

## KEY FEATURES OF THE COMPASS SAVINGS PLAN

### ITS AIMS

- To enable you to save regularly in the Society's tax-exempt fund.
- To provide you with a tax-free lump sum payable at the end of a selected term of years.
- To provide you with guaranteed life cover.

### YOUR COMMITMENT

- You agree to pay regular monthly or yearly premiums for a period of 15 years.

### RISK FACTORS

- The plan proceeds at the end of the premium paying term or on encashment at any other stage cannot be guaranteed as the return depends on the performance of the underlying investments. The value of the plan can fall as well as rise.
- The expense deductions may be higher than expected.
- Your circumstances may change and you may have to stop paying premiums. If the savings plan is encashed within the first few years it is unlikely to pay back as much as you have put in.

## PERSONAL ILLUSTRATION

Name : **An Adult**

Age last birthday : **35**

Premium : **£ 25 per month**

Term : **15 years**

Assumed commencement date : **1 December 2010**

Guaranteed Sum Assured : **£3375**

### WHAT MIGHT YOU GET BACK AT THE END OF THE SAVINGS PLAN TERM?

|   |               |
|---|---------------|
| If investments grew at 5% a year, you would receive | <b>£ 5220</b> |
| If investments grew at 7% a year, you would receive | <b>£ 6060</b> |
| If investments grew at 9% a year, you would receive | <b>£ 7060</b> |

- These figures are only examples and are not guaranteed - they are not minimum or maximum amounts. What you will get back depends on how the investments grow and on the tax treatment of the fund.
- You could get back more or less than this.
- All friendly societies use the same rates of growth for illustrations but their charges vary.
- Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

## **YOUR QUESTIONS ANSWERED**

### **What is the Compass Savings Plan?**

It is a tax-exempt unit-linked regular premium whole of life policy with premiums payable for a fixed term of at least 10 years. (See also the section headed "Taxation" on page 4).

### **How much am I allowed to invest?**

Currently, the government restricts the amount that each individual can invest in tax-exempt friendly society policies to £25 per month, or £270 per annum if premiums are paid yearly. If you already have a tax-exempt friendly society policy, a lower premium may be allowed.

### **How do I pay the premiums?**

Premiums are normally payable monthly or yearly by standing order.

### **How will the premiums be invested?**

Premiums will be invested in the Compass Equity Fund with the objective of long term capital growth through stock market investment. The Fund is divided into units which are allocated to the plan according to the premium paid after charges. Investment expertise is provided by Mellon Fund Managers Limited (formerly Newton Fund Managers Limited) and currently the Equity Fund's assets will be invested in shares in the Newton Managed Fund and the Newton Income Fund which invest to achieve capital growth and income from a portfolio of UK, EU and international securities.

### **How do I keep track of the value of the savings plan?**

We will send you an annual statement of units allocated to the plan together with the current unit price. If you require any information at any other time, you should contact your financial adviser.

### **What happens if I stop paying premiums?**

If less than one year's premiums have been paid, the plan will have no value. Thereafter, the policy may be encashed for the value of the units allocated to it, calculated at the next valuation date. Alternatively, the policy may be made paid-up provided the value of units exceeds £500.

### **What happens if I die?**

A sum assured equal to 75% of the total gross premiums payable throughout the premium paying term of the plan will be paid. However, the value of the units allocated to the plan will be payable if this is greater.

**HOW WILL CHARGES AND EXPENSES AFFECT MY INVESTMENT?**

The charges made on the Savings Plan illustrated are as follows :-

- An initial charge of 62.50% of the first year's premiums.
- An annual investment management charge of 1.5% of the value of the fund to which the plan is linked plus Trustee, audit and other charges, currently totalling 0.16%. Where the fund invests in unit trusts, any management and other charges made by the unit trust managers will be offset against the above charges.
- £1.00 per month administration fee deducted from the plan's value.
- A charge for life cover will be deducted monthly from the plan's value. The cost of the life cover is determined by the Society's actuary - the rates vary according to age and may be changed from time to time.

The effect on a savings plan investment of £ 25 per month assuming growth of 7% a year is set out below. These figures are not guaranteed, and serve only to demonstrate the effect of charges and expenses on an investment.

**WARNING** If the plan is cashed in during the early years you could get back less than the premiums paid in.

| At end of year :-      | Total paid in to date<br>£ | Total actual deductions to date<br>£ | Effect of deductions to date<br>£ | What you might get back<br>£ |
|------------------------|----------------------------|--------------------------------------|-----------------------------------|------------------------------|
| <b>THE EARLY YEARS</b> |                            |                                      |                                   |                              |
| 1                      | 300                        | 211                                  | 211                               | 100                          |
| 2                      | 600                        | 231                                  | 245                               | 398                          |
| 3                      | 900                        | 256                                  | 288                               | 712                          |
| 4                      | 1200                       | 287                                  | 339                               | 1040                         |
| 5                      | 1500                       | 324                                  | 400                               | 1380                         |
| <b>THE LATER YEARS</b> |                            |                                      |                                   |                              |
| 10                     | 3000                       | 600                                  | 873                               | 3420                         |
| 15                     | 4500                       | 1060                                 | 1750                              | 6060                         |

What are the deductions for?

- The deductions include the cost of life cover, commissions, expenses, charges, any surrender penalties and other adjustments.
- The last line in the table shows that over the full term of the plan the effect of the total deductions could amount to £ 1750.
- Putting it another way, leaving out the cost of life cover, this would have the same effect as bringing the investment growth from 7% a year down to 4.0% a year.

**HOW MUCH WILL THE ADVICE COST?**

For arranging this contract, your independent financial adviser will receive initial commission of £134.10.

It will be paid for out of deductions.

## **FURTHER 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 you can change your mind. If you cancel, you will receive a full unconditional refund.

### **Taxation**

The benefits payable at maturity or on earlier death are free of all UK income and capital gains tax. If the policy is surrendered within three-quarters of the premium paying term or 10 years if earlier some UK income tax may be payable (depending on your personal tax circumstances).

Your premiums, net of our charges, will be invested in a special tax-exempt fund. This means that it will not suffer tax on interest payments, although dividends on shares will be taxed at source.

### **Compass Friendly Society Limited**

Compass Friendly Society Limited is registered and incorporated in England under the Friendly Societies Act 1992. It is a mutual organisation owned by its members. By investing in a Compass Savings Plan, you become a member of the Society. The Head Office is at Old Bank House, 59 High Street, Odiham, Hampshire RG29 1LF, United Kingdom. The Society is authorised and regulated by the Financial Services Authority and is a member of the Financial Services Compensation Scheme.

### **Queries and Complaints**

For further information or if you wish to complain about any aspect of the service you have received, please contact Compass Friendly Society Limited. If your complaint is not dealt with to your satisfaction you can then complain to the Financial Ombudsman Service (South Quay Plaza, 183 Marsh Wall, London E14 9SR, Telephone 020 7964 1001). Making a complaint will not prejudice your right to take legal proceedings.

### **Membership of a Friendly Society**

Membership is subject to the Rules of the Society which may be varied from time to time. The Financial Services Authority monitors all such amendments, as well as the financial strength of societies and has a statutory duty to protect the interests of all members.

### **Cashing in the Policy**

The policy may be encashed at any time by sending the policy document to Compass Friendly Society Limited along with an appropriate letter requesting the surrender.

## **GENERAL**

### **Law**

In legal disputes the Law of England and Wales will apply.

### **Compensation**

Information on compensation is available from Compass Friendly Society Limited on request.

### **Please Note**

This leaflet is based on our understanding of current law and Inland Revenue practice, which may be subject to change.

*This leaflet provides a guide to the key features of the Compass Savings Plan. Full details are contained in the Terms and Conditions which form part of the legally binding contract between the members and Compass Friendly Society Limited, copies of which are available on request.*