

## Friends Life announces with-profits bonus rates

In July 2017, Friends Life revised bonus rates for its with-profits funds. You'll find a summary of each fund's performance below, and some examples of how the declared bonus rates have affected the value of policies.

### Overview

Equity markets (shares) have continued to perform well during the first half of 2017. Whilst still positive property and fixed-interest stocks (including both UK Government bonds (Gilts) & UK company bonds) produced slightly lower returns.

For the first five months of 2017, the FTSE 100 share index, a commonly used indicator of the performance of UK shares, showed a total return of +7.30% (Source: Lipper IM, a Thomson Reuters company. FTSE 100 Total Return Index), while UK company bonds returned +3.56%. (Source: Lipper IM, a Thomson Reuters company. Markit iBoxx Sterling Non Gilts Overall TR Index).

Against this backdrop, our with-profits funds have earned returns ranging from 4.7% to 5.9% before tax over the first five months of 2017.

### Which fund is my policy I invested in?

The '[Which fund](#)' section on our website can help you to work out which with-profits fund your policy is invested in. You can tell if your policy is 'unitised' or 'conventional' from your annual statement. If it shows units and unit prices then you have a unitised policy; otherwise you have a conventional policy.

### Key information about Friends Life's main with-profits funds

#### Friends Life FLAS With-Profits Fund (including ex Sun Life Assurance Society policies)

- **Fund investment return.** Over the first five months of 2017, the funds earned a return of 4.8% before tax.
- **Target asset mix.** Shares and property are targeted to be 50% of the fund's investments.
- **Regular bonus rates** are unchanged.
- **Final bonus.** Some rates have increased, some are unchanged and some have reduced. The reductions relate mainly to onshore bonds.
- **No market value reductions** currently apply on any policies.

### Friends Life FLC With-Profits Funds (including ex AXA Sun Life policies)

- **Fund investment return.** Over the first five months of 2017, the funds earned a return of 4.7% before tax.
- **Target asset mix.** Shares and property are targeted to be 60% of the fund's investments.
- **Regular bonus rates** are unchanged.
- **Final bonus.** The majority of final bonus rates have been increased, a few remain unchanged and there have been some reductions, particularly for conventional policies.
- **No market value reductions** currently apply on any policies.

### Friends Life FP With-Profits Fund (including ex Friends Provident policies)

- **Fund investment return.** Over the first five months of 2017, the fund earned a return of:
  - 5.0% in respect of policies written before 9 July 2001 (pre demutualisation) before tax.
  - 5.9% in respect of policies written after 8 July 2001 (post demutualisation) before tax.
- **Target asset mix.** Shares and property are targeted to be:
  - 45% of the fund's investments for pre demutualisation policies.
  - 55% of the fund's investments for post demutualisation policies.
- **Regular bonus rates** are unchanged.
- **Final bonus rates** have generally increased
- **No market value reductions** currently apply on any policies.

You can find further information about the assets the funds invest in on our website.

## Impact of the declaration

Some examples of policy payouts reflecting the bonus rate changes are shown below. Payouts on policies in the FLAS and FLC With Profits Funds are currently benefitting from a substantial uplift as a result of a distribution of excess assets of these funds.

<b>Product - 25 Year With-Profits Endowment</b>	<b>Maturity value in July 2017</b>	<b>Annual Return</b>
<b>Friends Life FLC (Unitised)</b>	<b>£34,254</b>	<b>6.1%</b>
<b>Friends Life FP (Conventional)</b>	<b>£29,057</b>	<b>4.9%</b>

A with-profits mortgage endowment policy taken out on 1 July 1992\* by a male aged 30 next birthday. Premiums to pay for the with-profits endowment benefit are assumed to be £50 a month. The value of the fund is based on a maturity date of 1 July 2017\*.

*\*Date of investment/maturity is 3 July for the Friends Life FLC Fund example.*

<b>Product - 20 year With-Profits Pension</b>	<b>Maturity value in July 2017</b>	<b>Annual Return</b>
<b>Friends Life FLAS</b>	<b>£102,834</b>	<b>7.1%</b>
<b>Friends Life FLC</b>	<b>£122,532</b>	<b>8.6%</b>
<b>Friends Life FP</b>	<b>£89,974</b>	<b>5.9%</b>

A unitised with-profits personal pension plan taken out on 1 July 1997\* by a male retiring at age 65, paying £200 per month gross. The value of the fund is based on retirement at the selected retirement date of 1 July 2017\*.

*\*Date of investment/retirement is 3 July for the Friends Life FLAS and FLC Fund examples.*

<b>Product - 15 year With-Profits Bond</b>	<b>Surrender value in July 2017</b>	<b>Annual Return</b>
<b>Friends Life FLC</b>	<b>£32,658</b>	<b>7.9%</b>
<b>Friends Life FP</b>	<b>£21,415</b>	<b>5.2%</b>

A unitised with-profits bond taken out on 1 July 2002\* with a single premium of £10,000. The value of the fund is based on a surrender made on 1 July 2017\*.

*\*Date of investment/surrender is 3 July for the Friends Life FLC Fund example.*

The above examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The bond and endowment values are after charges and tax. The pension values are after charges and before tax. The Annual Return figures shown are the average return earned per year over the term specified.  
Source: Friends Life.

## **With-profits governance**

The With-Profits Committee has considered the bonus proposals and has assessed them against the Principles and Practices of Financial Management (PPFM) published by Friends Life. The Committee is satisfied that the rates represent reasonable and appropriate application of the company's discretion.

## **How with-profits policies work**

- A with-profits policy differs from a unit linked policy in that it is not totally reliant on the current value of the underlying assets. Some types of with-profits policies offer guarantees that provide a cushion against falling investment markets in certain circumstances. Furthermore, except when bonus rates are changed, the pay-out from a with-profits policy does not vary greatly on a day-to-day basis, as might be the case for a unit linked policy.
- Some with-profits policies give further protection by providing an element of life assurance cover.
- Please note, that as bonus rates are regularly reviewed they may change at any time.
- Future bonuses cannot be guaranteed as they come from profits that have not yet been earned.
- Further details as to how bonus rates are applied can be found in the [PPFM summaries](#) on our website.
- Market Value Reductions may be applied at any time particularly following a large or sustained fall in the stock market.
- Please refer to your policy literature and Terms and Conditions for details of the plan/policy's aims, commitment, its charges and any risks associated with it.

## **Notes**

- Friends Life has a number of with-profits funds. Please refer to our [website](#) to help you work out which with-profits fund your policy is invested in. We have a range of bonus series to cater for different product structures and premium rates. These are designed to achieve fairness between policyholders.
- Aviva Group acquired the Friends Life Group in 2015. This article does not include Aviva with-profits business. You can find further details about our Aviva with-profits funds [here](#).

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