

Key Features of the Prudence Bond and Prudence Managed Investment Bond (No Initial Charge Option) 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 in the Prudence Bond and Prudence Managed Investment Bond (No Initial Charge Option).
- › If you're considering whether a top-up investment to our No Initial Charge Option Prudence Bond/Prudence Managed Investment Bond is right for you, this booklet will help you make that decision. You should read this 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 investments 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 Bond and Prudence Managed Investment Bond

Our Prudence Bond and Prudence Managed Investment Bond are single premium investment bonds that let you invest your money in a range of different funds.

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.

Our Prudence Bond and Prudence Managed Investment Bond also provide a small amount of life cover.

› Its aim

- › Our Prudence Bond and Prudence Managed Investment Bond aim to increase the value of your investment over the medium to long term.

› Your investment

- › You can add a top-up payment to your existing bond. There is no set term for your additional investment but it is designed to be held for at least five 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 funds you choose, any special features they have and how they perform.	For more information please see "Where do you invest my money?" on page 6.
› Tax rules may change	For more information about tax please see "Will I have to pay tax on my bond?" on page 12.
› If you choose to cancel your top-up	We explain this in "Can I change my mind?" on page 12.

› Questions and Answers

How much can I add to my bond?

- › For bonds originally taken out before 1 October 2002, the minimum top-up payment is £1,000.
- › For bonds originally taken out from 1 October 2002, the minimum top-up payment is £5,000.
- › The maximum investment into the With-Profits Fund is £500,000 per owner. This maximum includes top-ups. 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.

In some circumstances, we may accept investments larger than £500,000 into the With-Profits Fund. If you would like to invest more than £500,000 in the With-Profits Fund please speak to your Financial Adviser.

- › There is no age limit for top-ups.

Where do you invest my money?

We offer a range of funds. You choose where to invest your money.

Choosing funds

You can invest in up to ten funds at any time.

Different funds invest in different types of assets. For example, some only invest in property, others invest directly in the stockmarket, 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.

You and your adviser can choose which investments you would like from a wide range including:

- › **Our With-Profits Funds (Optimum Bonus and Optimum Return)**

These funds aim to smooth the ups and downs of the investment markets, with a lower level of risk than that associated with investing directly in these areas.

- › **Our range of Unit-Linked Funds**

These funds invest directly in general or specific areas such as equities or property. When you invest in these funds you buy "units". The prices of these units fluctuate depending on the performance of the fund.

- › **Or a combination of our With-Profits Funds and Unit-Linked Funds**

Combine an investment in our smoothed With-Profits Fund with a more specific investment.

For more information about the investments you can choose from, please speak to us or speak to your Financial Adviser. Alternatively please refer to your "PruBond and Managed Investment Bond Fund Guide" which provides more information on the funds available, including the objective of each fund and its risk profile. For a copy of this guide you can visit our website www.pru.co.uk or call us on 0845 640 1000 to obtain a copy of this document.

How much is invested in my bond?

We work out how much is invested in your bond by multiplying the amount of your investment by the relevant allocation rate shown in the tables on page 7.

After applying the Allocation Rate (the percentage we apply to your top-up) your top-up payment buys units in a fund or funds of your choice, as available, at a price set by us.

Allocation Rate

Your allocation rate depends on:

- › The total amount you've invested in the bond
- › Your age at outset of the bond
- › The version of the bond you originally invested in

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

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

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.

We work out your Allocation Rate as follows:

- The Allocation Rate will be based on the total amount you've invested (within in-force policies) plus the amount of the top-up.

The table below shows the Allocation Rates

The total amount invested	Allocation Rate
From £10,000 to £19,999	100.00%
From £20,000 to £49,999	100.25%
From £50,000 to £74,999	101.00%
£75,000 or more	101.25%

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. For investors aged over 75 (or 79 depending on the version of the bond originally taken out) at the time of original investment this reduction may have the effect of reducing the Allocation Rate to below 100%. Further information is shown in the Key Features document given to you when you originally took out the bond.

Please see table below for reductions in Allocation Rates:

Reduction in Allocation Rates		
Age	Bonds taken out 01/01/02 to 30/09/02	Bonds taken out 01/10/02 onwards
75 to 79	No reduction	2%
80 to 84	1%	3%
85 to 89	2%	4%

If you chose to cover two people and for the life cover to pay out when the first of the two people covered dies, the reduction of allocation rate will be based on the age of the older person.

If you chose to cover two people and for the life cover to pay out when the second of the people covered dies, the reduction of allocation rate will be based on the age of the younger person.

The allocation rate is based on the total amount of previous investments that remains invested in your bond plus the amount of the top-up.

The Allocation Rate you'll receive is shown in your illustration.

These allocation values are the standard rates. From time to time we may increase these rates during a special offer period and reserve the right at our sole discretion to extend or withdraw such offers without notice at any time. These special offer rates are not applicable to top-up investments outside the special offer period.

How do you work out the value of my investment?

For most of the funds we offer, the value of your investment is determined by the fund performance:

- ▶ if the underlying investment fund value grows we increase the price of your units
- ▶ equally, if the underlying investment fund value falls, we decrease the price of your units.

You should also read "Your Investment Plan – a guide to how we manage the funds". This is available on our website www.pru.co.uk.

For the **Prudential (Optimum Bonus) With-Profits Fund** and the **Prudential (Optimum Return) With-Profits Fund**, the unit price will reflect the addition of Regular Bonus and cannot go down. However, the unit price does not show the effect of any Final Bonus or Market Value Reduction that may apply.

For more information about how the With-Profits Funds work, please read "Your With-Profits Plan – a guide to how we manage the Fund".

For more information, please call us or speak to your Financial Adviser.

Annual Growth Reward

If you have not made any withdrawals in the previous 12 months, we will pay an Annual Growth Reward on the anniversary of your investment. This will start on the 2nd anniversary of your investment and then each year thereafter.

- ▶ For With-Profits Fund top-up investments to bonds this will be an addition of 0.35% of the value of your top-up investment.
- ▶ For Unit-Linked Fund top-up investments to bonds originally taken out after 19 May 2002 the Reward is 0.25% each year of the value of your top-up investment.

Starting at the end of year two, this reward would be added to your bond on each anniversary of your original investment and from the second anniversary of any subsequent top-ups for years in which you make no withdrawals. Withdrawals include full and partial withdrawals and any regular withdrawals.

Can I switch money between funds?

You can switch your money between funds at any time – as long as you are switching at least £500. You can benefit from 12 free switches each year.

Further switches currently cost £25 each. You may decide to switch only some of your money from a particular fund. If you do, you must keep at least £500 invested (in that particular fund). Any switches into the With-Profits Fund are subject to policy maximums.

For any fund we may not switch your money for up to one month. For unit-linked funds that mainly invest in property and land we may delay switching for up to six months. This is in exceptional circumstances and if this applies to you we will let you know.

If you switch money out of the **Prudential (Optimum Bonus) With-Profits Fund**, the **Prudential (Optimum Return) With-Profits Fund** or between these funds, we may apply a Market Value Reduction (MVR). For more information about MVRs, please see "Can I withdraw money from my bond?" on page 9.

Can I withdraw money from my bond?

You can take regular withdrawals or make one-off withdrawals from your bond at any time.

Regular withdrawals

The level of regular withdrawals you take can be:

- a fixed amount of money,
- a percentage of your total single payment,
- a percentage of the full value of your bond, or
- if you invest in our With-Profits Funds, you can take the 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 regular payment is £50. But it can be less if you choose the Regular Bonus as income option under our With-Profits Funds.

One-off withdrawals

You can make a withdrawal from your bond provided you withdraw a minimum of £50 and at least £500 must remain in each fund after withdrawal from that specific fund.

Please remember that any withdrawal will reduce the value of your bond.

Tax on withdrawals

You may have to pay UK tax on your withdrawals. For more information, please read "Will I have to pay tax on my bond?" on page 12.

Potential restrictions on withdrawals

For any fund we may not make your payment for up to one month. For unit linked funds that mainly invest in property and land we may delay making your payment for up to six months. This is in exceptional circumstances and if this applies to you, we will let you know. Please see your Policy Provisions for more details.

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 bond 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 bond's value including regular and final bonuses. Please read "Your With-Profits Plan – a guide to how we manage the Fund" 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 bond. We guarantee not to apply an MVR on any payments made due to death.

Our current practice on applying a MVR

We may apply a Market Value Reduction 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 a 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 a MVR to the withdrawal amount in excess of £25,000 in these circumstances.

We would also consider applying a MVR on regular withdrawals that are more than 5% of the current value of your With-Profits Fund investment (or a higher amount up to a maximum of 7.5%, where such withdrawals commenced before 5 September 2002).

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 bonds and any new bonds or top-ups. 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.

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,
- the funds you've chosen,
- how those funds have performed,
- any charges that we take from your investment.

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

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.

How our charges affect your bond is shown in your illustration.

<p>No Initial Charge</p>	<p>We take no initial charges from your payment. A reduction in allocation may apply for certain investors please see page 7 for details.</p>
<p>Annual Management Charge</p>	<p>Annual Management Charge Every year, we take an Annual Management Charge from each of the funds you invest in. The funds have different Annual Management Charges which are already taken into account when we work out the value of your bond. You can find information about how much we charge for each fund in your "PruBond and Managed Investment Bond Fund Guide". Where funds invest in underlying Unit Trusts or OEICs, additional expenses will be incurred ranging from 0.00% to 0.40% every year.</p> <p>Prudential With-Profits Fund (Optimum Bonus and Optimum Return) The management charge for the With-Profits Fund depends on the performance of the With-Profits Fund, in particular the investment return and our expenses. If, for example, over time investment returns are higher, then we would expect to increase the charges and if returns are lower, we would expect to reduce the charges. For top-ups the charge is currently expected to be approximately 1.75% a year if the investment return in the With-Profits Fund is 6% a year (net of tax).</p>
<p>Charges for guarantees – Prudential (Optimum Bonus) With-Profits Fund and the Prudential (Optimum Return) With-Profits Fund</p>	<p>There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee not to apply a Market Value Reduction (MVR) when payments are made because of death. Our current MVR practice, which is not guaranteed, may include additional circumstances when an MVR is not applied. Please see "Market Value Reduction" on page 9 for more details.</p> <p>You won't see this charge on your annual statement because we take it by making a small adjustment to regular and final bonuses.</p> <p>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.</p>

Our charges may vary in the future and may be higher than they are now. 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.

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.

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

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.

What happens to my bond if the person covered dies?

We'll pay out 101% of the bond value, unless your bond was originally taken out on or after 1 October 2002 and the person covered was aged 75 or over at the time of the initial payment, in which case we will pay out 100.1% of the bond value.

If you chose to cover two people and for the life cover to pay out when the first of the two people covered dies, the bond value paid out is determined by the age of the older person covered.

If you chose to cover two people and for the life cover to pay out when the second of the people covered dies, the bond value paid out is determined by the age of the younger person covered.

Your bond ends when the death benefit is paid.

When an additional payment is made to the bond, the death benefit for the additional units will be based on the age of the person covered at the time of the initial investment.

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.

Can I change my mind?

We will send you a Cancellation Notice for each of your top-ups. You have 30 days from the date you first receive your Cancellation Notice to cancel it.

To cancel your top-up, please complete and return the Cancellation Notice, or write to us at:

**Prudential
Investment Plans New Business
Stirling
FK9 4UE**

Please include your bond reference number.

If more than one person owns the bond, we will accept cancellation by any of the owners, within the 30 day limit, whether they're acting alone or jointly.

If you cancel your bond within 30 days, and you have money invested in our With-Profits Fund, we'll give you all of that money back. If you have invested in any of our other funds, you won't get all your money back if the value of your investment in those funds has gone down.

If you cancel after the 30-day cancellation period has ended, you may not get all your money back. The amount you get back may be reduced if the value of your investment has dropped.

› 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 us on **0845 640 1000**. The opening hours are 8am to 6pm Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

You can also contact us by:

Post: Prudential
Stirling
FK9 4UE

Via our website: www.pru.co.uk

How we'll communicate with you

We'll communicate with you in English by post, by phone or by email.

Your client category

The Financial Services Authority Service (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 are 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.

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.

How to make a complaint

If you have a complaint about your Prudence Bond and Prudence Managed Investment Bond (No Initial Charge Option), 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 Response Unit
Stirling
FK9 4UE**

If you'd rather phone, you can call us on **0845 640 1000**.

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: **0800 0 234 567**

Making a complaint to the Financial Ombudsman Service will not affect your right to take legal action.

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**.

Policy Provisions

This Key Features Document summarises the Prudence Bond and Prudence Managed Investment Bond. It doesn't include all the definitions, exclusions or terms and conditions. The details of the legally binding contract between you and Prudential are contained in the Policy Provisions provided to you at the time of your original investment.

Tax

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

Law

The Law of England and Wales applies to your Prudence Bond and Prudence Managed Investment Bond (No Initial Charge Option).

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

For bonds in joint ownership, on the death of the owner, 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.

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 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**



www.pru.co.uk

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