

Your guide to the Flexible Investment Plan







This guide tells you about the main features of the Flexible Investment Plan and the potential benefits to you. The information in this guide should also be read with your Key Features Document and Fund Guide. These guides should answer most of the questions you have about the Flexible Investment Plan. If you still have questions please discuss these further with your Financial Adviser.

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› What is the Flexible Investment Plan?

The main aim of the Flexible Investment Plan is to grow your money by investing in your chosen funds. The Plan has built in flexibility so it can adapt to changes to your attitude to investment risk or your requirements, for example, around making withdrawals from your Plan.

Flexible Investment Plan – at a glance

- › Minimum investment is £10,000, minimum additional investment is £5,000
- › Use our share exchange facility instead of cash to invest in a Flexible Investment Plan
- › The choice of initial charge option and no initial charge option
- › Select from over 160 Funds, including funds offered by Prudential and the PruSelect Fund Range
- › A 5th anniversary guarantee on our PruFund Protected Cautious Fund
- › Five Dynamic Portfolios for you to choose from
- › Free Fund Switching
- › Free Automatic Rebalancing and Programmed Switching and Interest Sweep
- › Partial, regular and full withdrawals available
- › Tax efficient withdrawal options
- › A range of Trusts to help with Inheritance Tax planning

Please remember that the value of your investment may fluctuate and it is therefore not guaranteed. You may not get back the full amount of your original investment.

› How much can I invest?

You can start investing in the Flexible Investment Plan with a minimum of £10,000. You can add to your original investment by making additional investments of £5,000 or more. There is a Plan maximum investment limit of £500,000. You may pay by cheque or bank transfer. Alternatively if your Financial Adviser sends your application via our secure website, we will also accept debit card payments.

Share Exchange Service

As an alternative to investing with cash, you can use our share exchange facility to invest in a Flexible Investment Plan. We work in partnership with an investment company called Stocktrade who can sell your shares on your behalf and invest the proceeds into a Flexible Investment Plan.

A share exchange application form and letter of authority should also be completed with your Flexible Investment Plan application form. You can discuss this option with your financial adviser.



What's the benefit to you?

Rather than using cash to invest, you can sell shares you may have and invest the proceeds in a Flexible Investment Plan. You can still have exposure to the stockmarket by investing in the funds available with the Flexible Investment Plan and spread risk across many investments rather than individual shares.



› Where can I invest my money?

The Flexible Investment Plan offers a wide selection of funds that could suit your investment needs. The range includes the Prudential Multi-Asset Funds, our PruSelect Fund Range and our Dynamic Portfolios.

The Prudential multi-asset fund range

Our multi-asset funds are managed by our in-house investment experts the Portfolio Management Group (PMG). PMG are a specialist investment team with over 20 members, including economists, investment strategists and analysts who are specialists in the different areas of the investment world.

The range includes our With-Profits Funds and our PruFund range of funds. These funds spread your money across a range of investments including bonds, shares and property. They aim to spread the investment risk and deliver more stable returns than investing in one investment area only. The range also includes the PruFund Protected Cautious Fund which has a 5th anniversary guarantee for an additional charge.

The PruSelect fund range

Is an extensive range of fund options independently selected by Old Broad Street Research (OBSR), whose research is respected by fund managers, product providers and professional intermediaries. The range allows easy access to different asset classes, in all major markets, including some specialist areas and is constantly reviewed. Funds may be removed if they fail to deliver expected returns, and funds are added which offer more opportunities. Your adviser can help you choose funds that fit your investment needs in terms of risk and return, income or growth.

Our Dynamic Portfolios

Our Dynamic Portfolios give you access to a unique combination of experts – PMG and OBSR.

When managing these portfolios our Portfolio Management Group work within M&G Investment Management Limited, part of the Prudential Group. They will actively manage the portfolio asset allocations and buy and sell underlying funds as selected, and then recommended to them, by OBSR.

We offer a choice of five portfolios to help you target different levels of risk and potential return.

Although each portfolio invests in a range of underlying funds, it is available to you as a single unit linked fund choice.





What's the benefit to you?

By offering over 160 funds including about 100 external funds within our PruSelect Fund Range, you have a broad range from cautious to adventurous funds and a choice of 5 portfolios designed to help meet your investment needs.

You can select funds with multi asset allocation, so your investment is not over-exposed to one particular investment area. So, any losses in one investment area may be outweighed by gains from other assets in another investment area held in the fund.

PMG are entrusted with our range of multi-asset managed funds. They take a long-term strategic look at asset allocation for the funds.

The PruSelect Fund Range offers you funds reviewed by OBSR, which they view as top-ranking in terms of quality and performance potential.

Dynamic Portfolios combine the expertise of PMG & OBSR to give you access to a range of independent fund managers through a single portfolio choice.



For more fund information ask your Financial Adviser for a copy of our Fund Guide or go online to www.pru.co.uk/fip

Switching between funds

You can easily switch between funds and switching is free of charge. For more information about fund switching, please refer to the Key Features document.



What's the benefit to you?

You can easily change your investments to match your current attitude to risk and take advantage of investment opportunities. You can also currently move between funds with no charge and without the need to change product.

› What features can the Plan offer?

The Flexible Investment Plan offers some valuable features that can boost your initial investment and offer rewards in return for you keeping your investment with us.

Allocation rates

When you take out a Plan, an allocation rate will be applied to your investment. The allocation rate will depend on the amount you invest, the charge option chosen and the age of the person covered by your Plan.

For applicants 74 or under, the allocation rates range from 100% to 103.75% – so it can provide a boost to your initial investment. The allocation rates are lower if you are 75 or over.

If you choose the 3 year Early Cash-In Charge Option the allocation rate will be reduced by 1%.

Please refer to the Key Features for more information about Allocation rates and how they apply if you choose to cover two people. The Allocation rate that applies to your investment will be shown in your illustration.



What's the benefit to you?

The more you invest, the higher the allocation rate you will receive on your investment. If you make additional investments, the allocation rate will be based upon the total amount that remains invested in your Plan plus the amount of the top-up, not just the top-up itself.

Annual Growth Reward

From the 2nd anniversary and each anniversary thereafter, provided you have not made any withdrawals in the previous 12 months, we will pay an Annual Growth Reward on your investment.

The reward will be 0.35% of the value of your investment for With-Profits Funds and PruFund Funds, and 0.25% for all other funds except the Managed Distribution and High-Yield Managed Distribution Funds which are not eligible for this reward.

Loyalty Bonus

The Loyalty Bonus applies if you choose the Initial Charge Option. On the 5th anniversary and 10th anniversary of your Plan we will add 1% of the value of your Plan if you have not made any withdrawals or moved money out of the eligible funds. The Loyalty Bonus does not apply to With-Profits Funds, PruFund Funds, Managed Distribution Fund and the High Yield Managed Distribution Fund.



What's the benefit to you?

We reward your loyalty by giving a boost to your investment, as long as you have not made any withdrawals.

You can also choose one of the following options to help you manage your Plan.

Automatic rebalancing

This free option is designed to help ensure your investment stays on course. It does this by rebalancing your investment fund options each year, back to the split you originally selected. This option is not available for the With-Profits Funds or PruFund Funds.



What's the benefit to you?

It helps ensure that your investment stays in line with your investment fund choices and can save you time as we do all the work for you.

Programmed switching

If you don't want to put your money into funds that invest in stocks and shares all at once, this option allows you to stagger your investment over a period of time. When you first invest, you invest all of your money into one nominated fund – usually the Cash Fund – then you tell us when and how much you want moved into one or more of the other funds and over what period of time. This option is not available with the PruFund Funds. Also the nominated fund cannot be the Property Fund, With-Profits Funds or any of the Distribution Income Funds.



What's the benefit to you?

Programmed Switching allows you to stagger your fund investment options. This option takes away the need for you to arrange regular switches as we'll be doing it on your behalf.

Interest Sweep

If you put £100,000 or more into our Cash Fund, you can choose to automatically invest any growth in up to three other funds. This could give you greater growth potential, but still keep your original capital in our lowest risk fund. Interest Sweep is not available for PruFund Funds or With-Profits Funds.



What's the benefit to you?

If you are unsure about investing substantial amounts of money in stockmarket based funds, you can use Interest Sweep to reduce the risk to your initial investment and invest your growth from your initial investment in your chosen fund(s).

› Can I take money out of my Plan?

There are several ways in which you can take money out of your Plan. For example, if you need cash for a holiday or require regular withdrawals to supplement your income we have flexible options to suit you.

Full and Partial withdrawals

You can make a full or partial withdrawal from your Plan at any time. Depending on your choice of fund, delays or reductions may apply, please refer to the Key Features document.

If you take a partial or full withdrawal in the first five years after starting your Plan or making an additional investment, an Early Cash-In Charge may apply.

However, if you choose the 3-year Early Cash-In option on your Plan or on any additional investment, then no Early Cash-In Charges will apply after the end of year 3.

Regular withdrawals

Withdrawals within specified limits can be made monthly, quarterly, every four months, half-yearly, or yearly to suit your needs. Some funds restrict the frequency of payment options, please refer to the Key Features document.

If your withdrawals are more than the growth of your Plan, your Plan will reduce in value and will be worth less than your original investment.



How can the withdrawal options benefit you?

Having the flexibility to choose when and how you take a withdrawal means if your lifestyle circumstances change, your Plan can adapt. If you need to access some money, possibly for a family wedding or for a once in a lifetime holiday, you can have the money you require, without having to stop your Plan. Alternatively if you require a regular withdrawal to pay for school fees or other on-going costs, your Plan has the flexibility to help here also.



What's the benefit to you?

For example, if you do not take your 5% allowance in any of the first five years, in year six you can take 30%. What's more, you can defer tax for up to 20 years as long as you withdraw no more than 5% a year. This could be useful if you are currently a higher rate tax payer but expect to be a basic rate tax payer in the future.

In addition, your Plan is normally set up in 20 segments, which allows you to cash-in segments, rather than part of the whole plan. This can help you with your tax planning.

Tax-efficient withdrawals

You can take regular withdrawals of up to 5% of the original investment each policy year without any immediate tax liability until 100% has been reached. This 5% tax allowance rolls over to the following year if it is not used.

The information above is based on our understanding, as at January 2010, of the current taxation, legislation and HM Revenue & Customs (HMRC) practice, all of which are liable to change without notice. The impact of taxation (and any tax relief) depends on individual circumstances.

If you are invested in a With-Profits Fund a Market Value Reduction may apply to certain withdrawals. Full details of this can be found in your Key Features document.

› What death benefits are available?

The Standard Death Benefit pays out 101% of the plan value on death if the person covered is 74 or under when you take out the plan; or 100.1% if the person covered is 75 or over when you take out the plan.

Guaranteed Minimum Death Benefit.

If you want to guarantee that on death at least the amount invested in the plan (less any withdrawals) is paid, then you can select the Guaranteed Minimum Death benefit – Return of Premium option.

You can only select this option at the start of your Plan and there will be a charge. The person(s) covered must be 74 or

under when you take out the Plan. The charge applies only when the plan value falls below the amount originally invested less any withdrawals.

Further details of both benefits and the charge for the Guaranteed Minimum Death Benefit – Return of Premium option are contained within the Key Features Document.

› Estate planning

Good estate planning can help minimise your Inheritance Tax liability. You can potentially reduce the liability by placing your Flexible Investment Plan in trust.

Your Flexible Investment Plan can be written under several trust options available from Prudential.

Placing your Plan in trust means you can still remain in control of your Plan. You can also choose who will get the money, when they will get it and how much they will get. You should discuss your individual requirements with a Financial Adviser.

› Why Prudential?

Prudential has been in business for over **160 years** and has operations in the UK, Europe, Asia and the United States, looking after the financial needs of over **21 million customers**.

Our customers have entrusted us with their investments totalling over **£245 billion funds under management** and our With-Profits Fund alone has over **£54 billion** invested in it, one of the biggest in the UK, as at 30 June 2009.

What are my next steps?

Once you have read this guide, please take time to read your Key Features document and Fund Guide which will provide you with more information. If you still have questions regarding the Flexible Investment Plan please discuss these with your Financial Adviser; or

Visit our website www.pru.co.uk/fip

Our website can also provide you with further information on:

- › Investments
- › Estate planning
- › Retirement planning
- › Fund performance and
- › Investment tools including a Budget planner and FSA financial healthcheck.

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www.pru.co.uk/investments

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