



THE SCOTTISH LIFE FUND

Annual With Profits Bonus Statement 2018 – Frequently Asked Questions

June 2019

Why have I received this statement?

A bonus statement is issued on an annual basis to customers who hold traditional with profits plans.

What is a traditional with profits plan?

A traditional with profits plan is a type of investment with returns indirectly linked to the value of shares and/or bonds. In exchange for making payments when due, we guarantee that the plan will pay out no less than the guaranteed amount at the plan's maturity or on specified other events as set out in your plan conditions. We invest the payments and add regular bonuses to the guaranteed amount to reflect the profits and losses on those investments. We may also pay a final bonus when you take your benefits.

What does the statement show?

The statement shows the amount of annual bonus added to your plan for 2018 and the increase in the guaranteed minimum benefits payable under your plan at a specified date or event in the future.

Annual bonus depends on the investment performance of the Scottish Life Fund (the fund) and is not guaranteed to be paid in the future.

Why does my statement show a zero declared bonus amount?

Annual bonus rates are currently low. If the actual amount of bonus added is less than one pound then it has been rounded down to zero on your statement. However, the exact amount of bonus is held on our records and will be taken into account when your plan matures.

How much is my plan currently worth?

The statement shows the amount of annual bonus added to your plan for 2018. Please note that this statement isn't a projected maturity value or a current valuation should you wish to cash in or transfer your plan. For information relating to either the likely maturity value or surrender/transfer value or for any information relating to previous bonus amounts or statements please call us on **0345 60 50 050**.

Why has my annual bonus rate not been increased this year?

It's important that we manage the build-up of guaranteed liabilities carefully, which is why we've limited the size of the annual bonus this year. Keeping guarantees low allows us more freedom in how we invest your policy. This year we have been able to increase the proportion of assets in the fund that are seeking to achieve long term returns above inflation. We are now targeting a mix close to 50% in company shares by the end of 2019 to generate higher expected future returns.

What about final bonuses?

In simple terms, final bonuses make up the excess of the 'fair value' over the guaranteed benefits. Keeping annual bonuses low means we can limit the size of guaranteed benefits and do all we can to provide higher final bonuses when investment returns are good.

Final bonuses will only be added when justified and we may change them at any time to treat planholders fairly. These bonuses are not guaranteed to be payable in the future.

Is my Endowment plan on track to pay off my mortgage?

We send separate regular updates to mortgage endowment planholders saying whether or not, under certain assumptions, the endowment is likely to repay the mortgage.

Why do the guaranteed annuity rates within Pensions plans increase the level of risk within the fund?

Guaranteed annuity rates offer planholders the option to convert their pension pot into an annuity (an income provided throughout their retirement) at a rate set when they took their plan out. The value of this option is highly dependent on interest rates and the lifespan of planholders who take the option. This means the fund has been exposed to high levels of interest rate risk and the risk that people live for longer. The GAR Scheme has reduced the number of plans with guaranteed annuity rates in the fund, and has therefore reduced the level of risk within the fund. For more information on the GAR Scheme visit www.royallondon.com/GAR.

Where can I find out more about the fund?

You can view and download the following documents from our website at royallondon.com/PPFM or you can ask us to send you copies by calling us on **0345 60 50 050**.

- **The Scottish Life PPFM** – a detailed technical document that explains how we manage the with profits fund including how our with profits plans work and what benefits you can expect from them. The Principles are high level statements setting out how we intend to manage the fund over the long term. The Practices are more specific statements that describe how we intend to follow the Principles in managing the fund on a day-to-day basis.
- **PPFM Guide 5** – a plain English guide to the key points of the PPFM. The most recent version is available on our website in the Scottish Life Guides section. We will send you an updated version of the guide with a future statement if we make any significant changes.

- **Investment mix and investment returns for with profits plans** – a leaflet showing the investment mix and investment returns in recent years for with profits plans invested in the fund. This is available on our website in the Investment mix and investment returns section.
- **The Directors' report on compliance** – the most recent report about how we have complied with the PPFM.

How can I find out more?

If you need any more information on the Scottish Life Fund or have any questions about your with profits plan please call us on **0345 60 50 050** between 8.00am and 6.00pm Monday to Friday, except bank holidays, or visit our website at royallondon.com/SLbonus.



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