Key Information Document

Purpose

This document provides you with the key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

The Child Bond is manufactured by Scottish Friendly Assurance Society Limited ('Scottish Friendly'). The investment option is the With-Profits fund, which is manufactured by Scottish Friendly. Visit www.scottishfriendly.co.uk or call 0333 323 5433 for more information. Scottish Friendly is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Details can be found on the Financial Services Register – Registration No. 110002. This Key Information Document was produced on 30 August 2019.

What is this product?

Type	The product is a tax-exempt with-profits plan, which means that it grows tax-efficiently and the child's final lump sum payout is free of tax.
Objectives	The Child Bond is a tax-exempt with-profits plan with a chosen investment option of the With-Profits fund. It aims to achieve long-term growth over a fixed 10-year term or until the child reaches age 18 or 21 (subject to a minimum 10 year term) from a mixed managed fund where premiums are pooled with those of other clients and investment performance is linked to a portfolio of stock market, property, cash and bond assets. Additionally, returns are smoothed to reduce some of the ups and downs of the stock market. Investment performance is reflected in the child's plan through the addition of bonuses. Once a bonus has been added, it cannot be taken away. Tax treatment depends on individual circumstances and can change in future.
Maturity	This product has a maturity date of 10 years or until the child reaches age 18 or 21 (subject to a minimum term of 10 years) from the date of the first investment. The recommended holding period is 10 years. Scottish Friendy cannot unilaterally terminate this product.
Intended retail investor	This product is intended for investors who are prepared to take on a medium level of risk, from a portfolio of mixed investments, in a fixed-term arrangement of 10 years.
Insurance benefit	The amount payable on death is the value of the policy, which is formed of the guaranteed minimum cash sum plus any bonuses added to that date.

What are the risks and what could the child get in return?

1 2 3 **4** 5 6 7

Lower risk **Higher risk**

The risk indicator assumes you keep the product for 10 years. The actual risk can vary significantly if you cash in at an early stage and the child may get back less.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay the child.

We have classified this product as 4 out of 7, which is a medium risk class. This rates the potential losses from future performance at a medium level, and poor market conditions could impact our capacity to pay the child

If we are not able to pay the child what is owed, they could lose your entire investment. However, they may benefit from a consumer protection scheme (see section 'What happens if we are unable to pay you'). The indicator shown above does not consider this protection.

Performance scenarios

Investment	£1,000	1 Year	5 Years	10 Years (Recommended holding period)
Survival scenarios				
Stress	**What the child might get back after costs** Average return each year	**£0** -100%	**£2,511** -22.14%	**£5,462** -11.38%
Unfavourable	**What the child might get back after costs** Average return each year	**£0** -100%	**£3,922** -7.99%	**£10,125** 0.23%
Moderate	**What the child might get back after costs** Average return each year	**£0** -100%	**£4,756** -1.67%	**£12,780** 4.42%
Favourable	**What the child might get back after costs** Average return each year	**£0** -100%	**£5,705** 4.43%	**£16,032** 8.43%
Death scenario				
Insured event	**What the child's beneficiaries might get back after costs**	**£9,250**	**£9,250**	**£12,780**

This table shows the money the child could get back over the next 10 years, under different scenarios, assuming that you invest £1,000 per year. The scenarios shown illustrate how the child's investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What the child gets will vary depending on how the market performs and how long you keep the product. The stress scenario shows what the child might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay them.

The figures shown include all the costs of the product itself. The figures do not take into account the personal tax situation, which may also affect how much your child gets back. The child's maximum loss would be that they lose all of the investment.

What happens if Scottish Friendly is unable to pay out?

If you buy a policy with Scottish Friendly and we cannot pay the full amount due, you may be entitled to compensation under the Financial Services Compensation Scheme. The maximum level of compensation for claims against firms declared in default is 100% of the claim with no upper limit.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return the child might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods.They include potential early exit penalties. The figures assume you invest £1,000 per year. The figures are estimates and may change in the future.

Table 1: Costs over time

The person selling you or advising you about this product may charge you other costs. If so, we will provide you with information about these costs and show you the impact that all costs will have on your investment over time.

£1,000	If you cash in after 1 year	If you cash in after 5 years	If you cash in after 10 years (the recommended holding period)
Total costs	**£1,000**	**£1,748**	**£3,094**
Impact on return (RIY) per year	100.0%	10.6%	3.6%

Table 2: Composition of costs

The table below shows:

- The impact each year of the different types of costs on the investment return the child might get at the end of the recommended holding period.
- The meaning of the different cost categories.

One-off costs	**Entry costs**	100%	The impact of the costs you pay when entering into your investment.
	Exit costs	£0.00	The impact of the costs of exiting your investment when it matures.
Ongoing costs	**Portfolio transaction costs**	0.00%	The impact of the costs of buying and selling underlying investments for the product.
	Other ongoing costs	6.63%	The impact of the costs that we take each year for managing your investments.
Incidental costs	**Performance fees**	0.00%	We do not take a performance fee from your investment.
	Carried interests	0.00%	We do not take carried interests from your investment.

How long should I hold it and can I take money out early?

Recommended minimum holding period: 10 years

This product has a minimum required holding period of 10 years. You can cash in the Bond early but if you cash in within the first 23 months, the child will get nothing back. If you cash in after the first 2 years, any return the child gets back may be less than the amount you have paid in.

How can I complain?

If you wish to complain about any aspect of the service you have received you can contact us at Scottish Friendly, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ. Tel: 0333 323 5433.
www.scottishfriendly.co.uk/contact-us/email-enquiry

Other relevant information

Scottish Friendly pays a monthly commission to Forces Mutual out of the fund charges for the duration of the policy. Please note that the figures assume you invest £1,000 each year, which is the required amount we are able to show based on the regulation for this product. As such this Key Information Document should be read in conjunction with the Product Guide, which provides additional examples of what the child could get back in the future based on a lower investment amount and shows how commission is paid.

Other policy documentation relating to this product, can be found in the Product Guide supplied.