

Investment Bond - Issue 2

Target Market and Fair Value Assessment

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| Product design | The product is designed for lump sum investments, is an open ended product, designed to be held for a minimum period of 5 years. Bonuses are added annually to the sum assured (initial investment +5%). The plan can be opened for a child, proceeds will always be paid to the policyholder. Policyholders' premiums are invested in the Sheffield Mutual with-profits fund which in turn invests in a range of assets. The investment gains and income from those assets is returned to policyholders in the form of annual and final (terminal) bonuses. Bonuses are reviewed at least annually and are based on an assessment of each policy's 'fair share' of the with-profits fund. The returns given to policyholders are smoothed over time in order to reduce volatility. We don't believe that vulnerable customers within the target market will be excluded from enjoying the full benefits of this product. |
| Target Market (Who is this product designed for) | A range of investors who are looking to lock away a lump sum investment for a minimum of 5 years in their name, joint names or for a child, whilst seeking investment growth, and potentially higher returns than a cash alternative in a medium to low risk product. The Investment Bond Issue 2 has an increased sum assured compared to Issue 1 and is therefore aimed at those individuals looking for an attractive guarantee after the recommended period of 5 years. |
| Product features | <ul style="list-style-type: none"> ✓ Open ended product (We suggest saving for at least 5 years) ✓ Investment amount can be split into different pots (segmentation) ✓ Multiple bonds can be held, allowing for flexibility when encashing ✓ Invest between £1,000 and £150,000 per individual, per calendar year ✓ Guaranteed sum assured of the initial investment +5% after 5 years ✓ The aim of the product is to provide a return to the member in the form of annual and final bonuses |
| Not suitable for | <ul style="list-style-type: none"> ✗ Non-UK citizens ✗ Individuals that want to invest less than £1,000 ✗ Individuals that want to add additional funds ✗ Individuals that are looking for a high-risk investment ✗ Individuals that are wanting a regular income payment ✗ Individuals that are looking to invest for less than 5 years ✗ Individuals who are not familiar with savings accounts or who do not understand the product features, risks, investments and Charges |
| Age range of applicant | 0+ |
| Location of applicant | UK Nationwide and Crown representatives overseas |
| Risks of the product | <ul style="list-style-type: none"> ! If you surrender in the first five years a surrender penalty will apply, meaning you may get back less than you invested ! If you cash in your Bond during times of adverse market conditions, you may get back less than has been paid in ! The level of future annual bonuses and any current final bonuses are not guaranteed |
| Fair value assessment | <p>The sum assured offered is 5% more than the initial investment. After 5 years we guarantee this will be paid. If held for the designed period, the member will always get back more than invested.</p> <p>The aim of the product is to provide a return to the member in the form of annual and final bonuses. These are reviewed at least annually by the With-profits Actuary and decided by the Board and are based on an assessment of each policy's 'fair share' of the with-profits fund. A final bonus may be paid on encashment after 5 years invested, this will further ensure the member receives their fair share of the fund. The returns given to policyholders are smoothed over time in order to reduce volatility.</p> <p>To continue to reward members who reinvest maturing funds from endowments, an enhanced sum assured of 106% will be offered.</p> <p>These are the costs if the policy is held for 5 years or more: One off entry costs: 1.1% Ongoing costs: 0.5%</p> <p>These are the costs if the policy is held for less than 5 years: If surrendered in year 1: 5% If surrendered in subsequent years: 0.5%</p> <p>The Society has performed an analysis of its expenses against the charges made to policyholders and has concluded that the level of charge levied is reasonable when compared with the costs incurred in selling and servicing the product overall. The charges, when compared to similar products on the market, following our review, were consistent with competitors.</p> <p>There is a death benefit included equal to the sum assured plus bonuses added to date. This is guaranteed. No MVR would be applied upon death.</p> |
| Distribution | <p>The product is sold directly by Sheffield Mutual, but also through intermediary channels on an advised, non-advised and introduced basis. Commission is paid for non-advised and introduced business, and on the reinvestment of bonds. This product can only be distributed to members who fulfil the offer criteria.</p> <p>These commissions are covered by the annual management charge <i>There is a 12 month pro-rata clawback on commission paid, if the plan is cancelled within 12 months</i></p> |
| Discretionary member benefits | <ul style="list-style-type: none"> ✓ Sheffield Mutual Friendly Society membership ✓ Optical and dental up to £30 for each, every 2 years ✓ Sheffield Mutual Benefit Hub & Member Assistance Program |