

# Investment Bond

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## Key Features

This is an **important document** which you should read and keep along with the accompanying illustration and 'Funds directory'.



# Key features of the Legal & General Investment Bond

Please note, if the Guaranteed Death Benefit is required, a different Key features applies.

It is important that you understand how the bond works and what the risks are before you buy. The full Key features comprises this document, together with the accompanying illustration, the 'Funds directory', and if you choose to invest in the Protected UK Growth Fund, the 'Protected UK Growth Fund guide'. Please read all these documents carefully and keep them for your records.

The Investment Bond is a lump sum investment with no specific end date. All or part of the investment can be cashed in at any time, although it should be regarded as an investment for at least five years, ideally more.

## Its aims

- To provide growth on your investment over the medium to long term (five years or more).
- To provide an 'income' if you choose.

Please note 'income' is achieved by regular encashments from the bond and is referred to as 'regular withdrawals' in this document.

## Your commitment

- You invest a lump sum of at least £5,000.
- There is no fixed term but you should be prepared to invest for at least five years, ideally longer.

## Risk factors

- What you get back at any time will depend on the investment performance of the assets that make up your chosen fund (or funds). The value of the investment and any money you take to provide you with an income may go down as well as up. The returns you receive are not guaranteed and you could get back less than your original investment.
- You may get back less than illustrated because:
  - investment growth could be lower than illustrated
  - the deductions could be more than illustrated
  - you take more money out of the bond than illustrated.
- If you exercise your right to cancel the bond as explained in the 'Can I change my mind?' section, you may get back less than your investment.
- If you take cash from your bond within five years of the date of your investment, other than regular withdrawals within the limits explained in the 'How do I take money out?' section, the amount payable will be reduced by an 'early surrender charge', as explained in the 'What might I get back?' section.
- The amount of annual management charge per fund shown in your illustration may be varied in the future. You would be given prior notification if any change became necessary.
- Each fund has its own degree of risk as described in the accompanying 'Funds directory'.
- Historical performance is not a guide to future returns.
- Some specific risks apply to the Protected UK Growth Fund. These are described in the 'What might I get back?' section.

# Questions and answers

## What is the Investment Bond?

- It is a single premium life assurance contract used for long term investment purposes.
- It can be held in the name of one person alone or it can include up to six people. The sole person, or at least one if the bond is held in more than one name, must be under age 90 when the investment is made. All owners of the investment must be aged 18 or over.
- There is no fixed investment period, although the bond should be considered a medium to long term investment; at least five years, ideally longer.
- It ends on the death of the sole person in whose name the bond is held, or on the death of the last person if the bond is held in more than one name. If you would like to arrange for specific family or friends to benefit, ask your financial adviser for details of putting your bond into a trust.

## Where is my money invested?

- Your money is invested in one, or a combination, of our range of funds. Your chosen fund (or funds) is shown on your accompanying illustration. Each fund has its own investment objective and risk rating. Details of all our funds are in the accompanying 'Funds directory'.
- We divide funds into 'units', all units being equal in value. Your share of a fund is the number of units you hold in it. We work out the value of your bond based upon the number of units you hold in a fund and the price applicable to those units. The price applicable to a fund depends upon a number of factors, in particular the value of the underlying assets and whether there is more money going into or coming out of the fund. As the price goes up and down, so will the value of your bond. For further details please see our 'A guide to how we manage our unit linked funds', which is available on request from your financial adviser.
- The percentage of your money used to buy units (known as the 'allocation rate') depends on your age and the amount of your investment, as shown below.

If the bond is to be held in the name of more than one person, the age of the youngest person is used.

Investment amount	Age 74 and under	Age 75 to 89
£5,000-£24,999	100.00%	97.50%
£25,000-£49,999	100.50%	98.00%
£50,000-£99,999	101.00%	98.50%
£100,000 and over	101.25%	98.75%

Our terms are set to cover the costs of setting up our bonds, the cost of the life cover and paying financial advisers over a period of time, rather than making an up front deduction from the investment. Our actuarial experience in assessing life expectancy tells us that for lives aged 75 and above there is an increased chance of the bond ceasing due to the death of the life assured. Therefore, where the life assured is aged 75 or more, we make an initial charge to cover some of our costs due to the increased chances that we will not fully recover our costs over the term the bond is in force. This is general practice in the investment bond market.

## What might I get back?

- The value of your investment is not guaranteed and will fluctuate (please note that safeguards do apply to the Protected UK Growth Fund).
- The amount you receive on cashing in your bond will depend upon:
  - the performance of the assets that make up your chosen fund (or funds) (please note if you invest in any fund that includes overseas investments, the performance can also be affected by exchange rate variations)
  - the length of time you hold it
  - how much you have already taken out of it
  - the charges
  - any early surrender charge that may apply.
- An early surrender charge applies if you need to cash in all or part of your bond at any time within five years from the date of your investment. The amount, and an example of the effect of this, is shown in your illustration.
- It is possible that you could get back less than you originally invested due to the nature of the underlying investments, which can fall as well as rise in value. In addition, this can be particularly applicable if you cash in the bond during the early years, due to the effect of:
  - the early surrender charge, and
  - any age related initial charge, as described in the 'What about charges that apply to the bond?' section, that may have been deducted from your investment. If the percentage shown as the 'allocation rate' on your illustration is less than 100%, a charge has been made.
- Your illustration gives examples of what might happen if the fund (or funds) you have selected achieves the investment growth rates shown throughout the period of your investment. It assumes charges remain at their current level and any regular withdrawals chosen remain unaltered.

### Additional information for the Protected UK Growth Fund only

A description of the key points follows. It is very important that you read the 'Protected UK Growth Fund guide' before investing in this fund as it contains other essential information.

- The fund is a mix of UK shares and cash. It has locked in protection so you will get back 80% of the highest value that your fund reaches even if the UK stock market falls. This protection depends on a third party honouring contracts they have made with Legal & General so it is not an absolute guaranteed minimum return and is not provided by Legal & General. Please see the 'Fund guide' for details.
- The amount you get back could be less than the protected 80% if you cash in during the early years due to the early surrender charge described earlier. Also, if we apply an age related initial charge to your investment (that is, if the 'allocation rate' shown on the first page of your illustration is less than 100%), your built in protection is reduced. For example:
  - if the allocation rate used is 98%, your protected minimum amount is 80% of 98%, that is 78.4%.
- The proportion of your money invested in shares varies throughout the period of your investment, so returns will not reflect the performance of the overall UK stock market.
- The fund will always maintain a substantial holding in cash, so it does not offer as much growth potential as an investment entirely in shares.
- The cost of the protection, as shown on your illustration, has the effect of reducing your investment's growth potential.
- A significant fall in the value of the UK stock market, either as a result of a sudden market crash or over a sustained period of time, would mean that your investment would become largely invested in cash. If a stock market recovery followed, it is likely your investment growth would be severely restricted. Therefore, we will constantly monitor your fund value and if particular circumstances occur as detailed in the 'Fund guide', we will write to you to explain the implications and your options.
- If an exceptional fall occurred, for example around 30% over a very short period, you would become wholly invested in cash. If this happened it would not be in your best interests to remain in the fund. Therefore, we would switch your investment into our Cash Fund and write to you to obtain your instructions.

### How flexible is the Investment Bond?

- You can keep the investment for as long as you like. You can cash in all or part of it at any time, or take regular withdrawals from it to provide you with an income.
- The bond is set up as a series of identical contracts ('policies') to give you greater choice as to how you take money from your bond and potentially to increase its tax efficiency.
- You can switch your money between our funds available under the Investment Bond at any time. We currently do not make any charge for the first 12 switches in any 12 month period but we reserve the right to make a charge to cover our costs, currently £25, for any additional switch.
- You may add to your bond at any time subject to:
  - our still offering the Investment Bond for new investments generally, and
  - the contract terms applicable at the time.

## How do I take my money out?

- You can take one-off amounts or regular withdrawals to provide you with an income. This will reduce the remaining value of your investment and affect future performance. If you are invested in the Protected UK Growth Fund, withdrawing money will also reduce the amount of your built in protection.  
You should remember that the bond is designed to be a medium to long term investment. Any encashments within five years of the date of your investment, other than regular withdrawals within the limits described below, will have an early surrender charge deducted.
- Your bond consists of a series of individual policies. You can take one-off amounts at any time by one of the following methods:
  - cashing in any number of the policies while leaving the others intact
  - taking an amount from all of the policies
  - fully cashing in the whole bond.

This gives you considerable flexibility to withdraw money and to do it in the way that is most appropriate to your personal tax circumstances at the time.

The payment of any large cash withdrawals or switch to a different fund can potentially be delayed when you are invested in the Property Fund or any fund that includes commercial property.

This is because if we need to sell any property to provide your money and/or balance the interests of the remaining investors in the fund, it may be difficult to do so immediately. The value of property is generally a matter of the valuer's opinion rather than fact. Details of the underlying investment holdings of all our funds are shown in the accompanying 'Funds directory'.

- You can choose to receive regular payments ('regular withdrawals') by one of the following options:
  - fixed amounts of money
  - a percentage of your original investment
  - a percentage of the value of your units.

The money is paid into your bank account every month, or if you prefer every 3, 6 or 12 months. The first payment cannot be earlier than one payment frequency from the date of your investment. For example, if the investment is made on 1 June and payments are required every 12 months, the first payment cannot be made before 1 June of the following year.

The maximum amount you can take as a regular withdrawal each year is either 7.5% of your original investment or 7.5% of the value of your units.

Important things you need to know about regular withdrawals are:

- the value of your bond will be affected; in particular, if the amount of income you take is greater than the growth on the bond, the overall value of the bond will fall
- the amounts you receive will fluctuate, unless you choose to take fixed amounts of money
- if you are invested in the Protected UK Growth Fund, the amount of your built in protection will reduce.

The regular withdrawals options are described more fully in our 'Product details' brochure.

### [Natural income – an additional option available for Distribution Funds, Property Fund and Managed Bond Fund](#)

The assets underlying our Distribution Funds, Property Fund and Managed Bond Fund normally generate income that accumulates to benefit the overall value of each fund (such as dividends from shares, interest from fixed interest securities and rent from commercial property). The natural income option allows you to receive 'distributions', which are payments made from the funds twice a year based upon the amount of income accumulated.

These distributions can be paid to you in full each June and December, or alternatively, can be spread out over the six months following each distribution, to provide you with a monthly income.

## What happens to the bond if I die?

- If the bond is in one name, the bond will end on the death of that person.
- The amount payable will be 101% of the full value of your units. If you are invested in the Protected UK Growth Fund, 101% of the protected value will be payable if greater. The early surrender charge, described in your illustration, which applies to one-off encashments within five years of the date of your investment, is guaranteed not to be applied on death.
- If the bond is in the name of more than one person, the bond remains invested until the last person dies. This enables the survivor(s) to continue to benefit from the investment.

## What about charges that apply to the bond?

- The charges applicable, including the amount and effect of them, are shown in your illustration.
- Charges are made to cover:
  - a) the various costs and expenses involved when setting up and managing your bond, such as:
    - investment management
    - administration
    - payment to your financial adviser, and
  - b) if you are invested in the Protected UK Growth Fund, the cost of providing the protection.
- An initial charge is only applied when the person (or all the people if the investment is held in more than one name) holding the bond was aged 75 or over when the investment was originally made. If the percentage shown as the 'allocation rate' on the first page of your illustration is 100% or more, no initial charge has been made.
- There is a recurring charge, which is referred to in your illustration as the annual management charge.
- Investment funds may also bear additional expenses which are not included in the annual management charge. The amount of these expenses is variable but an appropriate allowance for them is made when calculating the assumed benefits shown on your illustration.
- The annual management charge is taken into account when calculating the unit price of each fund, so the value of your bond will always be net of this charge.

## What about tax?

- The investment funds are liable to tax on investment income and capital gains. Legal & General pays this tax. You cannot reclaim this tax.
  - When you take money from your bond it is payable free of any personal liability to income tax at basic or lower rates, or to capital gains tax.
  - If you are a higher rate taxpayer (or become a higher rate taxpayer when you receive money from the bond) there may be an income tax charge in the following circumstances:
    - if regular withdrawals in any year exceed 5% of the amount invested\*
    - on encashment of one or any number of the individual contracts making up the bond
    - on partial encashment of all or some of the contracts in any year which exceed 5% of the amount invested in those contracts\*
    - if the cumulative total of regular withdrawals or partial encashment of all or some of the contracts exceeds 100% of the amount invested in those contracts
- \* Please note the 5% per year is cumulative and any unused part can be carried forward for future years (up to a maximum of 20 years).
- If you are eligible for any Age Allowance, Working Tax Credit or Child Tax Credit when any of the above circumstances apply, your allowance may be reduced which could result in an increase in the tax you pay.
  - If the bond ends due to death, the beneficiaries may have a liability to income tax. They may also have to pay inheritance tax unless the bond has been written under a trust.
  - These details are based upon Legal & General's understanding of tax law and HM Revenue & Customs practice, which are subject to change.
  - Your financial adviser can provide further information on the tax treatment of the bond or about putting it into a trust.

## Can I change my mind?

- Once we have processed your application for the bond, you will receive a cancellation form. On receipt, you have 30 days in which you can change your mind about making the investment into the bond.
- If you decide to cancel within this 30 day period you should complete the cancellation form and return it to the address shown in the 'How to contact us' section. You may not get a full refund of the money you paid to us. If at the time written confirmation of cancellation is received at our Hove office, the total value of your investment is equal to or greater than the amount of your initial investment, a full refund of the initial amount invested will be made. If the value of your investment has fallen below the amount of the initial investment, the refund will be:
  - the value of units, if an allocation rate of 100% or greater was used
  - the value of units divided by the allocation rate, if an allocation rate of less than 100% was used.
- If you do not cancel within 30 days and subsequently change your mind, you can cash in your bond. You will be subject to the investment risks and charges as detailed in the 'What might I get back?' section.

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

- Every year we will send you a statement giving an up to date valuation of your bond. If you are invested in the Protected UK Growth Fund, the statement will also include the current protected value and asset mix.
- You can request a valuation or additional statement from us if you need one at any other time.
- For investments in funds other than the Protected UK Growth Fund, you can check the value of your bond yourself by looking up the unit price of your fund(s) on our website, [www.legalandgeneral.com](http://www.legalandgeneral.com). Simply multiply the number of units you hold by the appropriate unit price shown to obtain the full value of your investment. Please note that this value will not be the cash-in value in the first five years from the date of your investment, due to the 'early surrender charge' described earlier.

## How to contact us

- For further information before deciding to invest or about a new application sent to us, please contact your financial adviser.
- For information after completion of your bond, either contact your financial adviser or  
Call us on: **0870 010 4080**  
Calls charges will vary. We may record and monitor calls.  
Write to us at:  
**Legal & General**  
PO Box 1186, Hove,  
East Sussex BN3 1SD

# Other information

## Additional details

- This document, together with the 'Funds directory' and your illustration, give a summary of the important things you need to know before deciding to invest.
- If you require more detailed information, items available on request from your financial adviser are:
  1. 'Product details' – an explanation of the product features, limits and options.
  2. 'Contract document' – policy schedule and policy provisions (full terms and conditions). Please note, these are sent to all investors shortly after we complete the processing of an application.
  3. 'A guide to how we manage our unit linked funds' – an explanation of the main policies and practices by which we manage our life funds.
  4. 'Protected UK Growth Fund Guide' – an explanation of how the fund works for those choosing to invest in this fund.

## About Legal & General

The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. We are one of the UK's top 50 companies in the FTSE 100 Index. Over 5.75 million people rely on us for life assurance, pensions, investments and general insurance plans. The Legal & General Group is responsible for investing over £301 billion worldwide (as at 31 December 2007) on behalf of investors, policyholders and institutions.

## Our regulator

We are authorised and regulated by the Financial Services Authority. We are entered on their register under number 117659. You can check this at [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register) or telephone them on 0845 606 1234.

## How to complain

- If you would like to complain about any aspect of the service you have received from Legal & General, or would like us to send you a copy of our internal complaint handling process, please call or write to us using the details set out in the 'How to contact us' section.
- If you are not satisfied you can complain to:  
The Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London E14 9SR  
Making a complaint will not affect your legal rights.

## Compensation

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. The first £2,000 of a claim is protected in full. Above this amount, the Scheme covers payment to 90% of the value of a policy. You can get further information from the Financial Services Compensation Scheme. You can find details of the scheme at [www.fscs.org.uk](http://www.fscs.org.uk).

## Law

- Unless otherwise stated in writing, the law applicable to the bond is English Law.
- All our customer communications will only be available in English.

Legal & General Assurance Society Limited  
Registered in England number: 166055  
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