

Key Features of the Prudence Prospects Bond

Top up investment

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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

› About this booklet

- › This Key Features booklet explains a top up Investment for your Prudence Prospects Bond.
- › If you are considering whether a top up investment to your Prudence Prospects Bond is right for you, this booklet will help you make that decision. You should read it with your personal illustration and accompanying document "Your With-Profits Plan – a guide to how we manage the Fund".
- › If you still have questions after reading this booklet, your Financial Adviser should be able to help. Alternatively you can call us on **0845 640 1000**.

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 to decide whether this investment is right for you. You should read this booklet carefully so that you understand what you are buying, and then keep it safe for future reference.

› About our Prudence Prospects Bond

Our Prudence Prospects Bond is a single premium life assurance policy that lets you invest your money in Prudential's With-Profits Fund.

You started your bond with a single payment. You can make additional payments at any time. You can make regular and partial withdrawals, and you can cash in your bond at any time.

› Its aim

- › Our Prudence Prospects Bond aims to increase the value of your original investment and any additional payments (top ups) you make, over the longer term.

› Your investment

- › You can add a top up payment to your existing bond. There is no set term for your top up but it is designed to be held for at least seven years.

› Risks

The value of your bond can go down as well as up. Its value could even fall below the amount of money you pay into the bond. This could mean that you don't get back the full amount you invested.

If the total charges taken from your plan are more than any overall growth achieved, your plan will fall in value, possibly to even less than you have invested.

The value of your bond could change for a number of reasons, including:

Risk factor	Where you can find more information
› The performance of the With-Profits Fund	For more information please see "Where do you invest my money?" on page 6.
› Changes to tax rules	For more information about tax please see "Will I have to pay tax on my bond?" on page 9.
› When you choose to cash in your plan	We explain this in "What are the charges?" on page 7.

› Questions and Answers

Your Prudence Prospects Bond Top up investment

How much can I add to my bond?

- › The minimum top up payment is £5,000.
- › There is a maximum amount you can invest in the With-Profits Fund. The maximum amount you can invest in the With-Profits Fund is £500,000 per owner.

Any growth on your bond is not subject to this limit, it only applies to the amount of your single payment and any top up payments. We may accept larger investments in some cases.

- › There is no age limit for top ups.

How flexible is it?

- › Your bond has no set term. You invest for as long as you wish.
- › You can cash in your bond at any time. However, it is designed to be held for at least seven years.
- › You can withdraw money from your bond at any time. The withdrawal must be at least £50 and at least £500 must remain in each fund after withdrawal from that specific fund in your bond. You can get further details opposite in "Can I withdraw money from my bond?" section.
- › You can switch your money between our With-Profits Funds should your needs change. You can get further details in "Where do you invest my money?" on page 6.

How much will I get when I cash in my bond ?

The value of your bond when you cash it in will depend on:

- › how much you've invested,
- › how long you've invested for,
- › any withdrawals you've made,
- › how the With-Profits Fund has performed,
- › any charges that we take from your investment.

You can find more information about how much you might get in your personal illustration.

The full value of your bond will depend on the level of bonuses we may have added.

Bonuses are your share of the profits earned in our With-Profits Funds. A deduction known as a Market Value Reduction may apply. For more information, see page 8.

An Annual Growth Reward may also be added to your bond. This will be an addition of 0.35% each year of the value of your fund for each investment.

This means that starting at the end of year 2, this reward would be added to your bond for each and every policy year in which you make no withdrawals. Withdrawals include full and partial withdrawals and any regular withdrawals taken. For top ups the Annual Growth Reward is based on the date of each top up investment, rather than the policy year.

Your bond will also receive a loyalty bonus of 1% of the value of the fund upon reaching its 10th anniversary. The 1% bonus is based on your holding in the bond at that time which relates to your initial investment. On the 10th anniversary of a top up you will also receive a loyalty bonus of 1% on your With-Profits holding for that top up. This loyalty bonus is payable regardless of any withdrawals or part surrenders made over the previous 10 years. It is in addition to any Annual Growth Reward that may apply.

Can I withdraw money from my bond?

You can take regular withdrawals from your bond at any time. The level of withdrawals you can take can be:

- › a fixed amount of money,
- › a percentage of your original single payment,
- › a percentage of the full value of your bond, or
- › Regular Bonus as income. This bonus is normally declared on our With-Profits Funds each year, usually in advance. It is calculated and added to your bond every day and is included in the price of the units in our With-Profits Funds.

Your regular withdrawals will normally be paid direct to your chosen bank account at your chosen interval. It can be paid every month, every three months, every four months, every six months or every year.

The minimum payment is £50. However, it can be less if you choose the Regular Bonus as income option.

In each year of your bond, the maximum level of regular withdrawals you can take is the greater of:

- 7.5% per year of the total amount you invest in your bond, or
- 7.5% per year of the full value of your bond at the time you start withdrawals. This is based on the full value of your bond including any Final Bonus.

You can also make a withdrawal from your bond, provided you withdraw at least £50 and at least £500 remains in each fund after withdrawal.

If you have made a top up payment, any regular or part withdrawal will be taken as a proportionate amount from your single payment and top up. Any Early Cash-In Charge(s) will be applied separately to each of the proportionate amounts that make up a part withdrawal.

We may apply a Market Value Reduction and an Early Cash-In Charge when you withdraw money. You can get further information about the Market Value Reduction on page 8, and further information about the Early Cash-In Charge in, "What are the charges?" on page 7.

Where do you invest my money?

After applying the Allocation Rate (the percentage we apply to your top up), your payment buys units at a price set by us.

Together with your Financial Adviser, you decide which of our With-Profits Funds (Optimum Return or Optimum Bonus) best meet your needs.

You can switch your investment between the two funds if you wish – as long as you are switching at least £500. You can benefit from up to four free switches each year. Further switches currently cost £25 each. You may decide to switch only some of your money from a fund. If you do, you must keep at least £500 invested (in the original fund). We may apply a Market Value Reduction when you switch between our funds.

Any growth achieved by the fund(s) is shown by an increase in the price of your units. The price of units in our With-Profits Funds reflects only the Regular Bonus – and the price cannot go down. The price does not show the effect of any Final Bonus (this may be added when you make a withdrawal, switch, cash in or die – however this is not guaranteed) or any Market Value Reduction or Early Cash-In Charge that we might deduct.

You can get more information about the With-Profits Fund from "Your With-Profits Plan – a guide to how we manage the Fund". Your Financial Adviser will give you the guide along with this Key Features document and your Personal Illustration.

Allocation Rate – This depends on the amount of your total investment, including any top ups and your age when the bond was taken out. The allocation rate will only be based on the cumulative total of in-force Prudence Prospects Bond investments. The Allocation Rate you'll receive is shown on your Personal Illustration.

How we work out how much would be invested on your behalf:

- We multiply the amount you are investing by the Allocation Rate percentage.

We work out your Allocation Rate as follows:

- The Allocation Rate for a single payment is shown in the table that follows.
- If the person being covered by the bond is 75 or over, we reduce this Allocation Rate – by between 2% to 4% – depending on their age. See table that follows for further information.
- For top ups, the Allocation Rate for the additional payment will be based on your total amount invested within in-force policies plus the amount of the top up. Any reduction in the Rate due to the age of the person covered by the bond – that applied when the bond was taken out – will still apply.

The table below shows the Allocation Rates:

Total amount invested	Allocation Rate [†]
From £10,000 to £19,999	105.00%
From £20,000 to £49,999	105.25%
From £50,000 to £74,999	106.00%
£75,000 or more	106.25%

[†] A reduction to the Allocation Rates will apply if the person being covered by the bond was 75 or over when the bond was taken out. The reductions will be as follows:

Aged 75 to 79: 2%
Aged 80 to 84: 3%
Aged 85 to 89: 4%.

For bonds taken out on the lives of two people, the reduction in the Allocation Rate depends on when you wanted the bond to end.

- If you wanted the bond to end when one of the two people died, the reduction will be based on the age of the older person when the bond was taken out.
- If you wanted the bond to end when both people have died, the reduction will be based on the age of the younger person when the bond was taken out.

When topping up your bond, the reduction in the Allocation Rate that applied when you originally took out your bond will still apply.

What happens to my bond if the person covered dies?

If you took out the bond on your life only, your bond will end on your death.

If you took out the bond on the lives of two people, at the start of the bond you chose:

- for your bond to end when one of the two people covered dies, or
- for your bond to end only when both people covered by the bond have died.

In either case, we'll pay 100.1% of the cash-in value of the bond.

As your bond is invested in the With-Profits Funds, you'll also receive any "Final Bonus" that may apply.

If the bond ends within seven years of the initial investment or a top up a deduction will be made equivalent to the Early Cash-In Charge applicable at the date of death.

What are the charges?

We charge you for looking after your bond.

This is to cover things like:

- administration and marketing,
- investment management, and
- any commission we pay your adviser.

We take no initial charges from your top up payment.

Prudential With-Profits Fund (Optimum Bonus and Optimum Return)

There are various costs involved with setting up and managing your bond. An Annual Management Charge is deducted from the With-Profits Funds each year to cover these costs.

This charge is not explicit so you will not see it being taken from your bond. It is deducted from the underlying With-Profits Fund and is already taken into account when we calculate bonus rates for our With-Profits Funds.

The charge will depend on the investment returns achieved and the expenses incurred by the fund (higher investment returns will be associated with a higher charge and lower investment returns with a lower charge). The charge is currently expected to be approximately 2.15% a year if the investment return in the With-Profits Fund is 6% a year (net of tax).

You can get more information about the With-Profits Fund from "Your With-Profits Plan – a guide to how we manage the Fund".

Charges for guarantees – Prudential (Optimum Bonus) With-Profits Fund and the Prudential (Optimum Return) With-Profits Fund

The total deduction for guarantee charges over the lifetime of your bond is not currently more than 2% of any payment made from the fund. Our charges may vary in the future and may be higher than they are now. Charges may vary if, for example, the long term mix or type of assets held within the With-Profits Fund is changed. Further details can be found in the Policy Provisions.

Your personal illustration will show how charges affect your bond and also shows how much we have paid your Financial Adviser.

If you cash in your bond in part or full within seven years

If you cash in all or part of your bond within seven years of your initial investment or top up we will deduct a charge as shown in the table below:

Number of complete years since date of initial investment or top up	Early Cash-In Charge
0	11%
1	10%
2	9%
3	8%
4	6%
5	4%
6	2%

This charge will also be applied on death if within seven years of the initial investment or a top up – see "What happens to my bond if the person covered dies?" on page 7 for further details.

If you make a partial withdrawal from your bond during the Early Cash-In Charge period, the charge we take will be based on the value of units cancelled to make the payment including the Early Cash-In Charge.

What's a Market Value Reduction?

If you take money out of the Prudential (Optimum Bonus) With-Profits Fund or the Prudential (Optimum Return) With-Profits Fund, we may adjust the value of your fund if the value of the underlying assets is less than the value of your plan including all bonuses. This adjustment is known as a Market Value Reduction (MVR). It is designed to protect investors who are not taking their money out and its application means that you get a return based on the earnings of the With-Profits Fund over the period your payments have been invested.

We apply the MVR to your plan's value including regular and final bonuses. Please read "Your With-Profits Plan – a Guide to how we manage the fund" (WPG0027) for more information on bonuses. An MVR will reduce the amount payable on full or partial withdrawals and if investment returns have been very poor, you may get back less than you have invested in your plan.

We guarantee not to apply an MVR on any payments made due to death and certain regular withdrawals.

Our current practice on applying an MVR

We may apply an MVR to full or partial withdrawals, including switches, on all investments that have been running for less than five years.

For investments in the same With-Profits Fund that have been running for longer periods, we would consider applying an MVR when a withdrawal results in the total amount paid out, including any other payments in the previous 12 months, exceeding £25,000. We would only apply an MVR to the withdrawal amount in excess of £25,000 in these circumstances.

We would also consider applying an MVR on regular withdrawals that are more than 5% p.a. of the current value of your With-Profits Fund investment, at the time the withdrawals commence, or when the withdrawal arrangement is altered.

We reserve the right to change our current practice on Market Value Reductions at any time, without prior notice, and this would apply to existing plans and any new plans or top ups. However, if we were to reduce the regular withdrawal limit, the new limit would apply only to regular withdrawals starting after the date the change was made, or to existing withdrawals when the amount or frequency is altered. Examples of reasons for a change would include significant changes in the investment market or because the number of people moving out of the fund increases substantially.

Will I have to pay tax on my bond?

This section only gives a general tax summary. Individual tax situations may be different and could change in the future.

Your bond is set up as 20 identical policies. You can cash in or transfer the ownership of each policy separately. This can help you withdraw money from your bond in a tax-efficient way.

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 withdraw up to 5% each year of your investment for up to 20 years without any immediate tax liability. This allowance rolls over to the following year if it's not used. However there may be income tax to pay when:

- your bond ends on death,
- you cash in all or part of your bond,
- you withdraw more than the 5% a year tax deferred allowance from your bond, or
- you transfer the ownership of the bond.

Gains from your bond may mean that you lose some or all of your entitlement to personal allowances or certain tax credits.

Inheritance tax

Inheritance tax may be payable if you still have the bond when you die.

Special tax considerations are given to bonds written under trust. Please ask your Financial Adviser for more information.

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 1000 or visiting www.pru.co.uk

Can I change my mind?

When your application has been accepted, we'll send you a Cancellation Notice. If you wish to use your right to cancel your top up, you should complete and return the Cancellation Notice or write to us at:

Prudential Investment Plans New Business Stirling FK9 4UE

You have a right to cancel your top up within 30 days of receiving the Cancellation Notice.

If you decide to cancel, you'll get all your money back.

For cancellations within the 30 day cancellation period only, where a policy is held in joint names, we will accept cancellation by any one of the policyholders, whether acting alone or jointly on behalf of all policyholders.

If you decide to cancel your top up at any time after the 30 day cancellation period has ended, you may not get all your money back. What you get back will depend on the performance of the investments and our charges.

How will I know how my bond is doing?

We will send you a statement every year. You can also call us on 0845 640 1000 for an up-to-date valuation of your bond.

What happens if I move overseas?

Please note Prudential is not able to accept new monies from customers living overseas. If you move abroad and are no longer a resident of the UK this will impact on your ability to top up this product.

› Other information

How to contact us

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

If you don't have a Financial Adviser, you can call our UK based dedicated support team on **0845 640 1000**. The opening hours are 8am to 6pm Monday to Friday.

You can also contact us by

Post: Prudential
Stirling
FK9 4UE

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

How to make a complaint

We hope that you will never need to, but should you have a complaint about any aspect of the services you have received please contact your Financial Adviser.

If you have dealt directly with us, please contact us at:

Customer Response Unit
Prudential
Stirling
FK9 4UE

Telephone 0845 640 1000.

Copies of our Complaint Handling Procedures are available from the address or telephone number shown above.

If you are not satisfied with our response you may then take your complaint to:

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

Telephone 0800 0 234 567.

This is a free service; using it will not affect your legal rights.

Terms and Conditions

This Key Features Document gives a summary of a top up investment to your Prudence Prospects Bond.

The Terms and Conditions are contained in the Policy Provisions document.

You may request a copy of the Terms and Conditions at any time from us.

Your client category

The Financial Services Authority (FSA) is the independent financial services regulator. It asks companies to categorise their clients based on their involvement in and familiarity with financial services. This helps to make 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.

Your category does not affect your right to lodge a complaint with the Financial Ombudsman Service.

If you have any questions about your client category, please call our Customer Services Team on **0800 000 000**. The opening hours are 8am to 6pm Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

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 Services Team on **0800 000 000**.

Law

The Law of England and Wales applies to your Prudence Prospects Bond.

You can find full details of your contract with us in the Policy Provisions.

For bonds in joint ownership, on the death of one of the owners, their half-share in the bond will immediately and automatically pass to the surviving owner – unless the bond is written under trust or there has been a change in ownership since the bond was issued e.g by assignment or trust arrangement.

How we will communicate with you

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

Compensation

We're 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
Portoken Street
London
E1 8BN**

**Telephone: 0207 741 4100 or
0800 678 1100**

www.fscs.org.uk

FSA registration

The Prudential Assurance Company Limited is entered on the FSA Register, FSA Account Number 139793.

The FSA Register is a public record of all 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 information

The information in this brochure is based on our understanding, as at January 2012, 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.



www.pru.co.uk

"Prudential" is a trading name of The Prudential Assurance Company Limited, which is registered in England and Wales. This name is also used by other companies within the Prudential Group, which between them provide a range of financial products including life assurance, pensions, savings and investment products. Registered Office at Laurence Pountney Hill, London EC4R 0HH. Registered number 15454. Authorised and regulated by the Financial Services Authority.