

# Key Features

of the Flexible Options Bond

Important information you need to read.

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Widows, to give you this important information to help you to decide whether our Flexible Options Bond 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. These Key Features should be read with the enclosed illustration.

### Its aims

To either:

- provide capital growth on your payment(s) over the medium to long-term (at least five to ten years), or
- allow regular withdrawals to be taken from the Bond to top-up your income, should you wish to do so.

### Your commitment

- You must make a single payment of at least £5,000 or at least £1,000 if you are making an additional payment to an existing Bond. These limits may change from time to time.
- There's no set investment period for the Bond. It has been designed as a medium to long-term investment, though you can keep it for as long as you want.

### Risks

- The value of your Bond can go down as well as up and you could get back less than you invested.
- What you'll get back isn't guaranteed. It would be lower than illustrated if, for example:
  - investment performance is lower;
  - regular withdrawals are greater;
  - the charges are higher.
- If regular withdrawals are taken from the Bond, they could be greater than any growth achieved.
- You're likely to get back less than you invested if you cash in your Bond in the early years. If all or part of the Bond is cashed in within five years of making the first payment or within five years of making any additional payment to it, we'll reduce the cash-in value by applying a charge. Please see your illustration and brochure for details. This charge doesn't apply to regular withdrawals.
- The Bond can invest in a range of investment funds that carry different types and levels of risk. For details of the specific risks that apply to each investment fund, please see our "Life Funds Investor's Guide" and "Your guide to with-profits" booklets. You should read these guides before making any investment decisions.
- In certain circumstances, there may be a delay cashing in your Bond or switching between investment funds.
- If you change your mind within 30 days of receiving your cancellation notice and the value of your Bond has fallen, the amount returned will be less than was invested.

# Questions & Answers

The Bond can be owned by one person, two people jointly, or the trustees of a trust.

## Where are the payment(s) invested?

- The Bond is made up of a number of individual policies and payments are applied equally across each policy.
- The payments are used to buy units in the investment funds you choose. We work out the value of the Bond based on the total number of units held in each fund.
- We offer a wide range of investment funds for you to choose from. You can find details of the aims, investments and risks of each fund in our “Life Funds Investor’s Guide” and “Your guide to with-profits” booklets.
- You can invest in up to 10 funds at any one time. You can switch in and out of the funds to change the mix of investments, though there may be a delay in certain circumstances. Conditions and a charge for doing this may apply. Although the first 12 switches in each Bond year are currently free.
- We may change the selection of funds that we make available and restrictions can apply.

### Jargon buster

#### Units

‘Units’ are like shares in a fund.

For unit-linked funds, the value of each unit depends on the value of the investments held by the fund and the number of units in it.

For our unitised with-profits funds, the value of units isn’t directly related to the value of the fund itself, but depends instead on the bonuses and reductions that we decide.

For example, the value can fall if we apply Market Value Reductions, although the funds offer guarantees on death and certain regular withdrawals.

## Can I take regular withdrawals?

- Yes, you can arrange for us to pay you regular withdrawals either monthly, quarterly, half-yearly or yearly.
- If you want to take regular withdrawals, you have the choice to take either Fixed withdrawals or Natural Income withdrawals. You can’t take both types of withdrawals at the same time.

Fixed withdrawals	Natural Income withdrawals
Can be taken from all funds or just some.	Can only be taken from our With-profits Income Fund.
Can be up to 7.5% a year of the amount you invested (5% if you invested before 11 December 2006 or you are invested in either of the with-profits funds).	Level of withdrawals will depend on the regular bonus rates we decide for the With-Profits Income Fund and can change each time we make a payment. Please see the relevant “Your guide to with-profits” for more details.
The amount you can take will be lower if you’ve already cashed in part of your Bond.	
If you want to take fixed withdrawals from either of the with-profits funds, the terms available at the start of the Bond may not be available later. For details see the relevant “Your guide to with-profits”.	

- There is a minimum amount you must invest before withdrawals can be taken. This can change so you should check with us what the current minimum is.
- The minimum regular withdrawal is £30 and at least £100 must be left in each policy after a withdrawal.
- Taking withdrawals will reduce the value of your Bond. Your withdrawals could be higher than any growth achieved.

## What might I get back?

- You can choose to cash in all or part of your Bond. You can even choose to cash in investments in particular funds. You can normally do so at any time, however in certain circumstances there may be a delay.
- Your illustration gives you an idea of what you might get back but this isn't guaranteed.
- Remember that the effect of inflation will reduce the future buying power of what you get back.

### Jargon buster

#### Inflation

The effect of inflation reduces the value of money over time, as the following example illustrates:

	The future value of £1,000, assuming inflation is 3% each year
Today	£1,000
After 10 years	£744
After 20 years	£553

- If you're not fully cashing in your Bond, the lowest amount you can take is £500 and you must leave at least £100 in each of the Bond's policies.
- Remember if you cash in all or part of your Bond within five years of making the first or any additional payment, we'll reduce the cash-in value by applying a charge.

## What happens to the Bond if I die?

- A cash sum will be paid on your death or, if there are two lives assured, on the second death.
- The amount of the cash sum will be 101% of the value of the Bond on the day after we receive written notification of the death.
- However, if your death (or the second death, if applicable) occurs as a direct result of an accident before your Bond has been running for five years, we'll pay either 101% of the value of the Bond or 120% of the total payments into the Bond, whichever is the higher. If you've cashed in part of your Bond or taken regular withdrawals, this will reduce the amount of the payments taken into account. Please see your Policy Provisions to see if your Bond has this benefit and for full details, including the exclusions that apply.
- If the Bond is written under trust, the cash sum will be paid to the trustees. Please contact your financial adviser if you want to find out more about writing your Bond under trust.

## What are the charges?

- We charge for managing and investing the Bond. We take our charges partly from your payment(s), and partly from the value of the Bond.
- Your illustration shows the current charges and how they might affect what you might get back.
- We have the power to change, at any time, most of the charges we make. We may use this power if our costs turn out to be unexpectedly high, compared to our charges. Charges could increase if:
  - a tax rule or law change increases our costs or decreases our income from charges;
  - our staff or overhead costs are more than we anticipate; or
  - our income from charges is less than we anticipate.
- If you've invested in fund(s) managed by other fund managers, they have the power to change any charges they make.
- There will be a charge if you cash in all or part of your Bond within five years of making the first payment or within five years of making any additional payment to it.

## What about tax?

- We pay corporation tax on the investment income and capital gains of the funds in which the Bond invests. You can't reclaim the tax we pay.
- Government rules allow you to withdraw up to 5% each year of the payments into the Bond, up to a total of 100%, without paying tax at the time. When a policy is cashed in, the withdrawals taken from it are included when calculating any chargeable gain, and can be subject to income tax at that time. If you don't use the 5% allowance in any year, it can be carried forward to future years.

### Jargon buster

#### Chargeable Gains

When you cash in all or part of your Bond, or if withdrawals in any year exceed the maximum allowed by Government rules, a chargeable gain may arise.

The chargeable gain is generally the amount by which the value of your Bond exceeds the amount paid in.

- Basic rate taxpayers normally have no further tax liability on chargeable gains. However, if you are, or are close to being, a higher rate taxpayer, you can be subject to income tax on any gains. We'll send you details of any chargeable gain that may apply.
- Any entitlement you have to age allowance or Child and/or Working Tax Credit could be affected by any chargeable gains made by the Bond. You should discuss this with your financial adviser.
- On death, for income tax purposes, the Bond will be treated as though it had been cashed in immediately before death. If all or part of the value of the Bond is paid to your estate, inheritance tax may be payable on that value.
- Tax treatment depends on individual circumstances and may be subject to change in the future.

## Can I change my mind?

- You can change your mind within 30 days of receiving your cancellation notice. If you don't want the Bond, we'll give you your money back less any fall in its value. You may not get back what you paid in.
- If you don't cancel, the Bond will continue.

## How will I know how the Bond is doing?

- We'll send you a statement each year. You should regularly review your Bond to check if it remains on track for your needs.
- You can check the unit prices of our unit-linked funds on our website as detailed on page five, or get an up-to-date valuation of the Bond by contacting us.

## How to contact us

If you've any questions, or any changes you want to make to the Bond, please contact us. You can phone us, send us a fax, or write to us.

 Call us on 0131 655 6000 during the following times:

Monday to Friday 8am – 6pm

Saturday 9am – 12.30pm

We may record and monitor calls to help us to improve our service.

Fax number 0131 662 4053

Website [www.scottishwidows.co.uk](http://www.scottishwidows.co.uk)

Office address Scottish Widows plc  
15 Dalkeith Road  
Edinburgh  
EH16 5BU

- We'll communicate with you in English.

## Other information

### How to complain

If you ever need to complain, please contact us. If you're not satisfied with our response, you can complain to:

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

0845 080 1800

Email: [enquiries@financial-ombudsman.org.uk](mailto:enquiries@financial-ombudsman.org.uk)

Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

- Complaining to the Ombudsman won't affect your legal rights.

## Terms and Conditions

- These Key Features give a summary of our Flexible Options Bond. Further details of the benefits, charges and conditions of the Bond are given in the product literature and Policy Provisions, which are available from us.
- We have the right to change some of the terms and conditions at any time. We'll write and explain if this affects your Bond.

## Law

- For legal purposes the law of England and Wales, Scotland or Northern Ireland will apply, according to where you reside when you take out your Bond.
- This information represents Scottish Widows' interpretation of the law and HM Revenue and Customs practices as at date of publication. Changes to tax rules and other laws may affect your contract terms.

## Compensation

- We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation if we become insolvent and can't meet our obligations. Most insurance business is covered for 90% of the value of the claim. More information about compensation arrangements is available from the Financial Services Compensation Scheme, who can be contacted on 020 7892 7300 or via their website at [www.fscs.org.uk](http://www.fscs.org.uk)



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*official pensions and investment provider*



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Scottish Widows plc is authorised and regulated by the Financial Services Authority. Our FSA Register number is 191517.

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