



YOUR GUIDE TO THE INVESTMENT BOND

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WELCOME TO THE INVESTMENT BOND

We have written this guide to help you understand how the Investment Bond ('Bond') works and to highlight its features.

This guide is not designed to provide you with advice on the suitability of this investment as this will depend on your personal circumstances, approach to risk and how long you are looking to invest for. You should not make a decision to invest on the basis of this information alone and should seek professional financial advice.

You should also read:

- The Key Features of the Investment Bond
- Your personal illustration provided by your financial adviser
- The Investment Bond Fund List
- The Policy Provisions of the Investment Bond

What is the Bond?

The Bond is designed for investing a lump sum over the medium (at least 5 years) to long-term (over 10 years) and includes a small element of life assurance, also known as life cover. It is now only open to existing Bond holders. It aims to increase the value of your investment and can also provide regular or one-off withdrawals. It may not be suitable if you wish to invest for a short period of time or if you need instant access to your cash.

The Bond allows you to spread risk, as you can – within just one product – hold a variety of funds investing in different asset classes such as Money Market, Gilts and Bonds, Property and Shares.

The Bond can be a tax effective way of investing depending on your individual circumstances – your financial adviser will be able to help you determine whether it is right for you. Taxation of the Bond is covered in more detail on pages 8 to 9.

You need to be aware that the value of your investment can fall as well as rise and is not guaranteed. You could get back less than you invest.

What are the features of the Bond?

Our Bond offers a wide fund choice and flexibility, so you can tailor it with the aim of meeting your individual needs.

- Access to a range of investment funds.
- Move and access your money easily. We currently impose no fund switching or early cash-in charges. For more information on switching and withdrawals please see the 'Managing your Bond' section on page 4.
- Your Bond is split into independent policies. You can then group those policies into different segments, each having different funds and different withdrawal strategies. See page 4 for more details.
- A full range of Adviser Charging options are available, allowing payment directly from the bond to be made. For more information please see page 10 of this document (Adviser Charges and Impact on 5% Withdrawals) and section 3.3 (Adviser Payments) of the Policy Provisions of the Investment Bond for further information.

MANAGING YOUR BOND

Investment flexibility

Your investment objectives may change over time. We have built flexibility into the Bond to let you and your financial adviser adapt your investment strategy as your needs change.

You can currently switch between funds for free and make additional investments of £1,000 or more at any time. There is no upper limit to how much you can invest.

Please bear in mind

Additional investments will form part of your original Bond, however, you will have cancellation rights (as explained in the **Key Features of the Investment Bond**) in relation to any additional investment amounts. Additional investment amounts will be subject to our standard terms and conditions in operation at the date we receive them. Please be aware that the value of additional investments, as well as existing amounts, can fall as well as rise and is not guaranteed.

We may increase the minimum additional investment amount in line with the Retail Prices Index and in certain circumstances we may refuse to accept further investments.

We do not currently charge for fund switches, although we reserve the right to impose a charge in certain circumstances. We also reserve the right to refuse or delay the switching of funds indefinitely under certain circumstances. This may be for example, where we have to sell assets held in the funds you are invested in and we are unable to do this immediately. For more information please see the **Policy Provisions of the Investment Bond**.

When you make any additional investments there is no maximum age for the lives assured.

Rewarding loyalty

To reward you for investing with us over the longer term, we will add a loyalty bonus of 0.5% of your Bond's cash value on its 10th anniversary. The cash value is what your Bond would be worth if it was cashed-in on its 10th anniversary. This bonus does not apply to additional investments received after the 8th anniversary. The Bond has no fixed term and will continue after the 10th anniversary.

Segment your Bond to meet a range of investment objectives

We recognise that you are likely to have a variety of investment objectives and needs. So we've designed the Bond so you can use the existing independent segments to meet different objectives and manage them accordingly.

For example, you could invest an existing segment in a range of funds aiming for growth to fund a child or grandchild's future educational costs, a different segment for a future inheritance, one for a future personal income, or a more conservative portfolio for medium-term needs.

Each segment is treated as an independent policy. You can have different investment amounts, different funds and different withdrawal amounts across the segments within your Bond. You can't add to, or change, the number of segments in your existing Bond.

We must remind you the value of your investment can fall as well as rise, is not guaranteed and you could get back less than you invest.

Saving you time with automated options

With increasing demands on your time, you and your financial adviser can take advantage of automated options that make it easier to manage your Bond.

Drip-feeding

This option allows you to gradually move from your current fund choice to a different set of funds over time, with the aim of smoothing the ups and downs of a stockmarket investment.

Drip-feeding can also be useful if you wish to gradually reduce the risk profile of your investment – for example, in preparation for retirement.

Portfolio Rebalancing

Over time, the percentage of your Bond invested in each fund in your portfolio will change from the percentage you selected at outset due to the relative performance of each fund. This could result in a portfolio that no longer meets your risk profile or investment objectives.

Portfolio Rebalancing enables the proportion invested in each fund to be adjusted back to the selected percentages. You can choose to apply Portfolio Rebalancing on a monthly, quarterly, half-yearly or annual basis and it can be started or stopped at any time.

Portfolio Rebalancing can be useful to maintain different risk profiles for specific Bond segments. This can save administration time, for example if the Bond is held under Trust.

Please bear in mind

Using Drip-feeding or Portfolio Rebalancing could result in units being sold from funds that subsequently perform well and switched into funds that perform less well. This may mean that the value of your Bond would have been higher at that particular time had Drip-feeding or Portfolio Rebalancing not been applied.

There is no guarantee that Drip-feeding or Portfolio Rebalancing will be beneficial to the value of your Bond. Ask your financial adviser whether either of these options may be suitable for you.

Access to your money

The Bond can be used to provide a regular 'income' or to fund future expenditure. You can set up regular withdrawals at any time by giving us 30 days' notice.

One-off withdrawals can be taken as a fixed amount or a percentage of your overall investment or can be taken from specific segments/policies.

There is no minimum or maximum withdrawal amount but you must leave at least £5,000 in your Bond. This does not apply if you are fully cashing-in a segment or to certain withdrawals if your Bond is held under a Discounted Gift Trust – see the 'Withdrawals' section of the **Policy Provisions of the Investment Bond** for details.

We do not apply any exit charges – you can cash-in your Bond, or individual policies within the Bond, at any time. We reserve the right to delay payment indefinitely under certain circumstances. This may be for example, where we have to sell assets held in the funds you are invested in and we are unable to do this immediately. Please refer to the 'Investment Matters' section of the **Policy Provisions of the Investment Bond** for full details.

There are some important points you need to consider before making a withdrawal:

- Taking withdrawals (or paying adviser charges) from your Bond reduces its value. The value will therefore fall below the original investment amount if the amount taken is more than any growth of your fund after deductions. This is especially true if you take withdrawals (or adviser charges) immediately at the start of your Bond.
- From a legal and taxation point of view any withdrawal (or payment of adviser charges) taken from the Bond is considered a withdrawal of capital. It is subject to special income tax rules for calculating and assessing whether there is any income tax liability due on any profit you make (known as a chargeable gain). Any chargeable gain that you make on withdrawals will be free from capital gains tax, as well as the starting and basic rates of income tax. If you fall within the higher or additional tax rate bands you may have an income tax liability.
- You can withdraw up to 5% per year of the initial amount invested within each policy for a period of 20 years (including any adviser charges), or if you take less than 5% per year, until the value of the original investment amount has been fully withdrawn. Provided this amount is not exceeded, there will be no income tax payable at the time of each withdrawal as tax on these amounts is deferred until final cash-in. This 5% allowance is cumulative, which means, for example, you can withdraw 4% per year for 25 years; or if you do not use your 5% withdrawals in one year,

you can withdraw up to 10% in the following year with no immediate tax liability, regardless of your tax position. When you fully cash-in your Bond, previous withdrawals taken from the individual policies will be included when calculating income tax payable on any chargeable gain on your Bond.

- The 5% allowance applies to every additional investment as well as the initial investment. Each additional investment gives the policy an additional 5% allowance, based on the amount of the investment.
- If you withdraw more than 5% per year of the initial amount invested within each policy, you may be subject to an immediate tax liability. It is important to note that any adviser charging payments paid from the policy will count towards the 5% annual allowance.
- Tax treatment is subject to change and individual circumstances.
- If you take withdrawals based on a percentage of fund value, the value of the withdrawals can fall and rise in line with the value of your Bond.

For more information about the tax treatment of the Bond and the implications of taking withdrawals, please see the 'Tax and your Bond' section on page 8.

Checking the value of your Bond

Each year we will send you a valuation statement to keep you up-to-date with the value and performance of your Bond. You can also request your valuation over the phone at any time from our customer services team by using the contact details on the back page.

You can also take an active part in your investment by using our online services at phoenixwealth.co.uk where you can:

- view the current value of your Bond
- check the daily price of units in your fund or funds
- check and change your personal details
- switch funds.

Bonds fully or partially under Trust are not available online.

Tax and inheritance planning

Your Bond will continue until the death of the last life assured. With this in mind, assuring more than one life can provide more control over when the Bond is eventually cashed-in, which can assist in tax and investment planning.

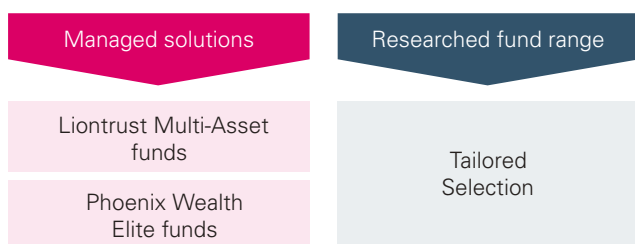
Inheritance tax and estate planning are complex areas. You should speak to your financial adviser to find out whether holding your Bond under trust may be suitable for you.

INVESTMENT CHOICE

Investing made simple

Why invest with us?

We're specialists in wealth management, and that means we're always looking to provide options that best suit your financial plans.



Liontrust Multi-Asset funds

For your varying investment goals, there are three risk profiled multi-asset fund ranges offering investment styles that are either; Active - actively managed by the fund manager on a daily basis to try and beat the fund's target or benchmark; Passively managed - also known as tracker funds where a certain benchmark is tracked (for example the FTSE 100 index); or, Blended which as the name suggests are a blend of actively and passively managed funds.

Phoenix Wealth Elite funds

Elite Fund of Funds can be a good way for you to spread risk and increase your chances of making a good return, although there are no guarantees. They are expertly managed by investment specialists, Aberdeen Standard Investments (ASI). You can choose from:

Managed Funds - a range of six ready-made portfolios that cater for different attitudes to risk, consisting of funds managed by some of the best investment experts around.

Sector Funds - a range of nine funds that let you get really hands-on and choose a portfolio from funds selected by our experts.

Elite Diversified Markets - a range of six funds of funds, managed by leading investment experts. They track the market, across a number of different benchmarks, so that your investments are diversified. And they come with cost-effective charges.

The funds are researched, selected and monitored by the investment professionals at Aberdeen Standard Investments (ASI) who follow a rigorous process of blending together some of the best known funds in a single portfolio fund.

Tailored Selection

Tailored Selection is an exclusive range of funds, all hand-picked by investment experts.

This range of funds from some of the leading fund investment houses is designed to give you the focused choice you need. Working with your adviser, you will be able to create a complete portfolio to match your attitude to risk.

Showcase funds

A small number of specialist funds within Tailored Selection – aiming to bring something a little different to your portfolios.

These funds have been selected not only for their management style and performance potential but also as an interesting investment opportunity that you may wish to explore with your adviser.

About Aberdeen Standard Investments (ASI)

ASI is the investment arm of Standard Life Aberdeen plc, one of the world's largest investment companies.

Comprised of highly experienced portfolio managers and fund analysts, the team at ASI has a strong reputation for managing fund of funds, combined with considerable scale and investment expertise.

The value of investments can go down as well as up. You could get back less than you invest.

SUMMARY AND CHARGES

We offer a clear charging structure so you can see exactly what you get for your money.

A quick summary	
Allocation	100% (98% if youngest life assured is 80 or over)
Fixed term	None
Annual Fund Management Charge	Variable depending on fund selected
Fund Expenses	Variable depending on fund selected
Switch charge	None
Early cash-in charge	None
Additional investments	No entry charge
Withdrawals	No charge to make regular and one-off withdrawals

Charges

General information about the charges you may incur is detailed in the **Key Features of the Investment Bond**. Specific information about the charges you will have to pay will be given to you by your financial adviser in your personal illustration.

We reserve the right to impose or amend our charges in accordance with the **Policy Provisions of the Investment Bond**.

Paying your Adviser

If you agree to pay your financial adviser for advising you on this investment, you can do this in one of two ways:

- You can choose to make a payment directly to your financial adviser (separately from your investment in the Bond) or
- You can choose to pay them a fee which is taken from your Bond.

TAX AND YOUR BOND

It is important to know exactly what you are investing in and how your investments may affect the amount of tax you have to pay.

The following information is based on our interpretation of the current law and HM Revenue & Customs' ('HMRC') practice. Tax rates and rules could change in the future and tax details are subject to personal circumstances so it might help you to review this section with your financial adviser.

Income tax and capital gains tax

As the Bond is a life assurance contract, you will not normally be liable to pay capital gains tax or the basic rate of income tax on any growth in your Bond.

Tax is paid on income and gains within the funds we offer and this is reflected in our funds' unit prices. Regardless of your tax status, you will not be able to reclaim any of this tax from HMRC.

If you are a higher or additional rate taxpayer when you take money from your Bond, you may have to pay income tax on any chargeable gains. The tax payable would be limited to the difference between either the higher and basic rate (currently 20%) or the additional and basic rate (currently 25%), depending on which category you fall into.

If you don't pay tax, or if you are a basic rate taxpayer when you withdraw money from your Bond, any chargeable gain (for example, if you withdraw more than your 5% annual allowance when taking all withdrawals and any payments towards adviser charging into consideration) may take you over the upper level of the basic rate income tax limit.

In this case you would become a higher or additional rate taxpayer.

For Bonds taken out on or after 6 April 2013, any chargeable gain may be reduced if you are resident outside of the UK for any period whilst you have your Bond.

The actual amount of tax payable could be less due to 'top slicing relief'. This is a complex area to explain and is beyond the scope of this document.

Tax rates and rules could change in the future and tax details are subject to personal circumstances.

It might help you to review this section with your financial adviser who can provide more details where appropriate.

The way the tax is calculated depends on your individual circumstances and how you take money out from your Bond.

- Partial (one-off and regular) withdrawals – you may have an immediate tax liability on any withdrawals (combined with any adviser charges paid from the policy) above the 5% annual withdrawal allowance at the time you make these withdrawals.
- Full cash-in of one, all or a number of policies – the tax calculation is slightly different and takes into account any profit made on the policy and any amounts you have previously withdrawn (including any adviser charges paid from the policy). This calculation is explained on the next page.

Taking withdrawals and adviser charges from your Bond reduces its value. The value will therefore fall below the original investment amount if the amount taken is more than any growth of your policy after charges.

5% annual withdrawal allowance

You can withdraw up to 5% per year of the initial amount invested within each policy for a period of 20 years (including any adviser charges), or if you take less than 5% per year, until the value of the original investment amount has been fully withdrawn. Provided this amount is not exceeded, there will be no income tax payable at the time of each withdrawal as tax on these amounts is deferred until final cash-in. This 5% allowance is cumulative, which means, for example, you can withdraw 4% per year for 25 years; or if you do not use your 5% withdrawals in one year, you can withdraw up to 10% in the following year with no immediate tax liability, regardless of your tax position. When you fully cash-in your Bond, previous withdrawals taken from the individual policies will be included when calculating income tax payable on any chargeable gain on your Bond.

The 5% allowance applies to every additional investment as well as the initial investment. Each additional investment gives the policy an additional 5% allowance, based on the amount of the investment.

Adviser charges and impact on 5% withdrawals

Any adviser charges taken from your Bond count towards your 5% annual withdrawal allowance. This means there may be an immediate tax liability if your withdrawals, combined with any adviser charges, are above 5% of the initial amount invested.

If ongoing adviser charges are taken as a percentage of the bond's value and that value increases, the actual amount of the ongoing adviser charge will also increase.

Personal allowance/tax credits

Most people have a personal income tax allowance, whereby you do not have to pay tax on any income up to that allowance. Your financial adviser will be able to tell you the current tax year allowance.

Please note

- Any chargeable gains from your Bond in a given tax year are included in your total income for certain purposes. This may affect your entitlement to allowances such as age related income tax allowance, child tax credits or working tax credits.
- Your personal income tax allowance will be reduced by £1 for every £2 you earn over £100,000, until all your allowance has been used. For example, if you earn £110,000, then your allowance will be reduced by £5,000.

Chargeable events

The following scenarios are known as 'chargeable events' and may trigger an immediate income tax charge.

- If you cash-in one or more of the policies within your Bond.
- If you withdraw more than your cumulative 5% allowance in any Bond year when combined with any payment for adviser charges.
- If you decide to change the ownership of all or part of your Bond for money or money's worth (whereby money or an equivalent is paid in exchange for ownership).
- If there is a death giving rise to the payment of death benefits under your Bond.

Cashing-in policies – calculating the chargeable gain

Calculating the chargeable gain and the average gain, and therefore any income tax liability, on cashing-in policies, or when the last life assured dies, involves three steps.

Step 1

The chargeable gain is worked out by using the formula $(A - B) + (C - D)$ where:

A	Is the cash-in value of the policies cashed-in.
B	Is the amount invested in the policies cashed-in, including any extra investments.
C	Is the total of those amounts previously withdrawn (including any adviser charges) from the policies cashed-in.
D	Is the total of the amounts previously withdrawn (including any adviser charges) that are above the 5% entitlements you are allowed, from the policies cashed-in.

Step 2

The average gain is calculated by dividing the chargeable gain by the number of complete years you have held the policies that are being cashed-in.

Step 3

The tax is calculated on the average gain, and (after deducting a credit for basic rate tax) the result is then multiplied by the number of complete years you have held the policies to find the tax payable on the chargeable gain. So you could reduce or eliminate any liability to income tax on the chargeable gain if you cash-in policies when income is low, for example after retirement.

If you die, any death benefit payable under the terms of the Bond in addition to its cash-in value is not treated as a chargeable gain. This means the additional amount is free of any liability to income tax and capital gains tax.

FINANCIAL ADVISER

For more information about the Investment Bond and the options available to you, please speak to your financial adviser.

Please note that financial advisers use a variety of different ways to charge you for their services and you will be liable for any charges incurred. Please ask your financial adviser for full details of these charges.

If you do not have a financial adviser and would like to speak to one in your area, you can visit **unbiased.co.uk**.

CONTACT US

If you want more information about the Investment Bond please:

Call us on **0345 129 9993**

Available 8.30am – 5.30pm, Monday to Friday. As part of our commitment to quality service and security, telephone calls may be recorded.

Email us at **customerservices@phoenixwealth.co.uk**

Please be aware that emails are not secure as they can be intercepted, so think carefully before sharing personal or confidential information in this way.

Visit us here **phoenixwealth.co.uk**

Write to us at

Phoenix Wealth, Unit Linked Life & Pensions, PO Box 1393, Peterborough, PE2 2TP