

key features of your Royal Skandia Collective Bond

for UK customers



keyfacts[®]

The Financial Services Authority is the independent financial services regulator. It requires us, Royal Skandia, to give you this important information to help you decide whether our Collective Bond is right for you. You should read this document carefully so you understand what you are buying and then keep it safe for future reference.

contents at a glance

about Royal Skandia	4
our approach, facts and figures	
aims	5
the Collective Bond and its benefits	
your commitment	7
what you have to do as the investor	
risks	8
factors that could affect your bond's performance	
questions and answers	9
Q1. could the Collective Bond be right for me?	9
Q2. is my money guaranteed?	9
Q3. what might I get back?	9
Q4. what funds can I choose from?	10
Q5. what are 'unit-linked' funds?	11
Q6. what are 'external' funds?	11
Q7. can I change my fund choice?	12
Q8. what currency flexibility does my Collective Bond offer?	12
Q9. where can I find out about the charges?	13
Q10. how will I know how my Collective Bond is doing?	14
Q11. can I take money out?	14
Q12. how can I make payments?	15
Q13. what happens to my Collective Bond if I die?	15
Q14. what about tax?	15
Q15. can I put my bond into a trust?	16
Q16. can I change my mind?	16
other information	17
contact details	17
complaint procedures	17
about the policy terms and conditions	18
compensation and investor protection	18

please read this document carefully

The purpose of this Key Features Document is to give you a clear and balanced summary of the information you need to help you make a decision about the Royal Skandia Collective Bond.

Reading financial literature can be daunting, so we try to make our brochures and other documents as clear as possible, with no 'small print'. If technical expressions are unavoidable, we also include an explanation in plain English. We test our literature regularly to make sure that it can be understood by our customers.

Please read this Key Features Document in conjunction with your personal Key Features Illustration, enclosed.

We look forward to welcoming you as a Royal Skandia customer.

thank you

about Royal Skandia

The Collective Bond is provided by Royal Skandia Life Assurance Limited, which is part of the Skandia Group of companies, owned by Old Mutual plc. Old Mutual is an international financial services group with headquarters in London. As a FTSE® 100 company, it is one of the 100 largest companies listed on the London Stock Exchange.

Royal Skandia has operated from the Isle of Man since 1984 and now manages £9 billion* of policyholders' money in tax-efficient investment and savings products.

All references to Royal Skandia, we, us and our in this document mean Royal Skandia Life Assurance Limited.

** As at 31 December 2008. Source: Skandia International.*

enabling intelligent investment choice

If the name Royal Skandia is not familiar to you, that's because we do not sell or promote our products directly to customers. Instead we deal only through regulated financial advisers as we believe taking professional advice gives you the best chance of achieving your goals.

We do all we can to make sure that the people who are advising about our products fully understand them and the benefits and risks that need to be considered. We also try to make our product information as clear as possible in order to ensure you have all the information you need to make an intelligent investment choice.


Royal Skandia won, among other awards, 'Best Commitment to Service' and 'Best International Life Group' in 2009 at the 10th International Investment Fund & Product Awards held in London.




aims

the Collective Bond and its benefits


The Collective Bond aims to provide a flexible method of investing your money with the potential for growth over the medium to long term. It is designed to allow your capital to grow and to offer you the option to take regular, tax-efficient withdrawals.


With the Collective Bond you can enjoy significant investment freedom by spreading and varying your investments across a wide range of funds and/or different assets, as you wish, according to your financial goals and your attitude to risk. 

Because it can be structured as either a life assurance or capital redemption policy it can provide you with the most appropriate tax planning benefits to suit your needs. 

The two Collective Bond options are:

- **The Collective Investment Bond** – set up on a life assurance basis
A life assurance bond has one or more 'lives assured', which means the bond will come to an end when the person(s) whose life is covered by the bond dies. With the Collective Investment Bond you have a choice of having one, two or more lives assured, to ensure the continuity of your bond. Where there is more than one life assured, the bond will end when the last person whose life is assured dies. We will pay a death benefit of 101% of the encashment value after we have been notified of the death of the last life assured.
- **The Collective Redemption Bond** – set up on capital redemption basis
A capital redemption bond does not have lives assured; therefore it will not come to an end on death. Instead the Collective Redemption Bond has a 99-year fixed term and your investment will continue to the end of the term (the maturity date), unless you fully cash it in before the maturity date. Each policy within your bond still in force at the maturity date has a minimum guaranteed value of twice the premium amount you have paid (less any withdrawals) or the encashment value on the maturity date, which we will pay to the owner(s) of the policies on maturity.

See Q4 'what funds can I choose from?' 

See Q1 'could the Collective Bond be right for me?' 


definitions

Policy – your bond will consist of a number of policies and your premium will be spread equally across the number of policies you choose. The benefit of having more than one policy is to enhance the flexibility from a UK tax point of view when you cash in or withdraw money from your bond. We will automatically issue ten policies if you have left the box for the number of policies in the application form blank.




Encashment value – this is the amount of money you receive when you choose to cash in your bond, after any outstanding charges have been deducted. This is also sometimes referred to as a 'surrender value'.

continued over page

aims (continued)

Whether you choose the [Collective Investment Bond](#) or the [Collective Redemption Bond](#), both may offer the opportunity to take advantage of several tax benefits, including arrangements that can help to reduce your inheritance tax (IHT) liability. Your financial adviser will have discussed the tax issues that are relevant to you. 

The Collective Bond enables you to:

- choose from many tax-efficient funds to match your investment objectives
- transfer in and consolidate your existing fund holdings into your bond (subject to our acceptance) giving you the convenience of holding all your funds in one portfolio
- easily switch funds within your bond without any tax liability 
- have easy access to your money, either through tax-efficient regular withdrawals of up to 5% a year of your original investment or through one-off payments 
- cash in the whole or part of your bond whenever you wish. 

See Q14
'what about tax?'



See Q9 'where can I find out about the charges?'



See Q11 'can I take money out?'



See Q9 'where can I find out about the charges?'



your commitment

what you have to do as the investor

You should make sure that you understand the features and risks of this product so you can decide whether it is likely to meet your needs and expectations in terms of flexibility, capital growth and taxation planning.

You must invest an initial sum of at least £25,000 (or other currency equivalent). **i**

You need to choose the fund or funds in which to invest your money. Your financial adviser can help you decide which funds are appropriate. **i**

To ensure that your Collective Bond and chosen funds continue to meet your needs, you should monitor their performance regularly, consider new funds that become available and make whatever changes (fund switches) may be necessary. Your financial adviser will be able to help you with this.

cash holding

We strongly recommend you maintain a cash holding of 5% of your total investment in a deposit-based or money-market fund in your chosen bond currency so that money is readily available to meet charges and any regular withdrawals, if applicable. **i**

If there is insufficient cash in your bond to meet charges or withdrawals then we will sell investments from the deposit fund and then the largest holdings in line with the Policy Terms and Conditions (available from your financial adviser). There may therefore be delays in paying any withdrawals until the money from these sales is available.

Because the Collective Bond is designed to be a medium- to long-term investment, you should aim to hold it for at least 5-10 years. You can cash it in earlier but there may be charges for doing so. **i**

You will also need to keep us informed of any future change of address or contact details so we can continue to keep in touch with you. Our contact details are on page 17.

See Q8 'what currency flexibility does my Collective Bond offer?' **i**

See Q4 'what funds can I choose from?' **i**

See Q8 'what currency flexibility does my Collective Bond offer?' **i**

See Q9 'where can I find out about the charges?' **i**

go online

Go online now to find out more about the Collective Bonds, the range of Royal Skandia funds available for you to invest in and fund performance reports: www.royalskandia.com/investments

REGISTER ONLINE – When you become a policyholder you can monitor your investment simply and conveniently by registering for our online Client Centre.



If you are a trustee or representing a company which will be the policyholder then you will not be able to register for online facilities at this time.

risks

factors that could affect your bond's performance

All types of investment involve some risk. The Collective Bond gives you access to a wide variety of investment funds, the value of which may fall as well as rise. You accept this investment risk by taking out this bond. This means that we cannot guarantee the amount you get back when you cash in your bond. It may be less than forecast in the enclosed personal Key Features Illustration, or less than you invested, for the following reasons:

CHOICE OF FUNDS

- The funds available all have specific objectives and associated risks. These differ according to the assets held within them. For example, if you choose 'emerging market' funds that are invested in parts of the world with less well-established economies, their value could be subject to considerable price changes – known as 'volatility'. Similarly some funds, such as those investing in property, can be difficult to sell and you might not be able to sell or switch from such funds as quickly as you want. Your personal Key Features Illustration, accompanying this document, describes the objectives and risks that relate to the funds chosen. 
- If you do not review the choice of funds within your bond regularly and monitor their performance, they may fail to meet your expectations.
- If the funds in your bond do not match your attitude to risk (willingness to accept potential losses), they may not perform as you anticipate.
- Where a fund holds investments in a currency different to the one in which it is denominated and in which your bond is held, there may be additional risks because of exchange rate fluctuations. 


See Q4 'what funds can I choose from?'



See Q8 'what currency flexibility does my Collective Bond offer?'



CHARGES AND WITHDRAWALS

- The effect of charges may be higher than illustrated. For example, you might decide to switch to funds with higher charges than those shown in your Key Features Illustration, or investment management costs may increase in the future. 
- If you take greater regular withdrawals than originally planned, the value of your Collective Bond may be less than shown in your Key Features Illustration.


See Q9 'where can I find out about the charges?'



TAX CHANGES

- Tax rules could change in the future.

CANCELLATION RISK

- If you decide to cancel your bond within the first 30 days, its value could fall over this time. If so you will get back less than you invested. 


See Q16 'can I change my mind?'




The section **your commitment** (on page 7) will help you understand how you can reduce some of these risks.

questions and answers

Q1. could the Collective Bond be right for me?

This could be the right investment for your needs if you are looking for investment growth and/or the facility of taking withdrawals, and you can afford to commit a minimum investment of £25,000 (or other currency equivalent) for at least 5-10 years. It involves more risk than bank or building society savings accounts, but the potential for growth is greater. 

If you already hold individual collective investment funds or unit trusts as described on page 10, then you might also want to consider using our asset transfer facility when applying for your Collective Bond. This can make up part or all of your investment into your Collective Bond. If you would like to know more about our asset transfer facility then we recommend you speak to your financial adviser. Please note that the minimum sum you can transfer is £50,000 (or other currency equivalent). 

Whether you choose the Collective Investment Bond (life assurance) or the Collective Redemption Bond (capital redemption), it can be set up to continue after your death, possibly to help with inheritance tax planning. As your attitude to risk and your financial objectives change, you can switch your fund choices accordingly.

If you have any questions about the suitability of this bond, its features and the funds you are intending to invest in, we recommend you speak to your financial adviser.


See Q8 'what currency flexibility does my Collective Bond offer?'



See Q6 'what are 'external' funds?'



Q2. is my money guaranteed?

No, the value of your investment in the Collective Bond can go down as well as up and you may not get back the amount invested. 


See 'risks' on page 8



Q3. what might I get back?

Your personal Key Features Illustration enclosed with this document gives examples of what you might get back. The projections shown are based on a range of assumptions about future growth rates, none of which are guaranteed.

The amount you get back will depend on:



- how much you have invested
- how long your premiums have been invested
- the investment performance of your chosen fund or funds
- how much you have previously withdrawn
- the charges that we have taken
- any tax due when you cash it in. 


See Q14 'what about tax?'




Q4. what funds can I choose from?

You can choose from an extensive choice of collective investment funds and assets, including:

- Royal Skandia's own range of unit-linked funds, managed by some of the world's most prestigious fund management groups 
- any external collective investment funds, funds with UCITS status, SICAVs, FCPs or unit trusts agreed by us 
- bank deposits.


Our own range of unit-linked funds covers a wide spread of UK and overseas investments, including: shares, government stocks, fixed interest securities (such as gilts, corporate bonds and eurobonds) and commercial property. 


The Royal Skandia Deposit Fund can be used to hold cash to secure any gains or to decrease exposure to market movements. 


Your financial adviser can help you choose the most suitable funds for your circumstances and needs. You can invest in as many funds as you wish, subject to a minimum of £2,500 (or other currency equivalent) in each holding. Please note that some fund managers may have a higher minimum investment requirement than Royal Skandia. Your financial adviser can provide you with details on this.


As you are investing through a Collective Bond you may be able to access funds/assets not normally available to you as an individual investor. Some of these are 'specialist' funds/assets and it is essential that you seek professional advice and review the underlying prospectus to ensure you are aware of the risks relating to this type of investment.

You can get information about individual funds from your financial adviser or alternatively, if you have selected from Royal Skandia's own range of unit-linked funds, from us at www.royalskandia.com/funds/index.asp

See Q5 'what are 'unit-linked' funds?' 

See Q6 'what are 'external' funds?' 

See Q5 'what are 'unit-linked' funds?' 

See 'your commitment' on page 7 

definitions

Collective investments – are arrangements where investors pool their assets and have them professionally managed by an independent manager. Typical examples in the UK are authorised unit trusts and open-ended investment companies (OEICs), (see definition on page 11).

Undertakings for collective investment in transferable securities (UCITS) – are collective investment schemes, which must comply with the European UCITS Directive, ie regulations and administrative provisions relating to undertakings for collective investments in transferable securities.

Société d'investissement à capital variable (SICAV) – are open-ended collective investments common in Western Europe, especially Luxembourg. These are increasingly sold under the UCITS Directive to allow wider marketing in the European Union.

Fonds commun de placement (FCPs) – are open-ended investments similar to SICAVs. They are typically issued in French-speaking countries in Europe.

Fund management groups – are investment management companies that employ the expertise of specialist fund managers to run their portfolio of funds on behalf of both private and institutional investors. Examples are Fidelity, HSBC, Invesco Perpetual, BlackRock and Schroders as well as many others.

Unit trusts – are pooled investments created under trust laws. Investors buy and sell units in the fund, based on the buying ('offer') and sale ('bid') prices set by the investment management firm.

Gilts, corporate bonds, eurobonds – are fixed-interest financial assets issued by governments, companies, banks, public utilities and other large entities. Bonds pay the owner a fixed rate of interest (also known as the coupon) at regular intervals and the capital is repaid at a future specified date (the maturity date).

Q5. what are 'unit-linked' funds?

Unit-linked funds are offered by life assurance companies as a way of making a range of investment opportunities available to their customers within their products.

Royal Skandia's unit-linked funds invest in a wide range of collective investment schemes such as UCITS and unit trust funds, and also directly into shares. Collective investment schemes allow a number of investors to pool their money and have it professionally managed by an independent manager. The pooled investments in turn can invest in a variety of assets, such as gilts, bonds, shares, property and so on. Risk is therefore spread as you are not relying on the performance of one asset. The assets that unit-linked funds invest in are known as 'underlying funds' or 'underlying assets'.

Some unit-linked funds restrict their underlying assets to a particular asset class, for example equities, whilst others will hold a range of asset classes to meet a specific objective.

The value of these funds/assets can fall as well as rise and they could, in exceptional circumstances, become valueless either temporarily, because of suspension, or permanently. You accept this risk by choosing to invest in these funds/assets.

Please also note that both the unit-linked funds and all the underlying funds/assets in the Collective Bond are owned by Royal Skandia. All rights relating to these funds and assets belong to Royal Skandia. We accept no responsibility for the investment performance of an investment.


The charges and tax applicable to unit-linked funds are different from those applied to underlying funds, which is why the prices quoted in the press will be different.

In spite of these differences the bond which you own and the amount you get back is directly linked to the performance of the funds which you or your appointed fund adviser have chosen.

Q6. what are 'external' funds?

Investing in external funds means you invest directly into the 'underlying funds' as described in Q5, rather than using Royal Skandia's unit-linked funds. This provides you with a wider investment choice as you can hold most open-ended funds such as UK-authorized collective investments, unit trusts and open-ended investment companies (OEICs).

In addition to the open-ended funds you can also hold UK-authorized investment trusts. All external funds are subject to our acceptance criteria. Your financial adviser can provide you with more details on the permitted investments. The value of all these funds/assets can fall as well as rise and they, as well as bank deposits, could in exceptional circumstances become valueless either temporarily, because of suspension, or permanently. You accept this risk by choosing to invest in these funds/assets.

Please note that all underlying assets in the Collective Bond are owned by Royal Skandia. All rights relating to these funds and assets belong to Royal Skandia. We accept no responsibility for the investment performance of an investment. However, the value of your Collective Bond which you own and the amount you get back will be directly linked to the performance of the funds you or your appointed fund adviser have chosen. 

See 'risks' on page 8 

definitions

Open-ended investment companies (OEICs) – like unit trusts these are pooled investment opportunities, but unlike unit trusts they have a company structure rather than operating under trust law and deal in shares rather than units. An OEIC has a single price, both for selling and buying shares in the fund, unlike unit trusts which have dual 'bid' and 'offer' pricing (see 'definitions' on page 10).

Investment trusts – are companies quoted on a stock exchange which invest their shareholders' money in the shares of other companies. Investment trusts can only issue a fixed number of shares – which is why they are also referred to as 'closed-ended funds'. The price of these shares is determined like other quoted shares, by supply and demand.

Q7. can I change my fund choice?

You can change your choice of funds whenever you wish. Most fund switches involve a dealing charge. **i**

You should review your choice of funds regularly and change them if your selection no longer meets your needs. Your financial adviser will be able to help you with this.

See Q9 'where can I find out about the charges?' **i**

Q8. what currency flexibility does my Collective Bond offer?

With the Collective Bond you can choose which currency you want for bond valuations and premium payments. You can also hold funds in different currencies:


- **Bond currency** – your Collective Bond investment can be held in any of the currencies listed in the investment details of the [guidance notes for starting or adding to your Royal Skandia Collective Bond](#), which is part of the application form. You can choose which currency you wish your bond valuations to be shown in on your valuations. This is known as the bond or policy currency. This is also the currency in which the deduction of bond charges will be made, or charges applying to fund switches.
- **Premium currency** – if you choose a bond currency other than that in which you make your investment payment, you should be aware that we will notionally convert your payment into your chosen bond currency. This means we will not physically convert the payment itself, just apply the converted amount to your bond. This currency conversion could expose you to exchange rate fluctuations. Any conversion that we make will be based on the closing market mid-rate* provided to us by a third-party currency rate provider on the date we receive your investment payment to our bank account. The converted investment payment will be the amount which is shown in your policy schedules.
- **Base currency** – in addition to the above, your Collective Bond can hold assets in different currencies, no matter what currency your Collective Bond is held in.


However, please note that although Royal Skandia's own unit-linked funds are priced in multiple currencies, they can only be held in your bond in the currency in which their underlying funds are denominated. Ask your financial adviser for more information about which currencies apply to which funds. **i**

See Q5 'what are 'unt-linked' funds?' **i**

* All currencies have a market rate. Any provider dealing with currencies will independently set different 'buy' and 'sell' rates, which include overheads and profit margins. The market mid-rate is derived from the mid-point between 'buy' and 'sell' rates used in the global markets.

Q9. where can I find out about the charges?


Your enclosed personal Key Features Illustration gives details of the charges made for managing your bond and the investments within it, how the charges are taken, and the effect they could have on the value of your bond. 


See your enclosed Key Features Illustration 


Full details about the charges that apply to your Collective Bond will be confirmed in the **charges schedule** which will be sent to you, together with your policy documents, after your bond has started.


One-off and regular charges applied to your Collective Bond are used to pay:

- Royal Skandia, the provider of the bond, to cover the cost of setting it up and administering it
- the managers of the funds you have chosen to invest in, to cover their administrative costs (which are reflected in the unit prices)
- the charge for advice given by your financial adviser.

We may increase these charges to reflect Isle of Man inflation and if the administrative costs associated with your bond, or our own range of unit-linked funds within it, increase. Reasons could also include, but are not limited to, changes in taxation, regulation and the law. If we have to do this we will let you know*. 

See Q4 'what funds can I choose from?' 

** Due to the large number of external funds available for our policyholders to invest in, we are unable to monitor and notify our policyholders of any changes to external funds. We therefore recommend that a review of external funds forms part of your yearly review with your financial adviser.* 


See Q6 'what are 'external' funds?' 


EARLY WITHDRAWAL

We make an early withdrawal charge under certain circumstances*.

These include:

- if you fully cash in your bond
- if you cash in some of the policies in your bond
- if you take a withdrawal across all policies and the withdrawal results in less than 25% of your total investment remaining in your bond and its encashment value falls below £10,000 (or other currency equivalent).
- on death of the last life assured (Collective Investment Bond only).


** The actual amount and time frame of any early withdrawal charge will vary, depending on the charging structure chosen.* 


For more information about the early withdrawal charge see your enclosed Key Features Illustration 

DEALING CHARGE


If you want to switch funds this will in most cases be subject to a dealing charge, currently £15 for each transaction. A switch consists of two transactions. Firstly you switch out of or sell holdings in the fund you are invested in. Secondly you switch into or buy holdings in the fund you wish to invest in. The total dealing charge would therefore be £30.

You can find details about whether this charge applies to your bond in your personal Key Features Illustration.

If you hold non-Royal Skandia funds/assets there may also be third-party charges which apply, such as bank charges, which will be included in the net amount being switched. 

For more information about all the charges, including third-party charges, see the document **overview of Royal Skandia's Collective Bond charges** available from your financial adviser. 

Q10. how will I know how my Collective Bond is doing?

The majority of funds you can invest in are priced daily. The value of your Collective Bond is based on the total number of units you have in each fund. If the unit prices of the fund rise or fall, so will the value of your Royal Skandia bond. 

When you become a policyholder you will be able to register for our Client Centre at www.royalskandia.com

Here you can access:

- a summary view of all your Royal Skandia policies in one place
- personal valuations.


If you do not have internet access, we will keep you regularly informed about the value of your Collective Bond by sending a valuation statement each quarter. This shows the opening and closing value of your Collective Bond for each quarter, plus any investments made, benefits paid and the charges we have deducted. If you need additional valuation statements you can get these by asking your financial adviser for an update or by calling our valuation line on 01624 655 500 .

Q11. can I take money out?


REGULAR WITHDRAWALS

You can make withdrawals of up to 5% each year of the amount you have invested, without any immediate UK tax liability. You can take this payment monthly, quarterly, half-yearly or yearly. The minimum withdrawal is £500. To meet regular withdrawals, unless you specify otherwise, we will partially cash in the policies which make up your bond. In this instance no early withdrawal charge will apply as long as the amount remaining in the bond after any withdrawals fulfils both of the following criteria:

- 25% of your total investment remains invested; and
- the encashment value exceeds £10,000 (or other currency equivalent).

If you are a UK taxpayer and ask for a withdrawal of more than 5% a year, or withdraw over the years more than you have invested, this may make your withdrawal liable to income tax. 

ONE-OFF WITHDRAWALS OR FULL ENCASHMENT

You can take one-off withdrawals or cash in your bond at any time by writing to us at our Head Office. If you take one-off withdrawals we will partially cash in the policies which make up your bond unless you tell us otherwise. You should discuss the alternatives with your financial adviser. Please note you must enclose the policy documents if you want to cash in all the policies in your bond. 

We may not accept a one-off withdrawal request, or we may limit the amount available, if the value remaining in the Collective Bond immediately after the withdrawal falls below the higher of 5% of your total investment or £10,000 (or other currency equivalent).

You should also consider any tax implications.

See 'risks' on page 8




See Q14
'what about tax?'




See Q9 'where can
I find out about the
charges?'





Q12. how can I make payments?

You can make your payment either by cheque or electronic bank transfer in most major currencies, or by using our asset transfer or share exchange services. All cheques must be made payable to Royal Skandia Life Assurance Limited*. If you wish to make an electronic bank transfer you can find full information on the banking details in the [guidance notes for starting or adding to your Royal Skandia Collective Bond](#), which you will find in your application form. 

You can add to your investment whenever you like by making further payments of at least £2,500 (or other currency equivalent). Please contact your financial adviser or write to us at our Head Office address. 

* Please note that cheque payments in currencies other than pound sterling (£) may take longer to clear and some non-UK banks may apply high charges.

See Q8 'what currency flexibility does my Collective Bond offer?' 

See 'contact details' on page 17 


Q13. what happens to my Collective Bond if I die?


If you choose the [Collective Investment Bond](#), you can set it up to cover your own life ('single-life' basis), yourself and one other person ('joint-life' basis), or yourself and others ('multiple-life' basis). You can also set it up to cover a life other than yourself ('life of another').


When the last person whose life is assured dies, we will pay out 101% of the encashment value of your bond. (So, if the encashment value of your bond at death is £200,000, for example, the total amount paid out will be £202,000.)


If you have put your bond under trust, we will pay the benefit to the trustees to distribute. 

Such payments may in certain circumstances be subject to an early withdrawal charge. 

If you choose the [Collective Redemption Bond](#) then your bond will continue until its maturity date, unless it is fully cashed in by you before your death, or by your executors following your death, or by the trustees if it is held under trust. 

See 'Tax on bonds under trust' on page 16 


See Q9 'where can I find out about the charges?' 

See page 5 for more information on capital redemption 


Q14. what about tax?

PERSONAL TAX

The following applies if you are a UK taxpayer. If you are not a UK taxpayer then you need to take advice about tax from your financial adviser.

- You will not normally have to pay capital gains tax in connection with your bond.
- You may withdraw up to 5% of your original investment (plus any additional investments) each year for at least 20 years without any immediate liability to income tax.
- If you withdraw more than 5% a year, or withdraw over the years more than you invested, you may be liable to tax*.
- When you finally cash in your bond, you may have to pay income tax on any gain you have made. This could also affect your right to age-related personal reliefs and any entitlement to children's tax credit*.
- If you have chosen the life assurance option, your bond is treated for tax purposes as though you had fully cashed it in just before the relevant death.
- If you have set up your bond under trust it will be treated accordingly for tax purposes. 

* The tax position of your bond may change in the future. You may be subject to additional taxes or costs which are not accounted for within the contract. Please refer to your financial adviser for advice about tax liabilities.

See 'Tax on bonds under trust' on page 16 

continued over page

TAX ON BONDS UNDER TRUST

If you have been advised to set up your bond under trust, any liability to income tax will depend on several factors, including the type of trust and when the bond is cashed in. If your trustees are thinking of cashing in a bond set up under trust, they should speak to their financial adviser as there may be a potential income tax liability.

We strongly recommend that you speak to your financial adviser before making any decisions regarding trusts.

TAX ON FUNDS

The funds in which you invest are not currently liable to taxes in the Isle of Man, where Royal Skandia is based. However, investment income building up in any fund/asset may be subject to a tax deduction in the country where the income was produced.

Q15. can I put my bond into a trust?

Yes, it is possible to place your bond into a trust. If you put your bond in a trust, the trust conditions will need to be followed when making changes to the bond. Details of how the trust works can be found in the relevant trust literature and in the trust documents. It is important for trustees to ensure that any changes they make to the bond do not breach the trust conditions.

We strongly recommend that you speak to your financial adviser before making any decisions regarding trusts.

Q16. can I change my mind?

Yes. When we notify you that your application for the Collective Investment Bond or Collective Redemption Bond has been accepted and send you the appropriate documentation, we will remind you that you have 30 days to change your mind and cancel your application. You can do this by writing to the customer service centre at the address shown in **contact details** on page 17.

If you decide to cancel, we will give you your money back. However, if the value of your investment has fallen in the meantime, you may not get back the full amount you paid in. You should be aware that this reduction could be substantial if your chosen funds have a medium or high level of volatility or risk, or non-refundable charges. The description of the funds and/or assets you have chosen will give details if this applies. In cases where the investment you have selected is not redeemable for a period, we may not be able to return that part of your payment until the end of that period. Any Royal Skandia charges will be refunded in full.

other information

contact details

If you need any further information about this product, please contact your financial adviser in the first instance. If you wish to contact us directly, you can do so in the following ways:

Phone: 01624 655 555

Fax: 01624 611 715

By writing to: Royal Skandia Life Assurance Limited
Skandia House
King Edward Road
Onchan
Isle of Man IM99 1NU

complaint procedures

Customer satisfaction is very important to us at Royal Skandia, but if you do have any cause to complain about the service provided, either by your financial adviser or by Royal Skandia, you should proceed as shown below.

If your complaint relates to the advice you have been given you should write in the first instance to your financial adviser. If it concerns the service you have received from Royal Skandia, please write to the Complaints Team Manager at the address above, and we will do everything we can to resolve your problem.

If you are not satisfied with the response you receive and your complaint relates specifically to advice on the sale of your Collective Bond given by a UK-regulated financial adviser, you can complain to:

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

If your complaint relates to the administration or service of your Collective Bond and if you are not satisfied with our response then you can complain to:

The Financial Ombudsman Service for the Isle of Man
Government Buildings
Lord Street
Douglas
Isle of Man IM1 1LE

Complaining to either Ombudsman will not affect your legal rights.

other information (continued)

about the policy terms and conditions

This Key Features Document gives a summary of our two Collective Bond options. It does not include all the definitions, exclusions, or Policy Terms and Conditions.

For a copy of the relevant Policy Terms and Conditions and our customer brochure [how the Royal Skandia Collective Bond could be your investment solution](#), or for more information about the fund range, please ask your financial adviser or contact us directly.

We reserve the right to amend certain contractual terms, some without prior notice, as explained in the Policy Terms and Conditions. If we do so we will let you know in writing and you may, if you wish, cash in your policy.

The contract you are applying for is subject to Manx Law. If your application is accepted, we will send you the Policy Terms and Conditions confirming the law applying to the contract. You can also obtain a copy of the Policy Terms and Conditions from your financial adviser.

All our literature and future communications to you will be in English.

We provide all disclosure documents in accordance with the pre-contract disclosure requirements applying in the United Kingdom.

compensation and investor protection

Policyholder protection schemes are regarded as a safety net for policyholders of a life assurance company and allow policyholders to claim for compensation in the unlikely event the life assurance company becomes insolvent. The rules governing schemes and specific rights for each policyholder vary from one jurisdiction to another and in some jurisdictions there is no scheme at all.


On the Isle of Man there is a statutory protection scheme which covers Royal Skandia policyholders. This compensation scheme is a result of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 which protects all investors whose policies are effected on or after 1 February 1991.

- Eligible investors in policies issued by Isle of Man authorised life assurance companies are protected no matter where in the world they reside.
- In the unlikely event that a life assurance company is unable to meet its liabilities, the policyholder will be protected by this compensation scheme.
- The compensation scheme offers investors up to 90% of the policy benefit. For the purposes of the scheme this is calculated as the policy value less any contractual charges associated with the policy. No monetary limit applies to the calculation of the policy benefit.

continued over page

other information (continued)

Please note that this protection only applies if Royal Skandia is unable to meet its liabilities.

Royal Skandia only writes unit-linked business and therefore there is always a close link between the value of the company's assets and the liabilities to its policyholders. Assets linked to Royal Skandia policies are segregated from Royal Skandia's business assets in order to comply with the Isle of Man Insurance Act 2008. 

The value of your Royal Skandia Collective Bond is linked to the value of bank deposits and investments generally managed by third parties such as banks and fund managers. In the event that the provider of an asset, including bank deposits, fails, compensation will depend on the scheme in place where that provider is registered. You should be aware that any compensation arrangements are likely to relate only to Royal Skandia's aggregate holdings across all affected policies rather than to individual investors. As a result you may not benefit from any scheme.

Full details are available from Royal Skandia on request.

As you are invested into funds/assets through a Collective Bond you are unlikely to be eligible for any compensation schemes which may apply to individuals investing directly. If this is a concern, please discuss this with your financial adviser so you are aware of the possible risks.

See Q5 'what are
'unit-linked' funds?'



Royal Skandia Life Assurance Limited, which provides the Collective Bond, is authorised and regulated by the Financial Services Authority in relation to its conduct of business in the UK.

Royal Skandia's products are available only through professional financial advisers.

Royal Skandia Life Assurance Limited is a provider of long-term life assurance.

Skandia International is the divisional name for the international group of companies within the Skandia Group.

www.royalskandia.com

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Royal Skandia Life Assurance Limited is registered in the Isle of Man under number 24916C.

Registered and Head Office: Skandia House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles.

Phone: +44 (0)1624 655 555 Fax: +44 (0)1624 611 715.

Authorised by the Isle of Man Government Insurance & Pensions Authority.

Authorised and regulated by the Financial Services Authority for business conducted in the UK.

Some of the FSA's rules do not apply to non-UK based insurers. FSA register number 142309. www.fsa.gov.uk/register

When printed by Skandia this item is produced on a mixed grade material, which uses a combination of recycled wood or paper fibre from controlled sources and virgin fibre sourced from well managed, sustainable forests.





Key Features Illustration

The enclosed Key Features Illustration shows how your bond may perform in the future, what charges apply and what effect those charges could have on the value of your investment and the amount of any regular withdrawals you have requested.