

Guide to your with-profits investments for life plans

An investment that includes some valuable guarantees.

What is a with-profits investment?

A medium to long-term investment that can:

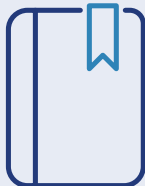
- Help protect your plan value from short-term market movements
- Pay a minimum amount when the guarantee applies

It can form all or part of your plan.

The money you and others invest is used to buy units in a with-profits fund that holds a pool of assets.

The price of the with-profits units allocated to your life plan will never fall and, depending on how the assets perform, may increase.

This full price of units is the minimum you will receive when guarantees apply.



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

Please see Page 5 for a list of the with-profits funds and 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 (PPFM).



You can also visit our website www.standardlife.co.uk/withprofits 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.

Good investment performance allows bonuses to be added.

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

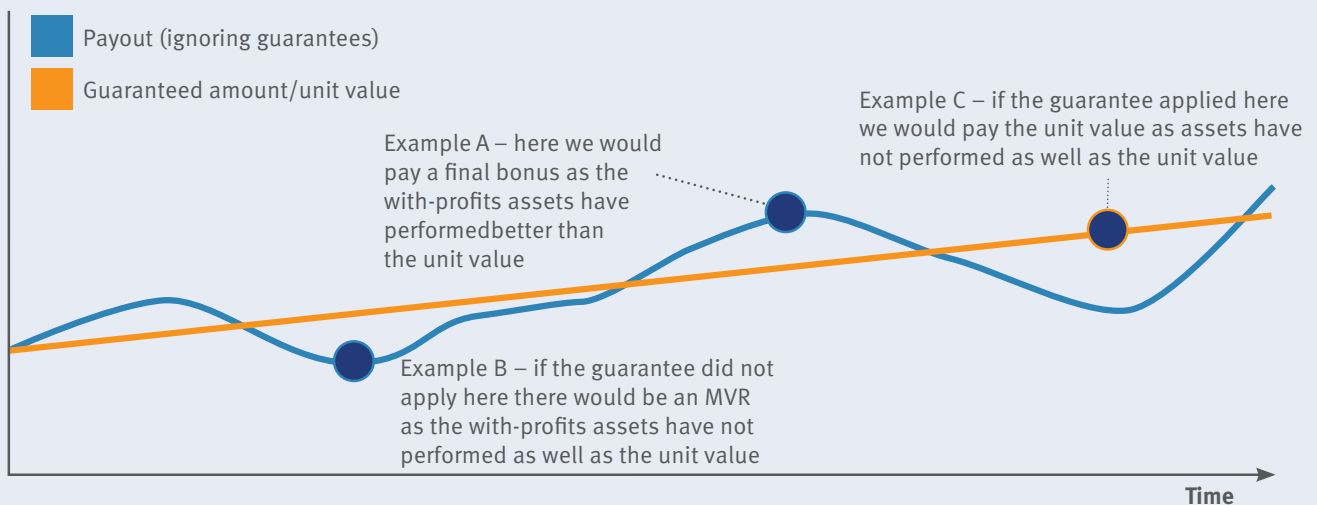
Regular bonuses gradually increase the price of the units that have been allocated to your plan.

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

Guarantees

The with-profits guarantee (typically at maturity 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 full price of units. There could be a market value reduction (MVR) when the guarantee does not apply. See the graph below for examples.

The following graph shows examples of how your payout value can change over time and how this could result in a final bonus (example A). If the payout is at a time when the investments have not performed well there could be a market value reduction (MVR) but not if the guarantee applies (example C). This shows how valuable your guarantee can be.



The blue line shows how the payout value could change over time. And the orange line shows how the guaranteed amount (unit value) can grow over time – this is the minimum amount that we'll pay when the guarantee terms are met.

To read further information on guarantees and bonuses please visit our video on our website www.standardlife.co.uk/withprofits



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. An adviser will likely charge a fee for this.



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 what was paid in.

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

This report is available from our website www.standardlife.co.uk/withprofits



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.

Charges

We allow for charges under your plan for administration expenses, investment management and any commission paid to advisors. There are also deductions for the cost of guarantees.

The level of charges and deductions depends on the type of plan you have. Please see your annual statement or new business quotation.

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 www.standardlife.co.uk/withprofits

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



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

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

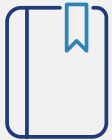
- ✓ take your proceeds as a lump sum
- ✓ reinvest some or all of your proceeds from our plan into a tax efficient Investment Bond
- ✓ Extend the term of your plan and keep your funds invested with us

We will contact you 6 weeks before your maturity date to let you know what your options are.



Important:

We recommend you seek appropriate guidance or advice before you make any decisions. An adviser may charge a fee for this.



Glossary of terms used in this guide

Guaranteed amount (unit value)

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 or on death), we will pay you at least the guaranteed amount, allowing for any charges, even if investment returns have been poor.

Regular bonus

We aim to increase your plan's guaranteed amount over time and we can do this by adding regular bonuses. We usually decide regular bonus rates once 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 up or down over time. For most of the products covered by this guide we normally declare final bonus rates twice a year. Homeplan and With Profits Bond operate differently and so their final bonus is calculated daily.

Market Value Reduction (MVR)

An MVR ensures that customers remaining in with-profits are not unfairly disadvantaged when others leave. If under the terms of your plan a guarantee applies to the payout there will be no MVR.

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:
www.standardlife.co.uk/withprofits



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 apply independent judgement to advise 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 Standard Life Board's opinion on fairness in how the with-profits business has been managed.

Unitised life products and with-profits funds

The table below shows the life products and life with-profits funds that this guide applies to:

Product Name	Fund Name
Variable Investment Bond	With Profits
Versatile Investment Plan	S2 Life With Profits
Variable Protection Plan	S2 Life With Profits 2006
Peppercorn Investment Bond	
With Profits Bond	Life With Profits Life With Profits 2 Life With Profits 2006 Life With Profits 2 2006
Homeplan	Life With Profits

The funds 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 one for conventional 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:

www.standardlife.co.uk/withprofits

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