Client name: Lighthouse Financial Advice

Date:

Regular Investment Fact Sheet

Unit trusts and Open Ended Investment Companies (OEICS) are pooled investment funds which have no limit to the number of units which may be issued. The price reflects the value of the underlying assets of the fund. There are no restrictions on the amounts that can be invested or number of investments held nor is there a maturity date. Units may be held by an investor for the ultimate benefit of a third party.

Investment trusts are companies that have a specific number of shares that may be issued. As a result the price reflects the demand for the shares and this may be more or less than the value of the underlying assets of the fund. There are no restrictions on the amounts that can be invested or number of investments held. Investment trusts may, in some circumstances, have a fixed winding-up date. Shares may be held by an investor for the ultimate benefit of a third party.

Individual Savings Accounts (ISAs) are a savings and investment product with a favourable tax status. They were introduced in April 1999 replacing PEPs and TESSAs (Tax Exempt Special Savings Accounts). Cash, stocks and shares (including Unit trusts, OEICs and Investment trusts) can be put into an ISA. With effect from 6 April 2012, the annual ISA allowance is £11280 and up to half of the relevant allowance can be saved in cash with one provider. The remainder of the £11280 can be invested in stocks and shares with either the same or a different provider. Savers will be able to invest in two separate ISAs each year, a cash ISA and a stocks and shares ISA. Money saved in cash ISAs can be transferred to a stocks and shares ISA, but not vice versa. Funds grow almost free of taxes and the growth and income is tax free in the hands of the investor. The Government has proposed that ISAs will continue to have tax free status and the limits will increase in line with inflation from April 2011. ISAs cannot be held in joint names or placed in Trust.

A **with-profit endowment plan** is a regular savings plan that will provide a capital sum at maturity based on a sum assured plus the addition of regular bonuses. If the life assured dies before maturity the plan will pay the greater of the sum assured or the value of the fund. The fund pays Income Tax and Capital Gains Tax with the result that the fund is tax-free on maturity, as a lump sum, in the hands of the investor. The plan may be written in Trust for named beneficiaries.

A **unit linked endowment plan** is a regular savings plan with the savings element purchasing units in one or more investment funds and, at maturity, it is the value of these units which will be paid out as a capital sum. If the life assured dies before maturity the plan will pay the greater of the sum assured or the value of the fund. The fund pays Income Tax and Capital Gains Tax with the result that the fund is tax-free on maturity, as a lump sum, in the hands of the investor. The plan may be written in Trust for named beneficiaries.

A **Maximum Investment Plan** is a type of endowment plan. It has minimal life cover and usually matures after ten years. There is often a facility for the fund to remain invested after maturity. The fund pays Income Tax and Capital Gains Tax with the result that the fund is tax-free on maturity, either as a lump sum or as an income, in the hands of the investor. The plan may be written in Trust for named beneficiaries.

Friendly Societies offer endowment policies where contributions of up to £25 per month, or £270 per annum, can be invested into tax-exempt funds.

Other points to remember

- Fund options: A **With-profit** fund (if available) is a mixed asset fund which invests mainly in UK and overseas shares, fixed interest investments and property. Returns to the investor are smoothed, so the peaks and troughs of securities markets are avoided. Returns are also affected by the financial strength of the provider and its expenses. Returns are declared in the form of bonuses which are usually made annually. In addition terminal bonus may also be declared. Early encashment or surrender in adverse market conditions could result in penalties or imposition of a market value reduction (which may be referred to as a market value adjuster or MVA).

  A **Unit linked** fund is as described under unit trusts.
- The Key Features Document and illustration you have been given describe in full the features of your particular investment plan.
- These plans are designed as medium to long-term investments and encashment, particularly in the early years, could result in you receiving less than the value of the original investment.
- Past fund performance is no guarantee of future performance.
- Investment fund unit prices can go down as well as up and the return of your original contributions cannot be guaranteed.
- Medical underwriting (if appropriate) is carried out using, in the first instance, information supplied on the application form.
- Information has been given on the basis of our understanding of the current tax rules. These may change in the future.
- There is no guarantee of the maturity or encashment value of the investment as the actual sum payable will always be dependent upon market performance. For a ‘with-profit’ plan, provider profitability can affect maturity values.
- Savings are taken into account by the Department of Work & Pensions when assessing any potential claims for benefits.
- Capital placed in National Savings, Premium Savings Bonds (PSBs) and deposit accounts do not participate in the equity market. Interest, at rates determined by the Government and institutions, is added to the capital.