

# Key Features of the Prudence Distribution Bond Additional Investments



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If you would like a Braille, large print or audio version of this Key Features, please contact us at:  
Prudential  
Stirling  
FK9 4UE

## › About this booklet

- › This booklet provides a summary of the Key Features of an additional investment in Prudence Distribution Bond.
- › If you still have questions about Prudence Distribution Bond after reading this booklet, please call us on 0845 640 1000. If you have a Financial Adviser, please contact them in the first instance.

### **The Financial Services Authority**

The Financial Services Authority is the independent financial services regulator. It requires us, Prudential, to give you this important information to help you decide whether our Prudence Distribution Bond Additional Investments is right for you. You should read this information carefully so that you understand what you are buying and then keep it safely for future reference.

## › Its aims

To give you:

- › A growing regular income over the longer term.
- › A competitive total return over the medium and longer term – the total return is made up of your regular income and any growth on your initial and any additional payments.

## › Your investment

- › You invest an additional payment to your existing bond.

## › Risks

Risk factor	Where you can find more information
› The income and growth you receive on your bond may fluctuate and are therefore not guaranteed. These will depend on the investment performance of our Distribution Fund. You may not get back the full amount of your investment.	
› If withdrawals from the bond are more than any growth achieved, the value of your bond will fall.	
› Tax rules may change.	We explain this in "What about tax?" on page 8.
› If you choose to cancel your top up, you may not get all your money back.	We explain this in "Can I change my mind?" on page 9.
› If the total charges taken from your plan are more than any overall growth achieved, your plan will fall in value, possibly to even less than you have invested.	We explain this in "What are the charges?" on page 8.

## › Questions and Answers

### What is the Prudence Distribution Bond?

It is a single premium life assurance policy.

Your additional payment buys units in our Distribution Fund.

The Distribution Fund invests in a mix of different assets to produce an income. Twice a year, this income is transferred to the Distribution Cash Fund. These transfers take place on 17 February and 17 August.

The Distribution Cash Fund is set up to pay out the income that the Distribution Fund produces. You cannot invest directly in the Distribution Cash Fund.

**Investment Limits** – The minimum top up amount is £1,000. There is no maximum limit.

**How to pay** – You may pay by cheque or by a transfer made from your bank. If the cheque is not drawn on your personal account, we may ask you to prove that the money belongs to you.

### How flexible is Prudence Distribution Bond?

Your bond has no set term. You invest for as long as you wish.

You can cash in your bond at any time. The bond is designed to be held for the medium to long-term.

You may top-up your bond at any time.

You can get further information on topping up your bond by calling us on 0845 640 1000.

You can choose to take a regular income now or at any time in the future.

HM Revenue & Customs may not tax these regular payments as income in the same way that dividends or interest are treated.

If you don't choose to take a regular income now, the income that builds up in the Distribution Cash Fund will be re-invested for you. This means that your share of the income will buy you more units in the Distribution Fund.

You can withdraw money from your bond at any time. The withdrawal must be at least £50 and at least £500 must remain invested in your bond. You can get further details in the section "Can I take money out?" opposite.

### What might I get back?

You can cash in your bond at any time. Your investment is designed to be held for the medium to long-term.

The amount you'll receive on cashing in your bond will depend on:

- › how much you've paid in,
- › the length of time your money has been invested,
- › whether or not you've made any withdrawals,
- › tax we pay on the fund,
- › investment performance over the time you've invested, and
- › our charges.

What you get back will depend on how the assets that make up the Distribution Fund perform. The value of these assets, and any income from them, can go down as well as up.

Your Personal Illustration shows how much you could receive based on example growth rates.

### Can I take money out?

You can take a regular income from your bond at any time. The level of income you can take can be either:

- › the amount of income that has built up in the Distribution Cash Fund (i.e. the full distribution), or
- › an amount of income selected by you (regular withdrawals).

There is no restriction on the maximum withdrawal, but please remember if withdrawals are more than any growth received the value of your bond will fall. Your regular income will be normally paid direct to your chosen bank account at your chosen interval. It can either be paid every month, every three months or every six months.

The amount held in the Distribution Cash Fund may not always be enough to meet the amount of regular income you want. When this happens, the shortfall is met by cancelling some of the units that you hold in our Distribution Fund.

You can also make a withdrawal from your bond provided you withdraw at least £50 and at least £500 remains invested.

If you take a regular income or a withdrawal, we will take the income or withdrawal as a proportionate amount from your initial payment and your top up.

Any withdrawal will reduce the full value of your bond.

## Where is my payment invested?

Your payment is invested in the Distribution Fund. Any growth achieved by the Distribution Fund is shown by an increase in the price of your units. Any fall in the value of your investment in the Distribution Fund is shown by a reduction in the price of your units.

The price of your units change if more money is going into or out of the fund.

The assets held within the Distribution Fund can include:

- Stocks and shares of companies, both in the UK and abroad.
- Fixed interest securities. These are bonds issued by government local authorities and large companies that pay a set rate of interest. They generally are more secure than stocks and shares, although they offer less potential for growth.
- Commercial property.
- Cash.

**Allocation Rate** – This depends on the total invested in your bond at the time of topping up.

How to work out how much would be invested on your behalf:

- We multiply the amount you are investing by the Allocation Rate percentage.
- We then deduct the 5% Initial Charge from this amount.

The Allocation Rate you'll receive is shown in the table opposite and depends on the version of the bond you originally invested in.

## The tables below show the allocation rates:

Table 1 shows the allocation rates for bonds sold by a Financial Adviser. Table 2 shows allocation rates for bonds sold by Prudential directly – these can be identified by the bond number which is prefixed by LD.

Table 1 – Bonds sold by a Financial Adviser

Version of bond	Total amount invested	Allocation rate
Bonds taken out between 2 August 1993 – 30 September 1994	£5,000 – £9,999	100.00%
	£10,000 – £24,999	101.00%
	£25,000 – £49,999	101.50%
	£50,000 or more	102.00%
Bonds taken out between 1 October 1994 – 31 December 1994	£5,000 – £9,999	100.00%
	£10,000 – £14,999	102.00%
	£15,000 – £49,999	103.00%
	£50,000 or more	104.00%
Bonds taken out between 1 January 1995 – 13 April 1997*	£5,000 – £10,999	100.25%
	£11,000 – £15,999	100.75%
	£16,000 – £19,999	101.75%
	£20,000 – £29,999	102.25%
	£30,000 – £49,999	102.75%
Bonds taken out between 14 April 1997 – 17 June 2005	£50,000 or more	103.75%
	Less than £10,000	100.00%
	£10,000 – £19,999	102.00%
	£20,000 – £49,999	102.75%
	£50,000 or more	103.75%

Table 2 – Bonds sold by Prudential directly

Version of bond	Total amount invested	Allocation rate
Bonds taken out between 2 August 1993 – 5 October 1997	£5,000 – £9,999	100.00%
	£10,000 – £24,999	101.00%
	£25,000 – £49,999	101.50%
	£50,000 or more	102.00%
Bonds taken out between 6 October 1997 – 25 July 2001	£5,000 – £9,999	100.00%
	£10,000 – £19,999	101.00%
	£20,000 – £49,999	102.00%
	£50,000 or more	103.00%

\* IMPORTANT NOTE: Allocation rates for cumulative investments between £20,000 and £20,999 changed with effect from 20 May 1996. For investments made from 1 January 1995 – 19 May 1996, investments from £16,000 – £20,999 received an allocation rate of 101.75%, and investments from £21,000 – £29,999 received an allocation rate of 102.25%. The allocation rate for any additional amounts received on or after 20 May 1996 is determined by reference to the rates in the table above.

## What are the charges?

We will deduct some of your additional payment to meet our costs, such as:

- › administration,
- › investment management,
- › marketing and
- › commission that we pay to your Financial Adviser.

The charges are as follows:

### From your additional payment

**Initial Charge** – When you top up your bond, we deduct an Initial Charge of 5% from the amount before it is invested for you. We will also make this charge on any future top ups you make.

### Each year from the fund

#### Annual Management Charge –

We deduct an Annual Management Charge (the amount we take to cover our annual fees and expenses) of 1% from your fund. This charge is already included in the price of the units that your top up payment buys.

## What happens to my bond if I die?

On death, we'll pay out 101% of the value of your investment in the Distribution Fund and Distribution Cash Fund.

If you took out the bond on your life only, upon your death your bond will end.

If you took out the bond on the lives of two people, at the start you chose:

- › for your bond to end when one of the two people covered dies, or
- › for your bond to end only when both people covered by the bond have died.

A top up to your bond will not alter the original selection you chose.

## What about tax?

This section only gives a general tax summary. Individual tax situations may be different and could change in the future.

We set the bond up as 10 identical policies, each of which you can cash in or assign (transfer as legally required to a new owner) separately. This can help you take money from your bond in a tax efficient way. Any additional investment you make will be divided equally between the separate identical policies.

### Corporation tax

We'll pay tax on the funds you invest in. This tax is not reclaimable.

### Capital gains tax

We'll pay tax on the capital gains in our funds.

### Income tax

You can currently withdraw up to 5% each year of your investment for up to 20 years without any immediate tax liability. This allowance rolls over to the following year if it's not used.

However there may be income tax to pay when:

- › your bond ends as a result of your death,
- › you cash in all or part of your bond,
- › you take more income from the bond than your accumulated 5% tax deferred allowance, or
- › you assign (transfer legal ownership of) the bond for money or something worth money.

Gains from your plan may mean that you lose some or all of your entitlement to personal allowances and certain tax credits.

For more details about tax and how it affects you, please speak to your Financial Adviser. Further information is also available in our "Taxation of Bonds" leaflet, which you can request by calling 0845 640 1000 or visiting [www.pru.co.uk](http://www.pru.co.uk)

### Inheritance tax

Inheritance tax may be payable if you still have the plan when you die.

Special tax considerations are given to plans written under trust. Please ask your Financial Adviser for more information.

## What happens if I move overseas?

Please note Prudential is not able to accept new monies from customers living overseas. If you move abroad and are no longer a resident of the UK this will impact on your ability to top up this product.

## Can I change my mind?

When your application has been accepted, we'll send you a Cancellation Notice. If you wish to use your right to cancel your top up, you should complete and return the Cancellation Notice or write to us at:

**Prudential  
Investment Plans New Business  
Stirling  
FK9 4UE**

You have a right to cancel within 30 days of receiving the Cancellation Notice.

If you decide to cancel and the value of your additional payment has fallen, you may not get all your money back. The amount you'll get back will be the value of your additional payment less the proportionate amount of any decline in the value of your units.

For cancellations within the 30 day cancellation period only, where a policy is held in joint names, we will accept cancellation by any one of the policyholders, whether acting alone or jointly on behalf of all policyholders.

If you decide to cancel your investment at any time after the 30 day cancellation period has ended, you may not get all your money back. What you get back will depend on the performance of the investments and our charges.

## How will I know how my bond is doing?

Each year we'll send you a statement to show how your bond is doing.

For an up-to-date value, you can call us on **0845 640 1000**.

## › Other information

### How to contact us

If you have a Financial Adviser, please continue to use them as your first point of contact.

If you don't have a Financial Adviser, you can call our UK based dedicated support team on **0845 640 1000**. The opening hours are 8am to 6pm Monday to Friday.

You can also contact us by

**Post: Prudential  
Stirling  
FK9 4UE**

**Or via our website: [www.pru.co.uk](http://www.pru.co.uk)**

### How to complain

We hope that you will never need to, but should you have a complaint about any aspect of the services you have received please contact your Financial Adviser. If you have dealt directly with us, please contact us at:

**Customer Response Unit  
Prudential  
Craigforth  
Stirling  
FK9 4UE**

**Telephone: 0845 640 1000**

Copies of our Complaint Handling Procedures are available from the address or telephone number shown above.

If you are not satisfied with our response you may then take your complaint to:

**The Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London E14 9SR**

**Telephone: 0800 0 234 567 or  
0207 892 7300.**

This is a free service; using it will not affect your legal rights.

### Terms and Conditions

This Key Features Document gives a summary of additional investments in Prudence Distribution Bond.

The Terms and Conditions are contained in the Policy Provisions document. You may request a copy of the Terms and Conditions at any time from us.

### Your Client Category

The Financial Services Authority (FSA) is the independent financial services regulator. It asks companies to categorise their clients based on their involvement in and familiarity with financial services. This helps to make sure we send the right information to the right people. For example, information for an individual customer should assume less knowledge than information for a financial services company.

You're categorised as a "retail client". This means that we make sure the information we give you is clear, balanced and indicates any relevant risks. Your category does not affect your right to lodge a complaint. Your category does not affect your right to lodge a complaint with the Financial Ombudsman Service.

If you have any questions about your client category, or think your category should be different, please call our Customer Service Team on **0800 000 000**.

## Conflict of Interest

We want to make sure that we uphold our reputation for conducting business with integrity. That's why we have drawn up a policy to deal with any conflicts of interest. If you would like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on **0800 000 000**.

## Law

In legal disputes, the law of England will apply.

Bonds taken out on a joint ownership basis are always issued to the owners as "joint tenants". For bonds held on a joint ownership basis when one owner dies, his or her equal half-share in the bond will always, immediately and automatically pass to the surviving owner, unless the application is made subject to trust or a change in ownership has taken place since the bond was issued (for example assignment or trust arrangement).

## How we will communicate with you

We will communicate with you in English in writing, by phone or by email.

## Compensation

We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we can not meet our obligations. This depends on the type of business and the circumstances of the claim. For more information, please contact:

**The Financial Services  
Compensation Scheme  
7th floor, Lloyds Chambers  
Portsoken Street  
London  
E1 8BN**

**Telephone: 0207 741 4100 or  
0800 678 1100**

**[www.fscs.org.uk](http://www.fscs.org.uk)**

## Important

This document is based on our understanding, as at October 2010, of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.

## FSA registration

Prudential Assurance Company Limited is entered on the Financial Services Authority (FSA) Register, FSA Reference Number 139793. The FSA Register is a public record of all the organisations that the FSA regulates.

You can contact the FSA at:

**The Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS**

**Telephone: 020 7066 1000**



[www.pru.co.uk](http://www.pru.co.uk)

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