

Guide to your with-profits investments for conventional plans

An investment that includes some valuable guarantees

What is a with-profits investment?

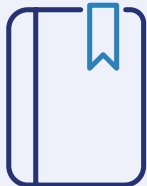
A medium to long-term investment that can:

- Help protect your plan value from short-term market movements
- Pay a minimum amount when the guarantee applies

The money that you and others invest together in a with-profits fund is held as a pool of assets.

We will pay you a guaranteed benefit at a specified date or on death as long as you pay the agreed contributions.

Regular bonuses can also be added over the term and a final bonus may be paid when we make your payout.



This guide gives you a simplified explanation of how our UK with-profits investments for conventional plans work.

Please see Page 5 for a list of products this guide covers.

We set out a fuller, more technical explanation of how we manage our UK with-profits business in a separate document called Principles and Practices of Financial Management for the Heritage With-Profits Fund (Heritage PPFM).



You can also visit our website: [standardlife.co.uk/investments/funds/with-profits-overview](https://www.standardlife.co.uk/investments/funds/with-profits-overview) to see more information on with-profits investments and it will always have the most up-to-date version of this guide along with the PPFM.



To find out more about your with-profits investments or to get a copy of any of these documents, call us on:

0800 634 7474

Call charges will vary.



Bonuses and Guarantees

valuable features of your with-profits investments

Investment performance and bonuses

The most important factor affecting your plan's value will be the investment performance of the with-profits assets while your plan has been invested in with-profits.

The addition of bonuses is heavily dependent on the investment performance.

There are two types of bonus: Regular and Final – and both are important:

Regular bonuses gradually increase the guaranteed amount under your plan. We may also add an 'interim' regular bonus to cover the period between the end of the year of the last declared bonus and date of claim.

A final bonus may be added when you take your payout depending on how the assets have performed. See the diagram below for an example (Diagram 2, Fig 2) when final bonus would be added to your plan.

Guarantees

The with-profits guarantee (typically at maturity, or on retirement date selected when plan started or on death) can vary from one type of plan to another. The guarantee means that even if assets have not performed well your with-profits payout will be based on the guaranteed benefit. Your guaranteed benefits are the sum assured, or guaranteed minimum pension, set at the start of your plan plus any regular bonuses we have added.

The following diagrams show how the with-profits payout for a conventional plan is calculated. They also show how this payout relates to any guaranteed benefit.

The height of the boxes does not indicate the relative size of each element of the with-profits payout

Conventional with-profits payout diagrams

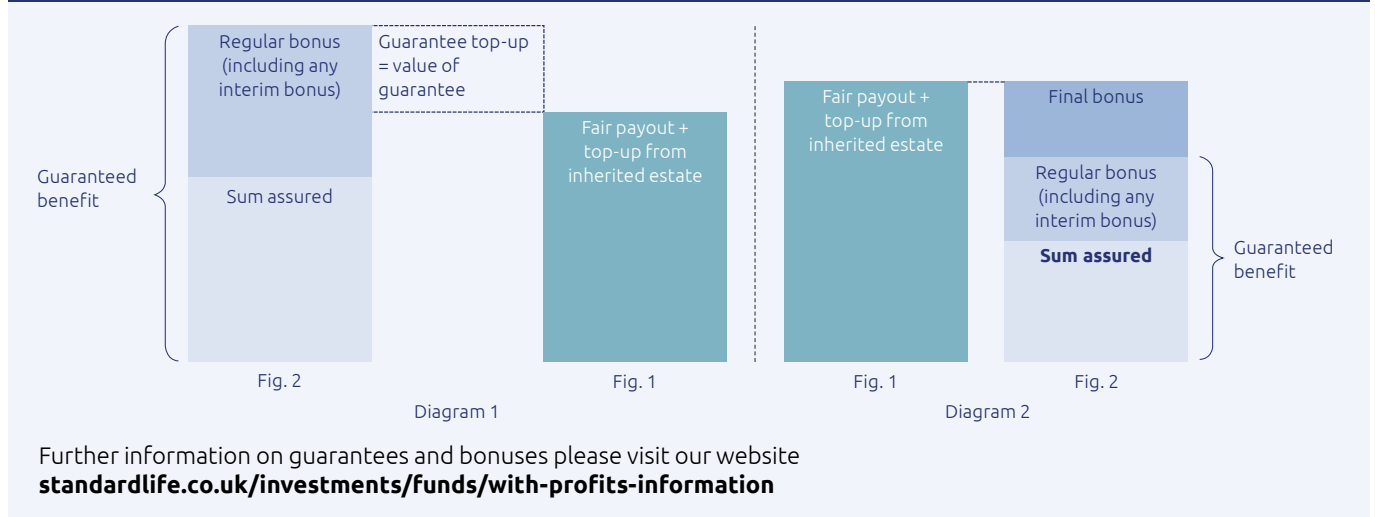


Diagram 1, Fig 1 shows the fair payout, it assumes we are paying a top-up from the inherited estate. This is the value we will pay unless the guaranteed benefit is higher and a guarantee applies to the payout. **Fig 2** shows what we will pay if the guaranteed benefit is higher than the amount in Fig 1 and a guarantee applies to the payout. You can see that we would top up the fair payout but there wouldn't be any final bonus.

Diagram 2, Fig 1 shows the fair payout, it assumes we are paying a top-up from the inherited estate. This is the value we will pay unless the guaranteed benefit is higher and a guarantee applies to the payout. **Fig 2** shows what we will pay if the guaranteed benefit is lower than the amount in Fig 1. In this instance we will pay a final bonus in addition to the guaranteed benefit.



Important: If you are thinking about leaving your with-profits investment, you may be giving up valuable guarantees. We recommend you seek appropriate guidance or advice before you make any decisions.



Where do we invest your with-profits monies?

We invest the money you pay us, and the money paid by other with-profits customers, in a pool of assets.

Assets are mainly:

- ✓ Equities (company shares)
- ✓ Property
- ✓ Bonds* (loans to governments or companies)
- ✓ Money market instruments (including cash)

*Bonds are sometimes called "fixed interest assets"

We regularly review the asset mixes, and our aim is to achieve the best returns without taking excessive risk

The asset mix for your with-profits investments will reflect the with-profits guarantee under your plan. The asset mixes can vary over time. As with any investment the value of with-profits investments can go down as well as up and may be worth less than was paid in.

You can find out more details regarding the asset mix and investment performance for your with-profits investments for conventional plans by reading our quarterly investment reports.

These reports are available from our website: standardlife.co.uk/investments/funds/with-profits-overview



What other factors make a difference to my plan value?

Smoothing

Smoothing is a feature of with-profits investments which can help to protect you from short-term market movements.

Short-term protection for your assets

When we assess the value of the assets backing your investment we aim to smooth out some of the day-to-day ups and downs of the market and provide some protection and stability to your plan value.

Deductions

We allow for deductions under your plan for administration expenses, investment management and any commission paid to advisers. There are also deductions for the cost of guarantees. There may also be deductions for life cover and tax, and a contribution to the capital of the Heritage With-Profits Fund.

The level of deductions depends on the type of plan you have. Please see your annual statement for more information.

If your plan is eligible it may benefit from a share of the inherited estate, which will increase any final bonus that can be paid.

For more information please see the document Inherited Estate on our website: standardlife.co.uk/investments/funds/with-profits-information

To see how your plan value changes over time look at your annual statement or login via: standardlife.co.uk



What options do you have when you come to take your benefits?

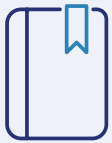
Depending on the type of plan you will have some options around what you do next:

- ✓ take your benefits as a lump sum
- ✓ reinvest your lump sum in an ISA or pension plan
- ✓ take a flexible income immediately (drawdown)
- ✓ take a guaranteed income for life (annuity)

We will contact you before your maturity or retirement date to let you know what your options are.



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Glossary of terms used in this guide

Guaranteed benefit

Guarantees are an important feature of your with-profits investments that can be very valuable. The exact terms depend on the type of plan you have. If a guarantee applies to the payout from your with-profits investment (typically at maturity, on your originally selected retirement date or on death), we will pay you at least the guaranteed benefit, even if investment returns have been poor.

Regular bonus

We aim to increase your plan's guaranteed benefit over time and we can do this by adding regular bonuses. We usually decide regular bonus rates once a year.

Final bonus

We may pay a final bonus when your with-profits investment ends. The amount of final bonus depends on a number of factors, including the returns on the assets we invest in, and so the final bonus payable on your plan may go down as well as up over time. For most of the products covered by this guide we normally declare final bonus rates twice a year.

Fair payout

The fair payout represents the value of the policy allowing for the payments made, the investment returns on the assets in the with-profits fund, less deductions, allowing for any smoothing and any inherited estate.

The inherited estate

You will only be entitled to any inherited estate distribution if you have been continually invested in with-profits since before 10 July 2006.

For more information please see the document Inherited Estate on our website:

[standardlife.co.uk/investments/funds/with-profits-information](https://www.standardlife.co.uk/investments/funds/with-profits-information)



What else might you like to know? how we manage your with-profits investments

With-Profits Committee

We are committed to fair treatment for all our customers and our With-Profits Committee provides independent advice to us on this. They help make sure your interests are protected.

Report to our with-profits policyholders

We publish a report to UK with-profits customers each year. This report sets out our Board's opinion on fairness in how the with-profits business has been managed.

Conventional with-profits products

The table below shows the conventional with-profits products that this guide applies to:

Life Products	Pension Products
Business Man's Policy	Additional Voluntary Contributions Schemes
Early Maturity Plan	Executive Pension Plan Pure Endowment
Endowment Assurance	Group Money Purchase Pure Endowment VC Scheme
Endowment Assurance Master Contract	Personal Pension Plan Deferred Annuity and Pure Endowment
Establishment	Stanplan M and own trust equivalent
Instalment Endowment	Stanplan M2 and own trust equivalent
Low Cost Plan	
Minimum Cost Plan	
Standing Loan Plan	
Whole of Life Assurance	

These products are all within the Heritage With-Profits Fund and are all closed to new customers.

Where you can find out more about with-profits

There are separate guides for the other types of with-profits investments, including ones for unitised life and unitised pension with-profits plans.

You can find these guides, more about our With-Profits Committee and read our annual report to our with-profits policyholders by visiting our website:

[standardlife.co.uk/investments/funds/with-profits-information](https://www.standardlife.co.uk/investments/funds/with-profits-information)

www.standardlife.co.uk

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