

**keyfacts**®

*Key Features of*

**LICI UK**

**Steady Growth With Profit  
Individual Saving Account  
(ISA)**

**2011-2012 tax year**

The Financial Services Authority is the independent financial services regulator. It requires us, LICI UK, to give you this important information to help you to decide whether our Steady Growth With Profit ISA is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

# Your ISA options for the tax year 2011-12

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## Types of ISA

- ◆ There are two types of ISAs, Cash ISA and Stocks and Shares ISA.
- ◆ You can have either one Cash ISA or one Stocks and Shares ISA or one each of both. You cannot have more than one of either the Cash ISA or the Stocks and Shares ISA during the financial year.

## How much you can invest

- ◆ The maximum ISA allowance for the tax year 2011-12 is £10,680.
- ◆ The maximum that you can invest in Cash ISA is £5,340.
- ◆ The maximum that you can invest in Stocks and Shares ISA is £10,680.
- ◆ You can also invest in both, subject to the maximum of £5,340 in Cash ISA and the balance in Stocks and Shares ISA so that the overall limit of £10,680 is not exceeded.

## Transfers

- ◆ You can transfer your existing Cash or Stocks and Shares ISA to LIC UK Steady Growth With Profit ISA without affecting the allowance for this financial year. However, you should keep in mind that the charges may be deducted by your existing provider.
- ◆ You can also transfer LIC UK ISA to another Stocks and Shares ISA provider.

**Steady Growth With Profit ISA is a Stocks and Shares ISA. LIC UK does not offer a Cash ISA.**

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### **Its aims**

- ◆ To help your savings grow tax efficiently and provide a tax-free return.
- ◆ To provide steady, but potentially good growth on your savings over the medium to long term (atleast 5 years, ideally 10 years and beyond).

### **Your commitment**

- ◆ You can invest a minimum of £100 monthly or £1,200 yearly by Direct Debit. You can also invest a minimum of £4,000 in lump sum paid by cheque. The maximum you can invest in the tax year 2011-12 is £10,680 less any amount already invested in a Cash ISA. For regular contributions you have the flexibility to stop, start and vary payment amounts within these limits.
- ◆ Your money goes into a life assurance plan that buys units in the ISA fund. The ISA fund is invested in LIC UK With Profits Fund, a pooled fund contributed to by all With- Profit policyholders of LIC UK. Although specific investments are not earmarked for the ISA fund within the With Profits fund, it is notionally invested in the ratio of 50:50 between equities and fixed interest securities to offer potential higher returns. The With Profits fund invests in a range of stocks and shares and fixed interest securities in order to spread investment risk across a wide portfolio of investments.
- ◆ You have access to your money at all times although you should expect to leave your money invested for at least 5 years. Early encashment penalties apply.

### **Risk factors**

- ◆ The actual proceeds on the Steady Growth With Profit ISA will depend on the bonuses declared, which is linked to the performance of the stock market related investments they are invested in. Past performance can not be relied to indicate future returns. The value of your investments can go down as well as up.
- ◆ Your circumstances may change forcing you to cash in early. If you do so you

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may not get back as much as you invested. We will apply a charge for early surrender if you cash in within the first 3 years. Please refer to the section “Charges” on page 8.

- ◆ As the Steady Growth With Profit ISA is linked to LICI UK With Profits fund, there may be occasions when we need to apply a deduction called the ‘Market Value Reduction’ (MVR) when you cash in part or all of your plan. The **MVR will not apply** to any money withdrawn on the **10th Anniversary** from when you first started your LICI UK Steady Growth With Profit ISA and **thereafter on every 5th Anniversary**. The MVR is explained in page number 7 in more detail in the section headed ‘What is the Market Value Reduction?’
- ◆ The growth on your investment and the charges may be higher or lower than shown in your personal illustration.
- ◆ The tax treatment of ISAs may change in the future.

This document is written for clients who would like to make their own investment decision, it is not a personal advice. Therefore no advice has been sought or given.

If you are unsure whether our Steady Growth With Profit ISA is suitable for you and meets your financial needs, you should contact your independent financial adviser or seek expert advice.

# Your Questions Answered

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## **What is the LICI UK Steady Growth With Profit ISA?**

The LIC UK Steady Growth With Profit ISA is a stocks & shares ISA. It allows you to invest up to £10,680 in the tax year 2011-12 through monthly/yearly payments by direct debit and/or lump sum payment by cheque. There is no fixed term, but it aims to provide growth over the medium to long term through the addition of bonuses. However it should be held for at least 5 years, ideally 10 years and beyond.

## **Is this plan suitable for you?**

It is suitable for you if you :

- ◆ Have disposable income and/or capital in addition to any normal living expense (including emergency situations).
- ◆ Can afford to invest some money for at least 5 years.
- ◆ Would like to benefit from investing in stocks and shares and are prepared to accept the risks associated with pooled investments but are not prepared to take the risk of investing directly on to the stock market.
- ◆ Wish to take advantage of a tax free investment.

## **Who can apply?**

You qualify for our Steady Growth With Profit ISA if you are:

- ◆ aged 18 or over;
- ◆ A UK resident who normally lives in the UK and will be living in the UK for at least 6 months of the current tax year; or
- ◆ A Crown employee serving overseas or the spouse or civil partner of a Crown employee serving overseas.

## **Please note:**

- You can only make payments into one stocks & shares ISA each tax year.
- You cannot apply for an ISA on someone else's behalf.
- You cannot hold an ISA jointly with another person.

## **What are the tax advantages?**

You pay no income tax or Capital Gains Tax on your ISA. However, the fund in which you invest receives UK dividend income net of Corporation Tax. All references to taxation are based on our understanding of the current tax rules and legislation and the HMRC practice, which can change over time and their impact will depend on your circumstances. The favourable tax treatment of ISAs may change in the future.

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### **How much can I invest?**

You can invest up to £10,680 in the tax year 2011-12 of which up to £5,340 can be invested in a Cash ISA with another provider. The minimum payment if you pay regularly in our Steady Growth With Profit ISA is £100 a month or £1,200 a year. Minimum lump sum investment is £4,000. You may increase or decrease your monthly payment without any penalty subject to minimum payment of £100. Any additional lump sum payment must be at least £1,000.

If you move abroad your ISA will stay open but you will not be able to make further payments into it, unless you are a Crown employee serving overseas or the spouse or civil partner of a Crown employee serving overseas.

### **How can I pay?**

You can make lump sum payments by cheque and regular savings by Direct Debit. If you are investing by a lump sum payment, your application should be accompanied by a cheque for the amount. If you wish to pay monthly or annually, the Direct Debit advice section of the application form needs to be completed. Lump sum top up contributions should be made by cheque.

### **Where will the money be invested and how does the plan work?**

Money invested by you in Steady Growth With Profit ISA will buy ISA units at the unit price prevailing on the date the money is credited. The number of units allocated will depend on the amount invested and the price of units.

Your money is pooled with those of other with profit policyholders and invested in the With Profits fund of LIC UK, which in turn invests in a range of instruments including Government gilts, corporate bonds, UK and international equities. The ISA fund invests in the ratio of 50:50 between equities and fixed interest securities. You can read about how we manage our With Profits fund at [www.licuk.com/site/pdf/LICICFPFM10.pdf](http://www.licuk.com/site/pdf/LICICFPFM10.pdf). On request we can provide you with a copy of the document as well.

Depending on the performance of the fund, bonuses are declared twice in a year and the unit price rises daily in line with the declared bonus rate. The value of your investment increases in line with the declared bonus and is guaranteed on the 10th anniversary from when you first started the policy and on every 5th anniversary thereafter.

You may qualify for terminal bonus when you cash in part or all of your investment. This will depend on, amongst other things, the performance of the underlying investments in the fund over the period your money has been invested.

The amount you get back on the plan is determined by the number of units you cash in and the unit price on that date.

Past performance is no guarantee of future returns and in exceptional circumstances you may get back less than what you originally invested.

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### **What is the Market Value Reduction?**

The Market Value Reduction (MVR) is a potential reduction to the encashment value of your plan. It is designed to ensure that you receive your fair share of the ISA fund should adverse events occur, for example, in the event of large falls in stock markets or a large number of other investors cashing in units.

However, we guarantee not to apply MVR in the following circumstances:

- ◆ When you cash in part or all of your plan on the 10th anniversary from the date the plan started and on the 5th anniversary thereafter;
- ◆ on payment of the death benefit.

In other words, on the 10th anniversary date of the policy and on the subsequent 5th anniversary dates and in case of death, on the date of death, the investments grown in line with declared bonuses will be guaranteed.

### **What happens when I die?**

The death benefit under your Steady Growth With Profit ISA will be paid to your estate. The amount payable on death is 101% of the value of units held plus the value of any final bonus if payable. There will be no MVR applied. The tax efficient status of the plan ends on the date of death and the amount payable may be subject to inheritance tax.

### **Can I transfer my ISA?**

If you would like to transfer your ISA your options are:

- ◆ to transfer a stocks & shares ISA with another provider to LIC UK Steady Growth With Profit ISA  
or
- ◆ to transfer a cash ISA with another provider to LIC UK Steady Growth With Profit ISA  
or
- ◆ to transfer your LIC UK Steady Growth With Profit ISA to a stocks & shares ISA with another provider.

If you wish to transfer an ISA for the current tax year, this tax year's payments will count towards your annual ISA investment contribution limit and must be transferred in full. If you wish to transfer ISAs from previous tax years this will not count towards this year's contribution limit and you can choose to move all or part of the balance.

On receiving your written request we will transfer your investment to another ISA provider within four working days. We will charge you £30 for the transfer, which will be deducted from the proceeds.

Please note that it is important to determine whether or not you will incur any early encashment/transfer charges from your existing provider.

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**Please note:**

- You can not transfer your LIC UK Steady Growth With Profit ISA to a cash ISA.
- If you transfer a cash ISA from the current tax year to our Steady Growth With Profit ISA you will be able to take out another cash ISA in the same year.

**Withdrawal**

You may make a withdrawal by writing to us at our address. The minimum withdrawal is £500. If the value remaining after withdrawal is less than £500 then the plan will be treated as cancelled and the balance will be paid to you. Withdrawals will be met by cancelling units in the ISA fund on the next working day following receipt of your instructions and payments will be made within four days. You should be aware that MVR might be applied to any withdrawal except on the 10th anniversary of the plan and on every 5th anniversary thereafter.

**What could my LIC UK Steady Growth With Profit ISA be worth in the future?**

The amount you will get back from your Steady Growth With Profit ISA will depend on how much you have paid in, the length of time it has been invested, the investment performance of the ISA fund over this period and any amount of money that you have taken out of your plan.

**Charges**

There is no initial charge in the Steady Growth With Profit ISA.

The rate of bonus declared allows for a charge for expenses at 1.5% of the policy value each year. This may be greater than actual bonus declared.

If you cash in part or whole of the Steady Growth With Profit ISA in the first three years, an early encashment charge as given below will apply. There will be no penalty if you cash in after three years.

Years since initial investment made	Early Encashment Charges as a % of amount cashed in
Less than 1 year	5
Between 1 and 2 years	3
Between 2 and 3 years	1

# Examples

## Regular Monthly Savings

If you invest £250 a month for 10 years, the table below shows how much your investment would be worth at the end of 5 years and 10 years, after charges, if it grows each year by:

If the Investment grows at	5%	7%	9%
You will get after 5 years	£16,300	£17,100	£18,000
You will get after 10 years	£35,700	£39,500	£43,800

### Please note:

- These figures are only examples and are not guaranteed - they are not minimum or maximum amounts. What you will get back depends on how your investment grows and the tax treatment of your investment and you could get back more or less than this.
- Most ISA Managers use the same rates of growth for projections, as advised by the Financial Services Authority, but their charges vary.
- Inflation would reduce what you can buy with the value of your ISA in the future.

### How charges affect your ISA

The charges are explained on page 8.

The examples below show how our charges might affect the value of your ISA. The last two columns assume that investments will grow at 7% a year.

**WARNING** - if you cash in during the early years you could get back less than you have paid in.

The effect of charges on a monthly payment of £250 is set out below.

End of year	Total paid in to date £	Effect of deductions to date £	What you might get back £
1	3,000-00	179	2,930
2	6,000-00	292	6,150
3	9,000-00	334	9,670
4	12,000-00	436	13,300
5	15,000-00	707	17,100
10	30,000-00	3,450	39,500

These figures are best estimates based on current experience, and they may vary in the future. The last line shows that over a 10 year period the effect of the total deductions could amount to £3,450. Putting it another way, this would have the effect of bringing investment growth of 7% a year down to 5.4% a year.

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## Single Lump Sum Investment

If you make a single lump sum investment of £5000 for 10 years, the table below shows how much your investment would be worth, at the end of 5 years and 10 years, after charges, if it grows each year by:

If the Investment grows at	5%	7%	9%
You will get after 5 years	£5,910	£6,500	£7,130
You will get after 10 years	£7,000	£8,450	£10,100

### Please note:

- These figures are only examples and are not guaranteed - they are not minimum or maximum amounts. What you will get back depends on how your investment grows and the tax treatment of your investment and you could get back more or less than this.
- Most ISA Managers use the same rates of growth for projections, as advised by the Financial Services Authority, but their charges vary.
- Inflation would reduce what you can buy with the value of your ISA in the future.

### How charges affect your ISA

The charges are explained on page 8.

The examples below show how our charges might affect the value of your ISA. The last two columns assume that investments will grow at 7% a year.

**WARNING** - if you cash in during the early years you could get back less than you have paid in.

The effect of charges on a single lump sum investment of £5,000 is set out below.

End of year	Total paid in to date £	Effect of deductions to date £	What you might get back £
1	5,000-00	344	5,000
2	5,000-00	337	5,380
3	5,000-00	330	5,790
4	5,000-00	384	6,160
5	5,000-00	510	6,500
10	5,000-00	1,380	8,450

These figures are best estimates based on current experience and they may vary in the future. The last line shows that over a 10 year period the effect of the total deductions could amount to £1,380. Putting it another way, this would have the effect of bringing investment growth of 7% a year down to 5.4% a year.

# Other Information

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**The ISA Manager** is Life Insurance Corporation of India (LICI UK)

## **Unit Prices:**

The unit price of the LICI With Profits Fund is increased daily in line with the current rate of the regular bonus declared for ISA. You can check the current unit price by telephoning our Customer Services team on **0800 9LICIUUK (0800 9542485)** or **0800 0685712** (free phone)

## **Documentation:**

We will send you confirmation in writing of your investment. We will also send you a valuation of your ISA twice a year. Your ISA statement will also show the activity that has taken place since your previous statement and include the number of units you hold within the plan.

## **Cancellation Rights:**

By law you have the right to cancel your investment within 30 days from the day you receive the cancellation form. If you cancel within this time, you will receive back any money you have paid.

## **Money Laundering Regulations 2003**

Under these regulations, there is a requirement to prove the identity of people who wish to take out a life, pension or investment contract. You may therefore be asked to supply documents as evidence of your identity and/or your address.

## **Complaints:**

For further information, or if you wish to complain about any aspect of the service you have received, please contact: LICI UK, The Complaints Supervisor, 10th Floor, York House, Empire Way, Wembley, HA9 0PX. If your complaint is not dealt with to your satisfaction you can write to the Financial Ombudsman Service; South Quay Plaza, 183 Marsh Wall, London E14 9SR. We will provide information about this if you need it. Copies of our complaints handling procedures are available on request. Making a complaint will not affect your legal rights.

## **Compensation Rights:**

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. Since 1st of January 2010, FSCS will cover 100% of the first £50,000 of the valid claim per firm, per customer. Further information about compensation arrangements is available from the Financial Services Compensation Scheme. Tel: 020 7892 7300 Website: [www.fscs.org.uk](http://www.fscs.org.uk)

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### **Principles and Practices of Financial Management (PPFM):**

Steady Growth With Profit ISA is invested in LIC I UK With Profits Fund. For your information we are able to provide a PPFM, the objective of which is to enable our With Profits policyholders and potential With Profits policyholders to better understand With Profits policies and also what to expect from them. Should you require a copy of our PPFM please visit [www.liciuuk.com](http://www.liciuuk.com). You can read about how we manage our With Profits fund at [www.liciuuk.com/site/pdf/LICICFPPFM10.pdf](http://www.liciuuk.com/site/pdf/LICICFPPFM10.pdf). Alternatively, you can contact us by telephone on 0800 9LICIUUK (0800 9542485) or 0800 0685712 (free phone)

**Law:** If any legal dispute arises the Law of England and Wales will apply. We will always communicate with you in the English language.

**Further Information:** Should you require this information in an alternative format, if you have any queries, or require any further information, you can contact us by telephone on 0800 9LICIUUK (0800 9542485) or 0800 0685 712.  
Email: [isa.direct@liciuuk.com](mailto:isa.direct@liciuuk.com)

LICI UK, authorised and regulated by the Financial Services Authority for protection, pensions, savings and investment products. Entered on the FSA Register, Registration No. 110379.  
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