regulation by the Financial Services Authority are available on request.

### Compensation

35. If the company should become unable to meet its liabilities, the Financial Services Compensation Scheme will protect eligible policyholders who are habitually resident in the UK when their contract starts, with effect from 1 December 2001.

### External funds

36. If an external fund manager becomes insolvent, there is a risk that Prudential International will not be able to recover the full value of any units of a relevant externally-linked fund that are held under the bond. If this situation arises

and Prudential International cannot recover the full value of the units, it will not be liable for the shortfall. The company's understanding at the current date is that the investor would not be able to claim under the Financial Services Compensation Scheme.

**Initial charge discounts**

37. *(Not applicable to holdings under Discretionary Asset Management)* Prudential International is able to negotiate substantial discounts with a number of leading fund managers, thanks to its institutional buying power. As a result, many funds will be available with either no initial charge or a much lower charge than normal. This means you can invest in these funds at a much lower cost than if you invested in them directly.

**Annual management charge rebates**

38. *(Not applicable to holdings under Discretionary Asset Management)* Prudential International is able to negotiate annual management charge rebates on a number of funds, which are passed to you through an addition to your bond. This will effectively increase the value of your bond. You should note that the rebates are not guaranteed and may change or be removed at any time.

**LEGAL WORDING**

**To be used with all paragraphs**

Full terms and conditions of the Portfolio Account are available on request.

**To be used if the term "offshore" is used**

Offshore is a common term that is used to describe a range of locations where companies can offer customers growth on their funds that is largely free from tax. This includes "true offshore" locations such as the Channel Islands and Isle of Man, and other locations such as Dublin - where Prudential International is registered. Tax treatment can vary from one type of investment to another and from one market to another.

**To be used with all paragraphs referring to investments**

The value of an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment.

**To be used with paragraphs 1, 2, 4, 10, 11, 12, 13, and 22**

The above is based on our understanding, as at <month, year>, of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.

**To be used with paragraphs 8, 9 and 10**

Regular withdrawals available from the Portfolio Account can be used as income for all practical purposes, although strictly speaking the bond is a non-income producing asset. HM Revenue & Customs may not tax these regular withdrawals as income in the same way that dividends or interest are treated. Any withdrawal taken will reduce the value of your bond. If the withdrawals are more than any overall growth achieved the value of your bond will reduce below the level of original capital invested.

**To be used with paragraphs 5, 24, 25, 26, 27, 28 and 29**

Changes in the rates of exchange between currencies may cause your investment or the amount of regular withdrawals to go down or up.

**To be used with paragraph 31**

Charges may vary in the future.

**To be used if risk categories are referred to when talking about fund choices**

These risk categories have been classified by Prudential International and they therefore should not be viewed as generic descriptions across the fund management industry. These are the classifications as at <month, year>. They may change in the future.