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**KEY FEATURES OF THE COMPASS CHILDREN'S CELEBRATION BOND  
(SINGLE PREMIUM VERSION)**

**ITS AIMS**

- To enable you to invest a lump sum on behalf of a child.
- To provide the child with a lump sum (generally tax-free) at the end of a selected term of years.
- To provide guaranteed life cover.

**YOUR COMMITMENT**

- You pay a one-off lump sum.

**RISK FACTORS**

- The Bond proceeds at the end of the 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 Bond can fall as well as rise.
- The expense deductions may be higher than expected.

**PERSONAL ILLUSTRATION**

Name of person paying premium : **A Grandparent**

Name of child : **A Child**

Age last birthday : **3**

Single Premium : **£1000**

Term : **15 years**

Assumed commencement date : **1 December 2010**

**WHAT MIGHT THE CHILD GET BACK AT THE END OF THE BOND TERM?**

If investments grew at 4% a year, the child would receive **£1360**

If investments grew at 6% a year, the child would receive **£1810**

If investments grew at 8% a year, the child would receive **£2400**

- These figures are only examples and are not guaranteed - they are not minimum or maximum amounts. What the child will get back depends on how the investments grow and on the tax treatment of the fund.
- The child 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 Single Premium Version of the Compass Children's Celebration Bond?**

It is a unit-linked single premium endowment policy. The Celebration Bond will, at all times, belong to the child.

### **How much am I allowed to invest on behalf of the child?**

The minimum single premium is normally £250. There is no maximum.

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

The premium 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 Bond 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 Bond?**

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 the Society.

### **When can the Bond be encashed?**

The policy may be encashed (for the benefit of the child) at any time for the value of the units allocated to it, calculated at the next valuation date.

### **What happens if the child dies?**

A sum equal to the greater of 101% of the gross premium paid and the value of the units allocated to the Bond will be payable.

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

The charges made on the Celebration Bond illustrated are as follows :-

- An initial charge of 3% of the single premium.
- 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 or OEICs, any management and other charges made by the unit trust or OEIC managers will be offset against the above charges.

The effect on a Celebration Bond investment of £1000 assuming growth of 6% 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 the child could get back less than the premium paid in.

At end of Year :-	Total paid in to date £	Total actual deductions to date £	Effect of deductions to date £	What the child might get back £
<b>THE EARLY YEARS</b>				
1	1000	49	49	1010
2	1000	66	69	1050
3	1000	85	92	1090
4	1000	103	116	1140
5	1000	123	143	1190
<b>THE LATER YEARS</b>				
10	1000	236	318	1470
15	1000	376	582	1810

What are the deductions for?

- The deductions include the cost of life cover, commissions, expenses, charges 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 £582.
- Putting it another way, leaving out the cost of life cover, this would have the same effect as bringing the investment growth from 6% a year down to 4.1% a year.

**HOW MUCH WILL THE ADVICE COST?**

This illustration assumes that you will not seek the advice of an independent financial adviser and therefore does not allow for the payment of commission.

If you are in any doubt about the suitability of the Celebration Bond, you are advised to consult an independent financial adviser. In this event, commission would probably be payable and this would be reflected in the amount invested in your policy and the benefits that would emerge. A revised illustration would be provided on request.

## **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 refund of your premium, but if the value of your investment falls significantly during this period you may not get back the full amount you invested.

### **Taxation**

In general, if the child pays no more than the basic rate of income tax, the benefits payable at maturity, on earlier encashment or on the child's earlier death are free of all UK income and capital gains tax. Higher rate tax payers may, however, be liable for some UK income tax depending on the amount of profit (ie the difference between the amount paid in and the benefit paid out) made on the Bond.

### **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 Children's Celebration Bond, both the donor and the child become members 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 Children's Celebration Bond (Single Premium version). 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.*