Key Information Document

Tax Exempt Savings Plan with Life Insurance

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

The name of this product is the 'Tax Exempt Savings Plan with Life Assurance'. It is provided by Sheffield Mutual Friendly Society. Our website address, where you can find detailed information about us, is www.sheffieldmutual.com and our telephone number is 01226 741 000. We are supervised by the Financial Conduct Authority in respect of the production and delivery of this Key Information Document (KID). This KID was produced on 2nd January 2024.

What is this product?

Type: It is a friendly society tax exempt with-profits savings plan and it includes life insurance. You may choose the period over which you would like to save at the outset, with a minimum term of 10 years and a maximum term of 25 years (subject to a maximum holding age of 65 on maturity). The most you can save monthly is £25 or £270 per year if you pay an annual premium. Investors should consider if they need the life insurance element – if not this plan may not be appropriate.

Objectives: The objective of this plan is to provide you with a tax-free lump sum at the end of a minimum 10 year regular premium paying period or should you die within the term of the plan and have paid your premiums when due.

Intended retail investor: The target customer for this product is those who wish to build up a tax-free lump sum by saving a regular amount usually monthly for a period of 10 to 25 years with the added benefit of a guaranteed sum payable on the death of the policyholder before the end of the term.

Insurance benefits and costs: Upon death, the sum assured plus any bonuses to date will be paid to your estate. The value of the benefits can be found below in the section "What are the risks and what could I get in return". The costs can be found below in the section "What are the costs?".

What are the risks and what could I get in return?

Summary Risk Indicator (SRI)

1	2	**3**	4	5	6	7

Lower risk ⟷ Higher risk

The Summary Risk Indicator assumes you keep the plan for 10 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less than you've paid in.

The SRI is a guide to the level of risk of this product compared to other products and aims to show you how likely it is that the product will lose money because of the movement in investment markets or because we are not able to pay you.

We have classified this plan as 3 out of 7 which is "medium low". This rates potential losses from future performance as unlikely.

Performance information

All with-profits policyholders pay premiums into a general pool of assets (the 'Fund'). Each policyholder shares in the profits or losses made on the Fund over their policy's lifetime.

The value of the Fund changes over time due to:

- Movements in the capital value of the Fund's assets which may be positive or negative.
- The accrual of investment income which increases the value of the assets.
- The expenses of running the business which are met from the Fund.
- Claims on death and withdrawal.
- The profits or losses that are made on the Society's CTF policies.

Inflation may affect the value of your payout in the future.

The Fund invests a proportion of its financial assets with Russell Investments, the Society's Outsourced Chief Investment Officer (OCIO). The OCIO invests in several diversified, uncorrelated asset classes, including fixed interest, equities and alternative assets. We aim to achieve a

combination of capital growth and income, while targeting a long term return aligned to the rate required to support bonus rates.
A further proportion of the Fund's assets is held in directly managed UK commercial property. The portfolio has strong geographical and sectoral spreads, delivering rental income and capital growth, providing a consistent and stable return for the Fund. The Fund also receives the profit and losses from historic sales of CTF policies which are credited or debited from the value of the Fund.

Payouts on with-profits policies are 'smoothed'. This means that when the Fund makes strong profits in some years, a portion of them will be held back to support performance in years where performance is less positive. This reduces the volatility of payouts when compared to the underlying volatility in the Fund's assets.

When bonuses are added to the plan they are an additional payment to the sum assured and depend upon investment performance. We can terminate the plan if premiums are more than three months in arrears.

What could affect my return positively?

Returns from the Fund are distributed through the annual and final bonuses credited to your policy. Any positive variance over expectations made when the policy is sold is likely to have a favourable impact on returns and therefore bonuses. For example, higher than expected investment returns or lower than expected expenses.

What could affect my return negatively?

Any deterioration in experience compared with expectations when the policy is sold is likely to have a negative impact on returns and therefore bonuses. For example, lower than expected investment returns or higher than expected expenses.

Payouts in severely adverse market conditions

The Society smooths payouts on maturity or death for plans of a similar type, size and term over different periods of time. On death the Society will pay the guaranteed final amount plus any bonuses which may have already been added.

Payouts before the end of the selected term are likely to result in you getting back less than the amount you have paid in.

If there is any contradiction between the commentary here and that contained in the policy conditions and the Principles and Practices of Financial Management (PPFM), then the policy conditions and PPFM will always apply.

What happens if Sheffield Mutual Friendly Society is unable to pay out?

We are covered by the Financial Services Compensation Scheme (FSCS) who you can write to at PO Box 300, Mitcheldean, GL17 1DY. Telephone 0800 678 1100. Further information is available on their website – www.fscs.org.uk or by clicking on the "FSCS protected" link on our website footer.

This product is categorised as a long-term insurance policy and under the above compensation scheme eligible claims may be covered for up to 100% should Sheffield Mutual Friendly Society default. Some of the investments underlying this product are managed on behalf of Sheffield Mutual Friendly Society by professional investment managers, and they use nominees and custodians, in respect of investments purchased and held. The investment managers and their counterparts are not covered by the compensation scheme but were they to default, and this in turn caused Sheffield Mutual Friendly Society to default, then you would still be covered by the FSCS because your contract is with Sheffield Mutual Friendly Society. The FSCS does not cover losses arising purely from investment performance.

What are the costs?

Table 1: Cost over time
The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £1,000 per year. The figures are estimates and may change in the future.
The figures shown include all the costs of the product itself but may not include all the costs that you pay to your advisor or distributor. The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs and show you the impact that all costs will have on your investment over time.

Investment £1,000 If cashed in after... Scenarios	1 year	5 years	10 years (at the Recommended Holding Period)
Total costs	£507.00	£1,406.38	£1,110.00
Impact on Return (RIY) each year	51.33%	4.49%	1.35%

Table 2: Composition of Costs

The table below shows:
– the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period;
– the meaning of the different cost categories.

This table shows the impact on return each year			
One-off costs	Entry costs	0.98%	The impact of the costs you pay when entering into your investment.
	Exit costs	0.00%	The impact of the costs of exiting your investment when it matures.
Ongoing costs	Portfolio transaction costs	0.00%	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	0.37%	The impact of the costs that we take each year for managing your investments.
Incidental costs	Performance/other costs	0.00%	This product does not have any performance or other incidental fees.

How long should I hold it and can I take money out early?

You should keep the plan for a minimum term of 10 years and pay all premiums when due to ensure you achieve the maximum return, maintain the life insurance cover and receive the maximum tax advantage under the life insurance qualifying policy rules. You cannot take out money from the plan except by cancelling it completely. If you cancel the policy before maturity a surrender penalty will apply and there is a likelihood you will get back less than you paid in. If the plan is cancelled in the first two years you will get back the total of premiums paid in, less 6 months premiums. After 2 years we calculate the ratio of the number of premiums paid to the total expected premiums. This ratio is applied to the sum assured and bonus to date to give a 'paid-up' value, which is then discounted by an appropriate rate (currently 3.5%) for the period in complete months from the date of leaving to the original maturity date to obtain the surrender value. A £10 fee is also charged to cover the cost of the surrender.

How can I complain?

If you wish to make a complaint about us, or another person who sold or advised you on this product, then please contact us either in writing to: The Chief Executive, Sheffield Mutual Friendly Society, 3 Maple Park, Maple Court, Wentworth Business Park, Tankersley, Barnsley, S75 3DP, by telephone: 01226 741 000 or by email: enquiries@sheffieldmutual.com. A full explanation of our approach to complaints handling can be found on our website at www.sheffieldmutual.com/how-to-make-a-complaint.

Other relevant information

Cancellation rights: After your proposal is accepted you will receive a notice of your right to cancel. You will then have 30 days in which to change your mind, and you will be returned any money you have paid, free of any charges.

Law: In legal disputes the Law of England will apply.

Legislation: All or any of the benefits, the premiums, or the policy conditions may be adjusted as deemed appropriate:

- If there is any change in law or taxation affecting the policy
- If any levy is imposed on the Society under statute or statutory authority
- As a consequence of any amendment to general laws

Notice would be given of any such adjustments.

Solvency II Directive: We are required to provide you with easy access to a Solvency and Financial Condition Report and you can obtain this via our website at www.sheffieldmutual.com/corporate or by calling 01226 741 000.