

Key Features of the Prudence Bond – Top Up Investments

For policies purchased directly from Prudential

› Contents

About this booklet	3	Other information	10
About our Prudence Bond – Top Up Investments	3	How to contact us	10
Its aim	4	How to complain	10
Your investment	4	Your client category	10
Risks	5	Conflict of interest	11
Questions and Answers	6	Law	11
What is Prudence Bond?	6	Compensation	11
How flexible is Prudence Bond?	6	FSA Registration	11
What happens if I move overseas?	6	Policy provisions	11
What might I get back?	6		
Can I take money out?	6		
Where is my payment invested?	7		
What happens to my Prudence Bond if I die?	8		
What are the charges?	8		
What about tax?	9		
Can I change my mind?	9		
How will I know how my Prudence Bond is doing?	9		
How we will communicate with you	9		

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 to your Prudence Bond.

- › If you're considering whether a Top Up investment to your Prudence 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. Prudential is required to give you this information to help you to decide whether our Prudence Bond – Top Up investment is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

› About our Prudence Bond – Top Up Investments

Our Prudence Bond is a single premium investment bond that lets you invest your money in the Prudential 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.

This Key Features document applies to top up investments for your Prudence Bond that was originally purchased directly from Prudential.

› Its aim

- › Our Prudence Bond aims 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. The minimum top-up payment is £500.
- › There is no set term for your top up investment but it is designed to be held for at least five years.

› Risks

- › The value of an investment may fluctuate and is therefore not guaranteed. What you get back will depend mainly on our investment performance. You may not get back the full amount of your investment. The value of your investment can go down as well as up.
 - › Unless you select your withdrawals as a fixed amount, the value of the withdrawals you receive can go down as well as up.
 - › If you cash-in your bond you may get back less than the full amount of your investment.
 - › The value of the bond depends on a number of factors, including:
 - the return on investments in our underlying With-Profits Fund
 - the way we distribute any profit on the fund. The company's bonus policy aims to give each policyholder a return which reflects the earnings on the underlying investments, whilst smoothing the peaks and troughs of investment performance. Final Bonus may vary or be removed at any time and is therefore not guaranteed
 - expenses incurred by the fund and charges applied to your bond by us
 - profits and/or losses from non-profit plans which are also part of the With-Profits Fund
 - the cost of meeting any guarantees including, for example, those under certain annuity plans which guarantee an income for life
 - factors beyond our control, such as tax, the effect of inflation and levels of mortality
 - a Market Value Reduction (MVR) may be applied where bonds are cashed-in. You can get further information about Market Value Reduction in "Where is my payment invested" on page 7.
 - › Our charges may vary in the future and may be higher than they are now. You can get further information about charges in the section "What are the charges?" on page 8.
 - › If the total charges taken from your bond are more than any overall growth achieved, your bond will fall in value, possibly to even less than you have invested.
 - › Any withdrawals taken will reduce the full value of your bond. If the withdrawals are more than any growth achieved then the value of your bond will reduce below the level of capital invested.
 - › In exceptional circumstances we may give you notice that we will defer cancelling units (from the date we receive your instructions to cancel) for up to one month.
- The above is based on our understanding, as at February 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.

› Questions and Answers

What is Prudence Bond?

Prudence Bond is a single premium life assurance policy. Your top-up payment buys units in the Prudential Optimum Return With-Profits Fund.

Investment limits – The minimum top-up payment is £500. The maximum investment is £500,000 per person. 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.

How to pay – You may pay by cheque. If the cheque is not drawn on your personal account, we may ask you to prove that the money belongs to you.

How flexible is Prudence Bond?

- › Your bond has no set term. You invest for as long as you wish.
- › You can cash in your bond at any time. However, the bond is designed to be held over the longer term.
- › You may top up your bond at any time.
- › You can withdraw money from your bond at any time (see Risks). You can get further details in the section "Can I take money out?".

What happens if I move overseas?

Please note that if you subsequently move abroad and are no longer a resident of the UK this will impact on your ability to top up this product in the future. Prudential is not able to accept new monies from customers who are not physically resident in the UK.

What might I get back?

The amount you'll receive on cashing in your bond will depend on:

- › how much you've paid in
- › the length of time your money has been invested
- › whether or not you've made any withdrawals
- › investment performance over the time you've invested
- › our charges.

The full value of your bond will depend on the level of bonuses we have added. Bonuses are your share of the profits earned in our With-Profits Fund. A deduction known as a Market Value Reduction may also apply.

Your personal illustration shows how much you could receive based on example growth rates.

Can I take money out?

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.

You have the option to take Regular Bonus as Income. This bonus is normally declared on our With-Profits Fund 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 Fund. The rate of the Regular Bonus may vary in future and is not guaranteed.

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 withdrawal is £50. However, it could be less if you choose the Regular Bonus as Income Option.

Withdrawals of more than 5% of the value of units may be subject to the deduction of a Market Value Reduction.

You can also make a part withdrawal from your bond provided you withdraw at least £50 and at least £500 remains invested. We may apply a Market Value Reduction when you withdraw money from your bond. You can get further information about Market Value Reduction in the section below.

If you take regular or part withdrawals, we will take the withdrawal as a proportionate amount from your single payment and your top-up.

Any withdrawal will reduce the full value of your bond.

Where is my payment invested?

After applying the Allocation Rate (the percentage we apply to your top-up), and deducting the Initial Charge, your payment buys units in the Prudential Optimum Return With-Profits Fund.

Any growth achieved by the With-Profits Fund is shown by an increase in the price of your units. The price of units in our With-Profits Fund 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 paid out when you make a withdrawal, cash-in or die – however this is not guaranteed) or the effect of any Market Value Reduction that might apply.

You can get further details on our 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. The Allocation Rate you'll receive is shown on your Personal Illustration.

The allocation rate that you'll receive depends on the amount of your initial investment and further top-up amounts, and can be worked out from the table below.

How to work out how much of your top-up would be invested on your behalf:

- we multiply the amount of your payment by the Allocation Rate percentage
- we then deduct the 5% Initial Charge from this amount.

We work out your Allocation Rate as follows:

- For top ups, the rate will be based on the total amount of previous payments still invested in your Prudence Bond plus the amount of the top up.

Total cumulative amount of investment	Allocation Rate
£3,000-£4,999	98.50%
£5,000-£9,999	100.00%
£10,000-£24,999	101.00%
£25,000-£49,999	101.50%
£50,000 or more	102.00%

Market Value Reduction – This is a deduction that may be made when you make a withdrawal or cash-in your investment. It is not a fixed amount, but is worked out on each individual investment. It is designed so bondholders get a fair share of our With-Profits Fund. It also ensures other investors cashing in their bonds don't affect the value of your continuing investment in our With-Profits Fund. The amount of the Market Value Reduction applied depends on:

- ▶ the value of your bond, including Regular and any Final bonuses
- ▶ the period you invest in our With-Profits Fund
- ▶ the performance of the underlying assets over the time you have invested.

Currently, we do not deduct MVRs from:

- ▶ full or partial withdrawals of under £25,000 in a 12-month period, for bonds invested for five years or more
- ▶ regular withdrawals each year of up to 5% of the value of units existing in your bond at the time you start making withdrawals.

We may change our Market Value Reduction policy at any time without giving you prior notice. Our Market Value Reduction policy may be altered, in particular, if there is a significant reduction in the value of the markets in which our With-Profits Fund invests, or if there is a significant increase in the number of people wishing to cash-in their bonds.

Market Value Reduction is not applied on death.

› Questions and Answers – continued

What happens to my Prudence Bond if I die?

If the bond is on your life only, your bond will end on your death.

If the bond is on the lives of two people, the bond will end only when both people covered by the bond have died.

When the bond ends on death we'll pay 101% of the full value of your investment including any "Final Bonus" that may apply.

What are the charges?

We will deduct some of your top-up payment to meet our costs, such as:

- › administration
- › investment management
- › marketing
- › commission that we may pay your financial adviser.

The charges are as follows:

From your top-up payment:

- › Initial Charge

Each year from the fund:

- › Annual Management Charge

The charges from your top-up payment

Initial Charge – When you top-up your bond, we deduct an Initial Charge of 5% from the amount invested for you.

The charges each year from the fund

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

This fund charge is not explicit so you will not see this charge 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 your bond. The fund charge will depend on the investment returns achieved and the expenses incurred by the fund (higher investment returns will be associated with a higher fund charge and lower investment returns with a lower fund charge).

The charge for your top-up payment is currently expected to be 1.35% a year if the investment return in the with-profits fund is 6% a year (net of tax).

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

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 the "Market Value Reduction" section page 7 for more details.

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.

You won't see this charge on your annual statement because we take it by making a small adjustment to regular and final bonuses.

What about tax?

We set the bond up as 10 identical policies, each of which you can cash-in or assign (transfer as legally required, to a new owner) separately. If you need to, this can help you take money from your bond in a tax-efficient way.

We currently pay tax on income and capital gains within our funds. This tax is not reclaimable even if you are a non-taxpayer.

You may have to pay Income Tax if a chargeable event occurs.

A chargeable event would occur when:

- ▶ your bond ends as a result of your death
- ▶ you cash-in all or part of your bond
- ▶ you take more withdrawals from the bond than your accumulated 5% tax deferred allowance
- ▶ you assign (transfer legal ownership of) the bond for money or something worth money.

Currently you can withdraw up to 5% each year of the payment into the bond without having an immediate tax bill – this allowance is only available for 20 years. If you don't use any or all of this tax-deferred allowance in any year, the unused portion can be carried forward to future years (even beyond 20 years until the full allowance is used). If you take out more than the accumulated 5%

tax-deferred allowance, you may have to pay tax, currently only in excess of the basic rate, on the amount over the 5% allowance. You'll be liable to Income Tax on the whole of this excess amount – which will be taxed as part of your total income. By "total income" we mean any income that is liable to UK Income Tax.

You may become liable to pay Income Tax on any chargeable event gain on your bond, if you're a higher or additional rate taxpayer, or become one as a result of the gain. You'll pay tax on any gain at your highest marginal rate of Income Tax. Higher (or additional) rate taxpayers will be liable up to a maximum of the difference between higher (or additional) and basic rate Income Tax on any chargeable event gains.

Gains made from chargeable events may affect your entitlement to personal allowances and/or certain tax credits.

Further details are available in our "Taxation – A Guide to Tax on Your Investment" leaflet, which you may request by calling us on **0845 640 1000** between 8am – 6pm, Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

If your bond is still in force when you die, the proceeds may be subject to Inheritance Tax.

Special tax considerations apply to bonds written under trust. Your Financial Adviser can give you further information.

Can I change my mind?

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

Prudential Customer Services, Stirling, FK9 4UE.

Your right to cancel is 30 days. 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 you'll get all your money back.

If you decide to cancel your investment 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. Please bear in mind that inflation could also reduce the value of your bond and any growth from it.

How will I know how my Prudence Bond is doing?

Each year we'll send you a statement to show how your bond is doing. For an up-to-date value, you can call us on **0845 640 1000**.

How we will communicate with you

We will communicate with you in English in writing, by phone or e-mail.

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

You can also contact us by:

Post: Prudential Customer Service
Stirling
FK9 4UE

Via our website: www.pru.co.uk

How to complain

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**

or call us on **0845 640 1000**.

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

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

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

Telephone: **0800 0234 567**

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

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 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, or think your category should be different, please call our Customer Service Team **0800 000 000**.

Conflict of interest

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

In legal disputes, the law of England and Wales will apply.

For bonds held on a joint ownership basis when one owner dies, his or her equal half share in the bond will always, immediately and automatically pass to the surviving owner – unless the application is made subject to trust or a change in the ownership has taken place since the bond was issued (for example, an assignment or trust arrangement).

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 the type of business and the circumstances of the claim.

Further information is available from the:

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

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

www.fscs.org.uk

FSA registration

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

You can contact the FSA at:

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

Policy provisions

This Key Features document gives a summary of Prudence Bond.

This is a brief guide to the features of Prudence Bond and should be read with the illustration. The details of the legally binding contract between you and Prudential are contained in the "policy". Full terms and conditions of Prudence Bond are available from our Administration Office at **Prudential, Stirling, FK9 4UE**.



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.